



Franco-German axis and the Future of Europe in Turbulent Times

28 giugno 2018

by *Elisabeth Hellenbroich*

Conference „Future Europe“ 2018

On June 20th a conference took place in Frankfurt under the title “Future Europe”. It refers to a new initiative which was launched by Dr. Nader Maleki (Founder of *Future Europe*, a prominent German-Iranian businessman who became known for his successful management of the annual European Banking Congress in Frankfurt); by Dr. Andreas Dombret, former member of the Executive Board, Deutsche Bundesbank (Chairman of *Future Europe*) and by Dr. Thomas Steffen, former Secretary of State. Parallel to the Frankfurt conference simultaneous conferences took place in Amsterdam, Paris and London with the audiences participating “live” in the different panel discussions.

“Future Europe” is an ambitious project which — as the discussion demonstrated however — was this time not leaving room for an exhaustive in depth discussion concerning some of the key projects that Europe must envisage. What was not discussed in detail was what Dr. Norbert Roettgen (German Foreign Affairs Committee, German Bundestag) had described as a “clash between two models concerning the future Europe: An illiberal Europe and a liberal, multilateral Europe.” These words just remained buzz words and vague. There was also a lack

of concrete brain storming about future projects on a European level such as: Infrastructure (like the Chinese One Belt/One Road initiative), innovative investments, solving the debt crisis and migration. In light of the European challenges including trade war that is imposed on Europe from the American president Trump, the chaotic debate in Germany about migration, wars in the Mideast, and the fact that Europe is facing fragmentation and “social fatigue”- as former Italian Prime Minister Enrico Letta (President of Jacques Delors Institute, Paris, today) put it in one panel -, one key element of the conference was the quite positive evaluation that was given by different panelists about the June 18, 2018 French-German summit in Meseberg.

Among the leading panelists there were Dr. Werner Hoyer, President of European Investment Bank, Luxemburg (EIB), Bini Smaghi of the Board of Directors Société Générale Paris; Dr. Jörg Zeuner, chief economist KfW Bankengruppe, Frankfurt; Christian Sewing CEO Deutsche Bank AG, Frankfurt; Jeroen Dijsselbloem, former President of the Eurogroup; Rinaud Basso, Director General of the French Treasury; Pierre Heilbronn, Vice president Policy and Partnership, “European Bank for Reconstruction and Development” (EBRD), London and Lord Mervyn King, former Governor of Bank of England, London.

Asked whether there was not the possibility by Europe to answer Trump’s trade war and sanctions regime by way of using new instruments and the power of institutions such as the “European Investment Bank facility”, or the “European Bank for Reconstruction” and the KfW (Reconstruction Loan Corporation), one of the key organizers of the conference in a conversation commented: “Where there is will, there is a way. Now is the right moment to act.”

Future Mission of Europe

The Founder of the Conference Dr. Maleki described the new initiative as a “think tank” discussion about the “future mission of Europe”. He underlined that the conference involved a network of European institutions, in order to discuss the premises of a Europe mission that could guarantee the stability in front of the manifold geopolitical challenges. The major players for this mission involve Europe, Asia and US and what needs to be discussed is a “Grand strategy for Europe” including the plan to complete the “European Banking Union”, “build a strong Europe and strengthen the political leadership for Europe. I do hope indeed that *Future Europe* will become part of the future topics.” Dr. Dombret (former executive member of Deutsche Bundesbank) was confident that this new European initiative will be followed by a “series of events supposed to take place twice a year in several European cities.” He emphasized how important it was to talk about the ideas of French President Emanuel Macron and his speech about Europe that he had given at the Sorbonne in Paris, in September 2017.

One should recall that during the Sorbonne speech the French President called for the “re-founding of a sovereign, united and democratic Europe” and in light of the new challenges (terrorist threat, migration, strategic crisis in Mideast and Africa as well as a progressive disengagement of the US) he outlined six parameters on the basis of which a strong and sovereign Europe could be built. One key proposal included the idea to “make the Eurozone the heart of Europe’s global economic power.” Macron stated in his speech that Europe needed to have a budget “allowing it to fund common investments and ensure stabilization in the event of economic shocks.” He also called for concrete solidarity through social and tax convergence (corporation taxes) and a common policy to fight unemployment.”

A qualitative breakthrough at the German- French Summit in Meseberg

A key reference point throughout the panel discussions was the German–French Meseberg Summit that had just been concluded on June 19th. Several panelist qualified Meseberg as “a breakthrough” and a “revolution” (Dr. Steffen). A closer study of the Meseberg declaration (in French as well as in German) shows that there was a new “dynamic” in the event. The two declarations underline the will to build a sovereign, democratic and unified Europe which is competitive and creates the basis for growth. “A Europe whose economic and social model as well as multicultural orientation, solidarity, justice is ready to play its internal role and promote development as well as tackles migration and climate change. France and Germany are determined to strengthen their bilateral cooperation. They both demand the strengthening of Border Police for the internal and external borders.” Both sides expressed the desire to have a “common tax on corporations” and to strengthen the economy of the Economic Union. This includes the European Stability Mechanism (ESM) which should have stronger role in supervising and judging the situation of member states as well as preventing crisis and give financial credits.

A key topic was also the “European Euro Zone Budget” which Macron would like to have at the level of additional 300 billion Euros. For the German side so far this reduces itself to a double digit billion Euro amount of money. Yet both sides agreed that a 2021 budget should be constructed for the Eurozone that promotes competitiveness and stabilization of Eurozone. The budget which was not nominally fixated at the summit, is supposed to “promote investments in innovation and human capital.” The two leaders also agreed to examine the European stabilization fund for unemployment in case of strong economic crisis erupting and both decided to install “working groups” that should study the concept of a “European unemployment insurance fund.” They also expressed commitment to concentrate on investing in European innovations, including Space and Climate programs and in respect to the upcoming European elections 2019 we should on a European level have more discussions with European citizens (Jakob von Weizsäcker, Member of European Parliament MEP).

“We need 10.000 extra border police” (von Weizsäcker, SPD, MEP)

Former German Secretary of State Dr. Steffen in reference to the Meseberg event, emphasized the importance of Macrons Sorbonne Speech (September 2017) and his plea for setting up a good neighborhood policy with Africa. He qualified the recent summit declaration as a “road map”, that needs to be negotiated “in the frame of 19 member states” and as a “revolution”- the key decisions of which will be made by the member states concerning the question how to spend money for the purpose of productive innovation. According to Jakob von Weizsäcker (Member of ECON, Group of Progressive Alliance of Socialists and Democrats, MEP) “we need much more funds” in the EU. He reminded that we needed in the next 10 years 10.000 extra border guards and that yet nobody has presented a concrete plan. “I’m looking for Germany and France to come up with a practical plan.” On the other side he emphasized the need to focus on the “productivity increase in the EU.” The EU budget is 1% of the EU GDP. “Economic and financial stability must be addressed.” Being in favor of the ESM an Eurozone budget he qualified this to be seen as additional funds for the Eurozone – for example in respect to infrastructure, for the economy and security. The “European Infrastructure is an European public Good.”

Dr. Steffen made reference to Italy and emphatically said, that “we should give the newly elected government in Italy a chance. I am still positive. We should not repeat the Grexit discussion, but discuss what to do. Italy has a strong industry basis in the North. The question is what to do with the South. With the right incentives we can encourage more investments”, to which von Weizsäcker added that “Italy has excellent economists and that it does not need any lecturing from Berlin. We need to tackle the European problem – such as border control.

The humanitarian treatment of refugees needs to be European funded! This implies a federal and border police.” He also mentioned the importance of having the “investment facility role of the EIB” who’s President Dr. Wener Hoyer on his turn expressed his “congratulation for Meseberg”. “Finally Germany is giving a response to Macron. What is the future role of the Eurozone. We need more ESM. And we need strong investment incentives. After looking inward over the last 10 years we lost the competitive productivity (vis- a- vis Asia) the Fund proposed by Macron is the right instrument.”(!) Dr Hoyer said.

“Germany did not pay one Euro for Italy” (Enrico Letta)

EIB President Dr. Hoyer, when being asked about the role of the EIB, stated that “Europe is in a difficult position. We must strengthen our security for something that makes it more attractive. Prosperity and peace are at risk. He strongly urged the need to close the productivity gap- in order to make Europe more competitive. “Solidarity and Subsidiarity are key,” he underlined and “the EIB is an instrument for solidarity and subsidiarity.”

Various panelists referred to Italy – such as for example the chief economist of the KfW Dr. Zeuner who pointed to the fact that Italy at present is in difficult situation. Enrico Letta, former Prime Minister of Italy, in a keynote spoke about a certain “integration fatigue”. Asked about what had happened in Italy and about the reason why Italy, which was once the most pro-European, is where it is now, he said: “If you take the results of the Italian elections in March and the French elections (49% in France voted for the populists; in Italy 49% voted for the populists) we had a Euro crisis and sovereign debt crisis with a tremendous impact on youth unemployment, producing ‘social fatigue’ and a migrant crisis, which brought about a mix of anti- establishment mood.” He also remarked that in Italy Euro funds were used to “cover expenses” rather than for investments. “We need to think in investment terms, which is why Meseberg was important!” Letta said. He further remarked that “Germany didn’t pay any euro for Italy.” “The key is how to invest at a European level.”

Christian Sewing, the new chairman of the Deutsche Bank AG, underlined that — faced with new geostrategic challenges and war “we need a sense of urgency, and that strengthening Europe is key. What we need is a real vision how to compete. We need to bring out a vision in the young people, who don’t know what Europe stands for. What is the interest of people in Europe? Having a job, security, migration, health and healthy environment. Hence you need a vision that unites the people.” Pierre Heilbronn , Vice President ERBD, pointed during the discussion to a missing link in Meseberg, namely that aside security, Euro and Migration the missing link is a “European Marshall plan for Africa and the Mideast that is capable to build bridges.” While Dr. Norbert Roettgen (MDB) spoke about the need to create a “group of the willing” on the issue of migration. And the need to have a strategic vision vis- a -vis China and Russia.

Looking at the conference in the context of the chaotic debate in Germany focussed on the the question how to handle migration, the words of German President F.W.Steinmeier should serve as guideline not only for the political class in Germany and Europe, but also for the bankers and economists that were present in Frankfurt. He essentially called for “reason” to prevail in the political debate. “Why should we demand reason in the political debate when on the highest political level in Germany and within the government we see a lack of restraint and reason?” he asked. His call for “reason” to prevail is important in the search for a Grand European design , that is based on a new industrial policy, a regulated banking union, development and social development based on solidarity and justice.

Wiesbaden, June 25th 2018