

Council of Councils Eighth Regional Conference Public Event

“The Endgame in the Eurozone and Europe’s Prospects as an Effective Global Actor”

October 5, 2015

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TURAN: Ladies and gentlemen, thank you very much for starting off ten minutes late; but it is called the “time of courtoisie.” We are starting actually on time, because as you know, when airplanes land within fifteen minutes of arrival time, they are considered to be on time.

We have a very distinguished panel this evening. In fact, I recall, if some of you may know, Parkinson who wrote about organizations. He talked about a cabinet and said “You need five people to form a cabinet and four of them should be experts on tier, foreign affairs, exchequer and defense. And the person who has no expertise becomes the Prime Minister.” It seems if we apply the same concept to the situation, we have the experts. Our panel is titled “The Endgame in Eurozone and Europe’s Prospects as an Effective Global Actor.” Obviously there is a mistake here, it should be EU, not Europe, because Europe is obviously bigger than EU and what they had in mind when they asked this question was essentially EU, not Europe.

Let me introduce the members of our panel, who need no introduction. Maybe I am the only one that may need it, but it is my job to introduce them. We have Thomas Gomart, the director of French Institute of International Affairs, otherwise known as IFRI. And then next to him is Volker Perthes, director of German Institute of International and Security Affairs. And then, a name that most of you are familiar with, if not personally, when you read the newspapers, and this is Richard Haass. He is the president of Council on Foreign Relations, but we got to know his name not through that, but through American administration in earlier times. And then, all-too-well-known Memduh Karakullukçu, the vice chairman and president of Global Relations Forum.

“The Endgame in Eurozone and EU’s Prospects as an Effective Global Actor.” I guess that is loaded with an assumption that the two are related. So let me start with you, Volker. “Endgame.” Is there an endgame or is it the end of Eurozone that we are talking about? What does the endgame of Eurozone mean to you?

PERTHES: I was wondering what it meant and what kind of sports it was referring to. I mean it may be a kind of sports which has very, very long rounds. But no, I don’t see an endgame, I don’t see an end. I think Eurozone and the Eurozone crisis that we have been talking about for many years is not the crisis of the day anymore. And what I think about crisis is that the newest crisis of the day drives out the older crises.

Sometimes you find out that actually the older crises were not as dangerous as you thought; you start to think “Oh we can solve that because we have much more difficult things to deal with today.” But let me say a word on the Eurozone. I think after the third bail-out package for Greece, the situation is actually much more relaxed than it used to be over many of the last years. The bail-out package is better than previous bail-out packages. Mr. Tsipras has a clear mandate to remain inside the Eurozone from his voters. And I still think he could become sort of a Greek Gerhard Schröder, a social democrat who does reforms that may hurt his constituency but bring his country forward. He has his mandate to keep Greece inside the Eurozone, but at the same time the prospect of a “Grexit” is no longer seen as a major threat to the Eurozone or the EU as it would have been two to three years earlier. So, it is not really that threatening crisis. But what we can do, I think, and maybe we will spend some time on that, is to say “Can we learn from the Euro crisis and the way how we dealt with it?” for the crises of the day, which is of course the refugee crisis today. I mean, Europe is usually doing the right thing but much too late.

TURAN: And it becomes the wrong thing, because it is so late?

PERTHES: No, usually, I think, trying to coordinate twenty-eight countries is not so easy. So it takes a lot of time and in the end we usually come up with the right solution, but it takes longer than it should have taken. I think the Greek crisis is a very clear example of that. I mean from the first rescue package we could have done it better, perhaps you can easily say that as an academic in the hindsight; but then you need to coordinate, to bring people together. We have the same questions now, sort of the big themes when we deal with the refugee crisis, which is the question of solidarity and the question rules, and can we bring them together in a way that it works? I guess we will come back to that.

TURAN: What I understand from what you said is, in order to get out of a crisis, you need a bigger one, so that you forget about the previous one.

PERTHES: It is not a recipe, but it is a law of political life.

TURAN: It is a law of political life, so things are of relative importance. Is that the way you see it, Thomas?

GOMART: You know, it seems to me that the debt is manageable in Greece. The package is fine, and things can be done not easily, but still can be done. Now the political consequences are very serious, and I see two of those: First of all, we avoided Grexit, but the negotiating with the EU has changed dramatically with the referendum, for instance, the decision taken with the authorities. I would say the way of managing things by Europeans has changed. Second big thing in my opinion is the fact that these crises also reflect the growing imbalance between France and Germany at the economic level, but also politically within the EU. It is something we should think about, it is how to manage now the relation between France and Germany. GDP of France and Germany is around five-thousand billion Euros. It is very important for the stability of the Eurozone. But this relationship is questioned now, I think.

TURAN: It is very interesting that you referred to this managing of relations between France and Germany, because looking from the outside it could be an inner-directed concern rather than an external concern. So this leads me to the question in the title, which says EU's prospects as an effective global actor. So what you are saying, maybe the tracks from this potential, if there is a potential, maybe not—what do you say?

GOMART: Once again I think that the conception of where to drive the EU has changed, and we know that EU has a structural problem. We have this common currency, but no fiscal convergence, and I think that this type of question can occur again. I think we avoided Grexit and it is something that is very beneficial for us. After the question of Grexit, there is the possibility of Brexit. So one of the main challenges we are facing now is this one.

TURAN: I see. Richard, you look at it from across the Atlantic and usually it is said that the Americans are concerned about the health of European economies. But they are sometimes more concerned about security questions. So is it true? When you look across, what do you see? Do you see a reliable partner?

HAASS: Let's take one or two steps back. First of all, the great accomplishment of post-WWII Europe is what we see: It is Franco-German, not just rapprochement but the birth of an integrated relationship. For half of the twentieth century, Europe was the venue of the two greatest wars in modern history and then it was the principle venue of the Cold War. So Europe simply being stable and in peace within itself is a great accomplishment; and we tend to overlook it and take it for granted. So even if Europe did nothing else other than being at peace and stable, that would be pretty good, compared to the twentieth century. That is already a lot of progress. Then you are asking, can it be more than that? Can Europe also be a global actor?

Well, there are several things that are holding it back. One is the economics, not in the sense that we talked about it. The biggest problem facing Europe economically is not the structural problem of having a monetary system but not a fiscal parallel. The biggest problem facing Europe economically is European national economic policies. Europe is living the reality of extremely low growth. You have got regulatory systems that essentially discourage job creation, now it is dangerous to hire someone since it is so difficult to let them go. You have got all sorts of rigidities. So to me, the biggest problem facing Europe is not the crisis in Greece or in anywhere else; it is the condition of Europe itself, it is the underlying condition. I do not see that changing, so one of the things holding Europe back is itself. Its share of global GDP is gradually falling. I think it is simply the trajectory.

Second of all, it spends very little on defense. Only three or four countries in European members of NATO spend 2 percent. But more importantly, what Europe spends on defense makes no sense. It is not European spending. What you have is national spendings on defense, and no one is taking a step back and saying "Is this coordinated?" So Europe could actually have, at its current level of defense, if you add up every nation's spending, if it were centrally decided, you could have an impressive military. But the fact is it is not. So you have lots of replications, and you have lots of gaps. So problem is, it is almost the case in public policy, it is not how much you spend, it is how you spend it. This is true for every country in every area, from education to health to defense, including my own. So the problem with Europe is that there is not enough Europe. If there were more Europe and you actually had a coordinated system for deciding priorities in defense and then allocating them across boundaries, Europe could do something. But you currently do not have that. And you have got, as it has already been pointed out, a decision-making system that does not work. Henry Kissinger's old question of "Who do I call?" is still a pretty good question. We may have gone from landlines to cell phones, but the question is still there. Who do you call if you want to speak to Europe? And then Bob Gates, previously the American secretary of defense, spoke about a change in mentality. It is very hard to get most European publics or governments to think seriously about the rest of the world and playing a large role. I think the refugee crisis will have two

effects: Does the refugee crisis have Europe more inward-looking? Or does it get Europeans for the first time in quite a while say “Unless we start playing a larger role, let’s say in the Middle East, we are going to be overwhelmed by the consequences of disorder beyond Europe.” Europe can no longer be, if you will, a kind of island. So Europe now has to have a strategic stake, say in the stability of Middle East. “We cannot depend on the Americans, we cannot depend on the Middle East. We as Europeans have to play a larger role.” I do not know if that will be the reaction. But I think that is probably the debate that we need to see in Europe.

TURAN: What you are talking about reminded me of an experiment in building a European military machine. Remember there was the army, Volker Perthes you may remember, the German officers tended to get up early, and the French officers tended to get up late. The German officers ate their food with their soldiers, and the French officers set a special table for themselves. One could not consume alcohol; the others drank wine in their meetings.

PERTHES: Meanwhile we both can.

TURAN: So there are many challenges to be met in this endeavor. It is more complicated.

HAASS: No it is not. Europe has in some ways proved that the whole can be less than the sum of its parts. That is the reality of European defense.

TURAN: But I suppose you wish Europe is—

HAASS: Yes, of course. The United States cannot do things by itself, there are limits to our capacity; in many cases you need partners. And Europe is the great strategic partner of the United States now for seventy years. And one of the questions going forward is “Will Europe be willing and able, both questions, to be the strategic partner of the United States?” That to me is a large strategic question.

TURAN: Let me ask you a question, you don’t have to answer it if you do not want to.

HAASS: I’m the only American not running for president, so I am happy to answer questions.

TURAN: You have been in positions of political responsibility and let’s say an emergency situation, a foreign policy problem came up and you have to mobilize Europeans in dealing with it. Would you call Brussels, or would you call London, Paris, and possibly even Berlin?

HAASS: If the crisis were in Europe I would first call London, or probably Berlin, Paris, London. And if the crisis were in other parts of the world, I would call those parts. If crisis were in Asia, I would call Japan, I would call Seoul, I would call Australia, and so forth. I would see Europe mainly as a partner in Europe, Ukraine, to some extent in the Middle East, and selected parts of Africa. But if the crisis were in Asia, we would not be calling European telephone numbers.

TURAN: You wanted to say something?

PERTHES: Yes, I think Richard is 80 percent right most of the time. I could not agree more that Europe could be a much stronger actor if we were able to pool our defense resources. So I usually go to audiences like that and ask them a question: “Could you tell me who has more soldiers, the European Union or the United States?” And usually the answer from the audience is “Of course it’s the United States,” which is not true. European Union has about 1.5 million soldiers. I think that the U.S. has about 1 million; I guess

it goes up and down. But of course it is because it does not show if you divide them by twenty-eight. Everybody has their own air force, and their own chemical weapons protection force etc. So we have to work on it, we are working on it, but once again we are working slowly.

I think the mistake some of our American friends are making is to treat us from where we wish to be and where they wish us to be, rather than what we came from and where we are going to. Because Europe is a process, the European Union is a process and we must not forget that it is not finished. There are some member states that we have only integrated very recently. So it is a work in progress and it will remain a work in progress. It is I think what we should be judged upon. And I have the impression, just as Richard asked the question, that President Obama knows exactly whom to phone in Europe. When it is about Ukraine, I think he phoned Mrs. Merkel, if it is about Mali, he probably phones President Hollande, and why not?

TURAN: You wanted to intervene, Thomas?

GOMART: Yes. Maybe for the 20 percent where Richard is not right. It seems to me that it is not realistic to think about a European military. It is possible to have some combination—

PERTHES: Pooling—

GOMART: Yes, pooling sometimes; but another point of view would be to say that in fact, two European members, the UK and France, as member of United Security Nations, and U.S. and as Russia, used force against sovereign countries in the last decade. What are the results of that? Do we have good results in Libya? Do we have good results in Iraq? Georgia? Ukraine? I think it is also a question of the use of the military tool by Europeans, Westerners, Russians, and maybe other countries.

TURAN: But don't you think that there seems to be a lower level of willingness on the part of Germans to project military power than France and Britain?

GOMART: Yes, but you know, we wanted to have the Bundeswehr completely under control after the Second World War, so we have it. It is very difficult for Germany to engage the military, because we wanted it. It is a consequence of the political decisions taken after WWII. So if there is an evolution in the German society, I do not see it but maybe Volker will correct me, maybe; but in the current context it is very hard to ask a German to be much more engaged in a military team.

TURAN: It seems like Japan is also going through some painful decision making in the matter.

GOMART: Definitely.

PERTHES: Look, I think we will never be France, and we will never be the U.S., but maybe we do not want to. I mean there are different preferences that different countries have and different histories. And I am not really sure that the rest of the world wants the Germans to go back and be militaristic as they used to be up to 1945.

TURAN: Militaristic is not the same thing as projecting military power.

PERTHES: We have different preferences. We have learned in the years after the reunification that the military is an instrument which we can use. And we have been using it in Afghanistan, in Bosnia, in other places, together with our European and NATO friends. That's new. Before that, we thought it was only

for territorial defense at the Eastern borders of West Germany. Now, that has changed but still we have different preferences. I mean when we see a crisis, the first thing a German does, which I think is in our post-1945 DNA, is diplomacy, development and knowledge. For the French, their hammer of the army is much higher up in the toolbox as it were and as it will remain for some time.

TURAN: Do you want to get into the debate, Memduh?

KARAKULLUKÇU: Yes, I do want to get into that debate, because I think when you look at it, Europe thrives because of its soft power. It thrives when there are no street fights around and there is a civilized global environment. It thrives when it does not have to deal with a crisis, but when it can preempt a crisis; because that is where it fortakes. So when you think about it in those terms, I think the current conditions in Russia and also in MENA, is really—I mean we have been observing it—it is forcing Europe to actually act as a custodian of the global order by first using economic sanctions, not military—I mean it is quite important that Europe was a solid partner to the U.S. both in Iran and in the Russian case, and I think that is the first step. If the street fight going around gets stronger and stronger, first in the neighborhood we will get more of this military muscle showing up. I do not think, as Richard said, Europe will, in the near future, actually use its economic or military muscle anywhere beyond its near neighborhood. But the first steps are there in its neighborhood. I think the economic sanctions have been a very strong sign.

TURAN: From what you have said, is Europe employing its hours as regards the major refugee crisis?

KARAKULLUKÇU: Yes.

TURAN: Maybe you should elaborate because Turks do not know much about these things.

KARAKULLUKÇU: How they can deal with it, or how they should?

TURAN: How they should is one thing. “Are they dealing with it?” is the question.

KARAKULLUKÇU: I think this is what is happening. This is the new development around us. I am feeling, Europe feels its own power comes from being a soft power. That means seeing the crises before they come up and then displaying competence at the border, and now it is happening. These are low-hanging fruits. Registering the refugees, making sure that when you control the ships coming into Europe, you take care of it. These are not expensive organizations. I think Europe will take care of these in the very near future. So we will see improvement on those fronts. That is what I sincerely expect from the Europeans.

TURAN: I am impressed with your optimism.

KARAKULLUKÇU: I am not optimistic about the economic context which was talked about. I think there was too much optimism about the future of Eurozone. I think we overlooked the tensions, but I guess we will get to it through the questions.

TURAN: Well, let me ask you, when you talk about the Eurozone—Do you think it is likely to expand very much after this point?

PERTHES: I think it will expand slowly. I mean we have seen the Baltic states entering recently. There is still an interest. There is a debate in Poland; it depends probably on the elections there. Some countries would still want to join but there will not be one big leap.

TURAN: Do you anticipate the Europe of several concentric circles-when we talk about the endgame, it seems clear that there are a number of countries that not only had doubts about the Euro but Schengen and other things. So do you see that in the future?

GOMART: Possibly. The problem we are facing in Europe at the time being is achievement of European projects, the internal markets, Schengen space, Eurozone. The last two ones are the challenge. At the same time we should not forget what has been done for Europe. It is a project, it is difficult, it is a political prototype, we have to expand all the time abroad. That is something new in terms of governance. And in terms of governance, a lot has been done. So these concentric circles seem like a proper image for the future. For sure the Eurozone will be more integrated and for sure there will be more flexibility; and that is why I come back to my initial point about the Brexit, which will be for the EU the big issue, much more important than the Grexit, in the coming years.

TURAN: Talking about economics, TTIP, do you think it has got a good chance?

HAASS: Well, the first debate that was about to begin was the Trans-Pacific partnership. Dozen countries or so signed it. Every country will now have its own political process. Ours will take several months for Congress to learn about the agreement, look into it, complain about it; and there will be a vote early next year. I think that will have a big impact on whether we will have anything across the Atlantic. If the U.S., which I dearly hope, supports Trans-Pacific partnership—which by the way thirty seconds on that: It will be a very interesting set of debates. Because unlike most other issues, it will not be Republicans against Democrats. There will be Republicans against Republicans and Democrats against Democrats. There will be splits within each party and you will need a large number of Republicans and a small number of Democrats supporting the president. It is going to be very close. It has got great economic and strategic consequences, one of which if this passes, if this gives momentum to further trade across the Atlantic, possibly with the Americas. And if this either fails or cannot pass, they put it on hold, then it delays everything. My hunch is, we will know by January. TTIP will not happen before the American election anyhow, you are still looking into 2017-2018. But the question is whether we now have a serious alternative to WTO global agenda that we have a series of regional initiatives and this will be the principle task. If we get this then I think yes, you can get TTIP. Then again, like TTIP would be a very good thing economically, but it will also be a very big thing strategically. In some ways, the strategic consequences of trade deals are bigger than the economic.

KARAKULLUKÇU: Can I come in because I wrote the question “Is the endgame in the Eurozone?” Since it is the question, let me come in.

HAASS: Do you want to answer your own question?

KARAKULLUKÇU: Yes I do, because I think we need to close the circle in that question. When you look at the Eurozone story, there are two problems. One, what Richard said, what Draghi says, the European growth, the potential growth is about less than 1 percent. That is dramatic going forward. So that means you compound 3+ percent for the world and an additional 1 percent for Europe, you really get a smaller size Europe not in the very distant future. So that is one big thing going on. The other thing is because of the Eurozone parity, the single currency problem, in the South, when you look at the numbers, the French, the Italians—sorry about this—the productivity, the wages the French and the Italians get for the productivity they put on the table, there is a huge gap. So it seems the Italian, the French and the southern

publics are getting a bit more than they generate in value; and the governments are paying the difference literally from their pockets. That is not a sustainable system. That will not continue. When we talk about labor reforms, or kinds of reforms, that is I think a technical way of saying “These countries need to find a way of reforming their social contracts.” That is a big political discussion which is happening. Unfortunately what is happening in those countries is until now, these countries had a consensus on globalization roughly, on European Union roughly, on global trade roughly. Now, the radicals on left and right are both saying on those three issues, “We have issues with this.”

TURAN: Would you like to say something about Turkey-EU relations ‘roughly’?

KARAKULLUKÇU: Okay. Within this context, given the political dynamics now that they are facing in Europe, that they do not know whether they like Europe, whether they want trade etc. I do not think there is much of a window for Turkish-EU relations in terms of the accession process, making much progress in the next few years. But that does not mean, looking at it a five-ten-fifteen year prospect, we should think about it. Our former President Demirel said “Give it time, it will happen, do not worry.”

TURAN: This reminds me of what Zhou Enlai said about the French revolution, although I think the reference was not necessarily something historical. “It is too soon to tell.”

Very good. As you can see, we have lots of things to say and this could go on forever, but with such a distinguished audience who has taken the evening to share this experience with us, it would be unfair if we did not allow the participation of the audience in this exchange of ideas. So we are open for questions.

Michael FULLILOVE: Thank you for the juicy panel. May I ask you about a country that was not mentioned and that is China. And can I ask you about Europe as an effective foreign policy towards China? China represents a complicated challenge to the world, in the sense that there is huge upside. I mean the success it had in time is dizzying, lifting seven hundred million people out of poverty and generating, driving prosperity for many of us, especially a country like mine, Australia. But on the other hand, there is a lot of uncertainty about China’s strategic behavior. Sometimes they are smart, constructive and cautious indeed, slowing the climbing influence that they probably deserve. But sometimes they are very tough, very uncompromising. A lot of their behavior is driving their neighbors together and closer towards the U.S. But there is a lot of uncertainty about the role China would play. So what kind of role those in the Asia Pacific expect Europe to play vis-a-vis China? Because the criticism that most of us have is that Europe is pretty mercantilist when it comes to China, that you see it in a one dimensional sense but not in the three dimensional sense. You are not seeing both sides of the coin and you are not seeing China as a strategic player.

TURAN: Who would like to start?

PERTHES: I can start. We probably did not talk about China because it is not yet a member of the EU or the Eurozone. I think Europe is undergoing a learning process, and if you allow me that, maybe we are getting from being mercantilist to Merkelist here on China, which is introducing a strong value orientation and also a stronger strategic orientation to our policies with China. It goes for Australia, as well as the U.S. or the EU that China is an enormously important trade partner. This will not go away but rather increase, and we appreciate that. But one of the answers as to what we do about China is actually TTIP that we try to refurbish the scene and strengthen the economic and trade relationship with the U.S. in terms of influencing the global standards which count in the world. I guess if we do what we have set

out to do and we finish TTIP, we will have some impact and the Chinese will probably play with it. If we let ourselves be divided up, the Chinese will do what they have already tried to do in Europe: namely play a dividing role, reach out to some Eastern European and Central European partners, and try to form their own relationships that actually do not correspond to European law. And once you ask the Chinese, and we did that, they say “Oh we are not experts in European law.” You cannot have trade agreements with just thirteen countries out of twenty-eight or so. I think we are learning that it is a short answer, that our relationship with China is not merely an economic one, that there is a strategic aspect to it. That does not mean that we are going to send the German navy, which is not very big in the first place to the South China Sea, but it means that we are getting interested in having closer relationship, for example providing submarines to Europe by your country. This means you are not only selling a product, but showing interest in the geopolitical environment there, tying yourself to servicing these kinds of things and getting involved in the strategic environment.

GOMART: Very briefly, three points to respond to your question. China can be tough as you said, but it is much more careful than other members of the United Nations Security Council, the U.S., Russia, for sure; and I think it will continue for the next years. The second point is, to continue what was said by Volker on the consequences of the mega trade agreements, by U.S. on the Pacific side and the Atlantic side. Three big countries are not a part of this discussion: China, Russia and Brazil. The evolution of the relation between China and Russia seems to be very important in terms of strategic orientation. Evolution of the triangle between China, the U.S. and Russia is absolutely critical for all of us. Because to some extent, those three countries consider breaking international law when they want to. I think it is very important for Europe to try to anticipate the evolution of this triangle. We should also as Europeans, try to anticipate the new Silk Road. Is it only on map? Or is it something serious? What sort of combination could we expect between the Silk Road and the Eurasian Economic Union, which was not taken seriously, which maybe was a mistake? But certainly it will impact Europeans in the coming years.

TURAN: Thank you very much. What would you like to say, Richard?

HAASS: I think Michael's question contains within it a seed of a slight difference. European emphasis has been more economic, and the question is not the German navy sailing in the Pacific. The issue is whether Europe is a strategic partner of the U.S. and other countries, such as Australia, Japan, and South Korea in dealing with China. That means thinking about technology transfer, about China's unwillingness to use the influence it has with North Korea, which could well be the first big foreign policy crisis I think in the next U.S. administration; or it could mean China's behavior in cyber space. What kind of behaviors do we try to encourage or discourage? And to what extent the United States and Europe can come up with common positions, whether it is trading issues, climate issues, cyberspace, or more broadly strategic issues. Increasing the incentives is not to keep China out; it is to bring China in regional and global agreements, but on terms that we would welcome. Europe is a partner on that, has a broader perspective on China. I was interested to hear what Volker said, that he thinks the European in China is getting broader. If that is the case, that would clearly be welcome from the American point of view.

KARAKULLUKÇU: I will just say a few words. I think when we say strategy, everyone thinks of security strategy, but there is also economic strategy. In the case of Europe now, a good portion of German growth is through exports, and most of it is linked to Asia and China. So I think from a German economic strategic perspective, there is a limit to how much they will depend on the goodwill of China

going forward. There is a natural limit in the economic sphere, and I think, knowing many German friends, they do have these concerns. On the more security strategic aspect, I think Europe still, well rightly, feels that geographical proximity is critical, and the way they look at Russia and China in the global order is obviously very different. I think the Chinese security-related risks are outsourced to the U.S. Geography is a reality in this. The only few issues, and I think Richard mentioned the most important one—cyber security has no geography. So the task is for me, watching Europe, is whether Europe will take it as seriously as the U.S. in the cyber domain, to deal with the Chinese behavior. Because in the other issues, geographical proximity is too deeply engrained, there is nothing we can do about that. But the other one is a near-term issue and I am curious to see how forceful Europe will act on the cyber issue.

HAASS: Also a lot of the assumptions about thinking on China, in my country and elsewhere, are that if China will continue, on one degree or another, to rise. I would think for the next few years at least it is possible as now China has major difficulties. I think its domestic contradictions are actually coming to the fore; actually Xi Jinping has perhaps the most difficult inbox of any contemporary leader. If I am right, and China does experience significant internal difficulty, and again, some coordination between the U.S. and Europe about how to react to a China that has massive internal dislocations, political instability and unrest, I would think it would be quite important.

TURAN: You stole my remarks.

HAASS: I am sorry about that, but I am only an 80 percent kind of guy. This is part of the 20 percent.

TURAN: But I think the point was very well taken that we make this assumption that China is a land of permanent rise, which is not necessarily a warranted assumption. However, talking about geography, one has to be aware that China's geographical conceptions are rather comprehensive. Recently, they have been pushing this Silk Road, but it is not just a land road but it has sea lanes, etc. And I am aware that they are trying to project this sort of thing through Turkey, too; and it goes into Europe. So, one has to recognize that China does do many things to—

HAASS: Yes, but what is more important than what China does is how it does it. It is where the U.S. foreign policy—I think we got it wrong, for example, with the Asian infrastructure, to have opposed that I think was wrong. We encourage China to play a responsible role in regional and global institutions. So the fact that they are getting more involved in South Asia and other parts is neutral. That is how it goes about it, how the certain types of behavior on the part of China we want to encourage or discourage. But China is going to be a larger factor. But the question is what is the personality or character in that.

TURAN: Thank you. More questions.

Rahmi KOÇ: My question is to Richard.

HAASS: Do not ask me who is going to be the next president.

KOÇ: Where do you see the European Union evolve in the next ten years to come?

HAASS: It is interesting. I think it would be quite recognizable. If you have in one hand a totally integrated Europe, not just monetary but fiscal, much more of a common security policy, etc—I do not see that happening. I think nationalism is actually quite strong in Europe. On the other hand, if you think

of Europe disintegrating and falling apart, I do not see that either. So I see now, in some ways an uneven combination: In some areas, the degree of integration is stronger, in some cases it is more selective; but all in all quite familiar to the way it is now. That would be my guess for the foreseeable future.

Ioannis GRIGORIADIS: My question came out with a remark by Dr. Perthes. You referred to two words I consider to be very important: Rules, in terms of dealing with the Eurozone crisis, and solidarity. Can there be a trade-off in the near or medium future when addressing the crisis, or will solidarity come against respectful rules, and rules come against solidarity. How do you project this as a potential future problem? I referred in particular to the Greek debt and possible scenarios.

PERTHES: I think there is no contradiction. It is sort of two pillars on which the EU rests. It is much easier to display solidarity if you also have rules on how to organize this solidarity. Take the Euro crisis, take the refugee crisis. We have one state now which has been bitterly complaining about the mandatory decision of the Ministers of Interior to distribute a small part of the refugees according to a quota. So what did Mr. Fico of Slovakia say? He promises his own people “We are going to resist it; we are going to the European Court of Justice.” Fine, that is rule of law. He did not want to give in to this demand of being in solidarity—forgetting, I would say, a little bit, how many refugees under communist times there were from these countries in Europe and in America, but let that aside—He says I am going to court. Fine, we have rules. He will lose in court, and then he can go to his people and say “We are good Europeans, we accept the decision.”

I would like to say something on the previous question. It was not addressed to me, but about where the EU will evolve to in the next ten years. I think we have to philosophically understand that some of the truisms and mantras we used are probably no longer totally correct. We used to say that Europe is a Europe of different speeds, which used to mean that in the end everybody will arrive, like in a marathon. Some will take four hours, some will take eight hours, but in the end they will all arrive. That was the philosophy of EU, different speeds. I think that is no longer the case. We will have different degrees of integration. Certain opt-outs have become a reality that will stay. If the British do not want to be a part of the Schengen zone, I think it is their loss, but it is their decision. We will accept it. Others like Greece, will opt in into the Eurozone and opt in into common foreign security policies; but for the time being they do not want to. So we do not only have different speeds, we will have different zones of integration, which means that you will have one European Union, but in different aspects you will still have national policies. But there is one thing that also changes. The crisis in the Middle East and the refugee crisis—for the first time the EU are building its own coastguards; so it will be a European Union with hardened borders. That is a big change and it throws up questions for Turkey on which part of the border you will be in the end. I think that is something that the EU and Turkey have not discussed deeply enough. How do we integrate Turkey into foreign security policies, or how do we coordinate those? We are talking about talking about it, but we are not actually coordinating.

HAASS: I actually think that it is an interesting area that Volker just opened up. So much of the conversation about Europe and Turkey has been whether Turkey is formally in. I think we can park that question to the side for quite a while, it is almost secondary. What really matters is what the reality of relationship in various functional areas is. I think that is the serious conversation for Turkey and for Europe.

TURAN: That is a very serious observation. Let me make an important remark. You know it is often not prudent in our experience, to use courts to settle political problems. When you were explaining the Slovakian position, that was precisely the point you were making. Our experience is that passing on political problems to the court does not solve the problem but destroys the court. But obviously the outcome in Europe might be somehow different.

HAASS: You have a better experience of using courts.

PERTHES: It makes it easier for weak politicians to take hard decisions sometimes.

TURAN: Alright then. But in the process, would you think something is lost in terms of the court?

PERTHES: Maybe.

HAASS: For the U.S. it works pretty well having the courts take certain decisions.

Hanzade DOĞAN BOYNER: When one looks at the world, we see the U.S. and Europe taking a bigger share of the world's GDP. When we go towards the East, we see two billion people living below two dollars a day. We see wars, gender inequality, lack of rule of law, etc. All the values that liberal democracy represents—We believed after the Cold War that the way to sustainable development goes through these values. We see a part of the world where there is none of these values. When I look at the world, I see the U.S. trying to be the champion of these values, in one way or another being active in those parts of the world, trying to help them develop, those underdeveloped countries. My question is to my European friends. Do you think this inequality is sustainable? By building thicker walls, can you prevent your security, your wealth? Now we see thousands of immigrants, we will see millions maybe one day. So my question is, do you think, can Europe protect itself; the value system, the economy, the freedom, the democracy, by building walls? Or, should Europe take a more active role in helping the developing world?

GOMART: It is a very large and relevant question. For sure, there is a need for codevelopments, with massive investments, for instance, in North Africa and the Middle East. I think that is very clear. In terms of the values, there is a proportion between your power and your ability to defend your values. The fact that Europe appears less powerful than the Cold War explains these doubts about values. But at the same time, it is the core of the European process. So I think if we do not believe in these values to some extent, we could stop the European project. That is why I am rather optimistic or so. As you have said, gender inequality, democracy, etc. are aspirations which are shared even by some populist movements in Europe at the time being and elsewhere. Obviously we should rely on these strengths.

PERTHES: I agree with Thomas.

KARAKULLUKÇU: Hanzade, I think when we look at that problem, it seems the way to bring people above the poverty line is really through integrating them to the global work force. That seems to be the most effective way; we watch China, we watch India. It seems Europe does have a role to play because of the size of its market. When the Arab uprisings started, one hoped, and they said it, the Europeans actually started off this line, that mobility, meaning some controlled migration, monetary aid, but most importantly market access, giving access to those economies to sell their products, so that the economies get going. Unfortunately, that process got nowhere. I think looking back, I do not know if Volker and

Thomas agree with me, I think it was a big failure. It was a failure in the way that Europe was perceived, because that was the time when Europe could have used its economic and soft power. I am not saying that it would have made the story better, but at least it would have given a sign that the Western Europe is pushing, trying. I think that was a failure and I am hoping that going forward, that will change. That is the kind of contribution I would expect from Europe going forward.

Elena LAZAROU: My question comes from something that Richard said about the strategic importance of TTIP and how it is not merely a trade agreement but much more in terms of the Transatlantic relationship. My question is, what will that mean if TTIP is not signed in the end? What will it say about the transatlantic relationship if the U.S. manages to get this kind of trade deal through with the Pacific states and not with the partner in values and norms, Europe. And I would like, if possible to hear your opinion about two events that will proceed to a potential TTIP agreement, which is the British referendum and the US elections. How could these two events affect that?

HAASS: I will say one or two things. First, TPP; it is essential I would say to get passed, because if it does not get passed, there will be no TTIP and it will also create major problems for the United States around the world; about American predictability, reliability, about our ability to ally with our close friends, partners and allies, particularly in Asia. It will have consequences for China's position. So it would be a strategic setback of the first order. Actually the impact of TTIP economically may be larger than the impact of TPP economically. The potential for TTIP to be an economic growth engine across the Atlantic is significant. Particularly given where Europe is in its growth, I think it could be a useful engine of some sort there. I think it is also good to have reminders that the Transatlantic relationship can benefit both sides, because this generation often forgets that. Even if strategic cooperation in some areas is not as thick, this is another way of demonstrating that this relationship works and it might have some momentum. If there is no TTIP, a lot also depends upon why. I think there is a big difference if one side or another is unable or unwilling to make certain types of compromises. The U.S. election will make all this probably slightly more difficult, but then the election will end—thank God. Since TTIP is largely a post-2016 reality, the election will come and go. And assuming that a protectionist is not the next president, then I think we are okay. Indeed, it could make it better because protectionism will have been seen to have been defeated. It is possible on both sides protectionist candidates come up shore. It could help the political environment. I think the Brits getting out would be bad. It is one of the attractions of this—I actually, just thirty seconds on that, I wish Prime Minister Cameron had never made this commitment. I do not think it was necessary, and I think now it is going to come back to haunt him, and potentially his country, Europe and the Transatlantic relation. At best, it is an enormous distraction. For him now, given everything else that Chancellor Merkel, Hollande and everyone else is coping with, for him now knocking on the doors saying “We need better terms,” we say is parochial, and it is unlikely to come away with enough that would help him clench the deal at home. So I almost wish that he would say, to put off, say “When I made this commitment, it was one set of geopolitical circumstances, now they have changed.” That is probably asking too much, but you almost say life is tough enough without making things tougher. I think what he has made things tougher for himself, for Europe and for the Transatlantic relation; it really is unfortunate.

TURAN: Is there a name associated with the “protectionist candidate?”

HAASS: As I said before, it is in both parties. You see it in the Democratic side both people running like Mr. Sanders as well as Senator Warren. And we see on the Republican side, Mr. Trump and others, we have also Mr. Cruz, Mr. Huckabee. We see it on both sides. We are seeing populism around the world. Americans are not immune from it. There is inequality; people are focused on American jobs, unemployment. The much more interesting number in the United States is employment. American employment rates are still around 4 percent lower. So you have millions of Americans who never went back to work. They look at the future and they do not see how social security is going to get them through. Populism is gaining ground in the U.S.; that is simply a reality.

TURAN: We have time for one last question.

Sook-Jong LEE: I would like to share some Asian perception of the EU. I think we need to distinguish the leadership of some European countries and the leadership of the EU as a region. I think many Asians believe that Europe can be an alternative Western influence which can be independent of the USA. So many European countries took a leadership in development assistance, humanitarian issues, climate change. So you still have a very influential role in the international society. However, as a regional unit, as the EU, many Asians are disappointed. I think about ten years ago, when European integration was at the high point, many Asian countries thought when we started East Asian regionalism, "Oh we have to learn from the EU for taming and transcending nationalism." We even discussed introducing our Asian currency like the European currency. We kind of idealized European Union as the future of East Asian regionalism. However, for the last ten years, many Asian countries got disappointed as the EU is deepening its membership. You have been corrupt by internal challenges, right, crisis issues, refugee issues, so many things. Actually I observe the EU is losing its external influence beyond European continent, very far away from the issue of Pacific region. I wonder how you see the dynamics for internal integration actually contributing to more challenges and leading to a loss of influence.

TURAN: Let's leave answering this question to Europeans and then conclude.

GOMART: Maybe to react and to come back to the question in the title, Europe as a global actor and not as a global power: I think we need two big things which are still to be set up. The first one is energy policy, and in that the EU has lot to do. Energy transition has been started and that is a deep evolution with huge consequences. The second thing, and it is a way to come back to the question about the relation between China and the U.S., is that Europe should really quickly set up a digital policy, because at the time being it is completely under the control of the U.S., which is maybe a part of the strategic alliance against China. I think it is a big challenge in terms of public liberties and individual liberties. And a last thing: I think it is very strategic for Europe to have the possibility to maybe prosecute the U.S. companies like European countries are prosecuted in the U.S. This imbalance, I think maybe TTIP agreement will revoke, will be much more fair on that, but we have a huge problem on that in the time being.

PERTHES: I understand what you said about disappointment, but let me answer in a way which probably also disappoints you. I was always critical of those of my compatriot Europeans who wanted to say that Europe is a model for the rest of the world. The rest of the world should learn from what we are doing, but it is not necessarily a model that you copy and paste to other regions. You look at our experience, we look at yours. We certainly started earlier with regionalism. So we look at what mistakes we have made; it is a big chance for others to look at, mistakes as well as achievements. But it is not necessarily a model. Asians very early made clear that they do not want to take all of the European

philosophy of giving up sovereignty for example, pooling sovereignty on a higher level. Your disappointment as the disappointment of the Asian you have spoken of does not concern me as much as the disappointment of some Europeans about Europe—that is a real threat. Richard said “We are not isolated from what happens in the rest of the world;” neither are we. Populist movements are coming up in many European countries. Ms. Le Pen with her Front Nationale becoming the second party in France, these are things that concern me very much. Populist parties are now being almost in all the governments of Scandinavian countries, that concerns me a lot. Populist countries in Eastern Europe, these concern me a lot. We may have them in the Parliament in Germany after the next elections. What is the reason for that? New generations and sometimes older generations of Europeans are no longer convinced by the European project. How do we get that right? Of course the first thing is always getting your economy right. Unemployed people are more likely to be Eurosceptic than people who have jobs. It is sometimes so easy. The other thing is, maybe it is a note that you did not expect, I was not too unhappy about border controls being reintroduced for a couple of days on the borders of Germany; because it made people realize that they have something to lose if you destroy some of our principles in Europe. Most of the younger people, those who are at university or so, do not know that twenty years ago we had border controls. They simply do not know the concept. So it is probably good for them to see that this could come back if we do not preserve what we have in terms of European unity. That isn’t too bad. As always, we are getting our act together but we will do that too late.

TURAN: Of course our youth knows what border controls mean very well. Maybe they should go through a period when they will not remember it.

HAASS: I am not disappointed but worried. What worries me about Europe is the rise of nationalism, the rise of populism, the prospects of low economic growth, the generational change. The impetus that led to Europe after World War II is gone. The new generations take it for granted or just do not care about it. That also adds to my concerns. To me, my skepticism about Europe is not an anti-European position; I am worried about Europe. I do not share Volker’s optimism that in the end—like Churchill said about Americans, “they can be trusted to do the right thing after they have done everything else”—I am not sure I feel that about Europe, that it will eventually sort itself out even if it takes a long time. I am a little bit worried about that, particularly given some of the demographic realities. I think the most realistic thing we heard, Volker and Thomas both made this image, is really multiple Europes. Rather than thinking of Europe as a singular thing, however wide it is, the debt and the selective degrees of integration become a reality. We are headed to a more complex rather than a singular reality.

KARAKULLUKÇU: We thank everyone for being here tonight.