

**Jürgen Trittin**

**More European Unity as an Answer to  
the Financial and Political Crises?**

***Challenges inside the EU and their impact on  
the Middle East in Flux***

Dear Ambassador Ben-Zeev,

Ladies and Gentlemen,

Thank you very much for the invitation. A special  
thanks to our friends from the **Heinrich-Böll-  
Foundation** and the **Israel Council on Foreign  
Relations** for organizing this interesting event  
tonight.

## **1 Europe at the crossroads**

Europe is standing at the crossroads. For a good two years now we have been kept very busy by the **financial and debt crisis** within the EU.

Rarely – if ever – has the German Bundestag held so many debates about the European Union. The extent, to which the global financial crisis is putting the **European Union and European integration to the test**, is enormous.

**Yet, we must not forget this: what is at stake is not Greece. It is not Italy. It is not a currency.**

**It is our common Europe.**

Several **weaknesses** have come to light **in the European Union** during the tug of war about how to save the euro:

1. The weakness of a currency union **without an economic union, i.e. without a pan-European economic and political framework**
2. **The weakness of the European institutions**, which, unfortunately, endures despite the entry into force of the Lisbon Treaty, and the resulting political **cacophony and inability to act** in the face of crisis
3. **The misguided belief** – especially on the part of the large European states – the buzzword here is: Merkozy – that this weakness can be overcome if the **governments cooperate more closely**. In fact, this fallback to intergovernmental struc-

tures perpetuates the weakness of Europe.

Germany benefited very much from the macro-economic imbalances within the European Union. 25% of our export surplus was generated in Portugal, Greece, Spain, Italy and Ireland. Thus, Germany has benefited from selling products that were financed by unsecured credits.

The inability to take effective solutions in this crisis put **the future of the euro** and therefore **the future of European integration** at risk.

## **2 Wrong diagnosis – wrong treatment**

The problem lies in reducing the crisis to a **sovereign debt crisis in the periphery countries**,

triggered by **excessive national consumption**.

That is **almost entirely wrong**.

**The debt crisis is not confined to states, it includes banks and private households and has long since reached into the centre of Europe.**

1. Unlike Germany, **Spain and Ireland were long regarded as fiscal paragons** – until the enormous private sector debt became nationalised in the financial crisis. The **nationalisation of bank debts**, triggered also by the overindebtedness of private households in the U.S. as in Spain, have hugely increased sovereign debts throughout Europe. The sovereign debt crisis cannot be understood without looking at the global financial market crisis.

2. Then there is the **systemic problem** within **the euro zone – economic imbalances.**

Things cannot go well in the long run if within an economic union some countries produce permanent surpluses while the others produce equally permanent current account deficits. In other words, an export strategy under which products can be paid for on credit is not sustainable.

### **3 Greece and the possible domino effects**

Recently, the German Bundestag passed the **second aid package for Greece.** Greece quite clearly made mistakes, lived above its means, delayed major reforms; nor can it be disputed that its administrative structures are inefficient

and corruption is rife. Yet if **Greece** and other states **went bust** and **the euro zone fell apart**, the fall-out, for Germany in particular, would be disastrous.

What would happen if Greece found itself unable to pay or even left the euro zone? Surely the scenario would then be as follows:

Other **financially weak countries would also come under strong pressure**, the **risk premiums** for their government bonds would **rise drastically** and then these countries too might be in danger of being **unable to pay**. Then the entire euro zone would find itself on shaky ground. Our exports would become far more expensive.

If **Portugal** were the next country at risk, **Spain** would also become a target for the speculators

since Spanish banks are sitting on Portuguese debts to the **tune of EUR 80 billion**.

If **Spain**, which is after all the fourth largest economy in Europe, is dragged down too, then **France would also be in trouble**. We cannot dismiss the possibility of this kind of **uncontrollable domino effect**.

Some people still believe that the only way Europe as a whole can extricate itself from the crisis is by **cutting expenditure**. Yet the result of increasingly savage cuts is that economies are **collapsing**, from Ireland to Greece, **people are losing their jobs** and **incomes are falling drastically**.



## **4 Europe!**

The key to overcome the euro zone crisis is **more Europe and a common European crisis strategy**. That is in **Germany's own best interest**.

If we want to overcome the current crisis, then we must

- ↳ put an end to the speculation against individual euro zone countries by issuing **joint bonds**
- ↳ introduce a **financial transaction tax**
- ↳ consolidate and invest to create **sustained growth**

↳ **reduce debt** by means of a debt repayment fund – based on a **European wealth tax**

↳ turn monetary union into a **genuine economic union** with **strong European institutions** and **strong democratic legitimacy**.

**That can be achieved only in an open, transparent and democratic process – not in back rooms.**

This whole crisis has shown that it is not only a question of finding a way of resolving an economic and financial crisis. It is also a question of strengthening the **democratic principle** and **restoring** the EU's **political capacity to act**. It is all about **political sovereignty**.

Only a **stronger Europe** can set standards in globalised markets – from regulating chemicals, to trade, to the banks. In many areas Europe played a pioneering role, such as climate policy and energy policy, and helped promote new technologies and new instruments.

**Against the background of globalisation, greater political sovereignty can be achieved only by a stronger Europe, with democratic legitimacy and strong European institutions.**

## **5 More European unity as an answer to global risks**

**There is a need for a new cooperation. On a European and a global level.**

If we face the **four main risks – climate change, competition on resources, poverty and rearmament** - which are connected to a growing world population and shrinking supplies of natural resources, we clearly see **the need for a stronger European and global cooperation.**

In their impact, those risks amplify each other – the climate change which is caused by rich countries hits the poorest countries the most – and the increasing competition on resources forwards armament.

The coactions of such risks linked with the loss of governance or even total executive power can lead to threats reaching out beyond regional frontiers and may even cause global effects – **they promote the breakdown of whole nations.**

**Afghanistan or Somalia demonstrates the global effect failed states can have.**

Global risks and today's challenges have changed foreign policy. This can be seen in **asymmetrical conflicts like Afghanistan.**

**Also in the recent upheaval in the Arab countries we could see what impacts a misled foreign policy can have.**

## **6 For a new European Neighborhood Policy**

Germany's and EU's foreign policy of the past **wasn't led by values.** But more than that:

**It simply failed.**

**Seeking stability without democracy and rule of law leads to the destabilization of a whole re-**

**gion.** Democracy and rule of law are **no add-ons** but the basement of political stability.

The deal **between Germany and Saudia-Arabia** about **200 tanks** being delivered to **Saudi-Arabia**, a regime that supported Bahrain to **oppress its own people**, shows the **incredibility of German foreign and security policy**. Moreover, it is a risky and dangerous policy that can lead to **a total destabilization**.

After the failed **European Neighborhood Policy** and especially the failed **Union for the Mediterranean**, it is now time to end the **double-standard policy** that has ruled so far towards the countries of North Africa and the Middle East.

The EU always claimed the **principles of rule of law** but at the same time **supported oppression measures** by the military, police and secret service forces in countries like Egypt, Libya or Tunisia. It provided **much more financial support** for that than **for humanitarian and civil cooperation**. Moreover, the EU used **the despots as a helpful hand** for **holding off refugees** from Africa.

**It is high time for a new European Neighborhood Policy.**

As to Tunisia, Egypt, Libya and other countries that are facing upheaval, measures designed to **kick-start the ailing economy** should receive the **highest priority**. Long-term stability can only be reached by **an economic and political opening of the EU**.

⇒ A **“Pact for Labor and Skills”** would be very helpful for both regions, MENA and the EU. As there are a lot of **young graduated or trained people** in North Africa and the Middle East countries, it is necessary **to open the EU** not only for **products but also for qualified persons** from the region.

⇒ The EU can also provide support in **democratization and capacity building** especially in the field of **judicial, administrative and electoral system**. This is the EU’s **“smart power”** and its asset that it should contribute.

⇒ This also includes a **consistent and effective migration policy**. If Europe continues holding off refugees and blocking an effective migration policy, this will definitely be a disadvantage for Europe itself taking into consideration the **de-**



**demographic change and lack of qualified persons**  
Europe is facing.

✚ Europe should **not exclude cooperation with moderate Islamic groups**. Islam plays an essential role in these countries and although this doesn't correspond fully to our ideas of a political system, we should **strengthen dialogue with Islamic groups** that respect the principles of **democracy, rule of law and human rights**.

✚ As to the cooperation with Arab countries in general, we now can see what a **political mistake** it was to **keep the door (half-) closed for Turkey**. Turkey can be a **role model of an Islamic but democratic country** (despite **setbacks in human rights and rule of law** that have to be criticized). If Turkey was as an ordinary or associated member state of the EU, this could

**strengthen the cooperation and influence** in the Arab world as Turkey will definitely play an essential role in the further development of the region.

How useful our support of the revolutionary process in the MENA region will be at last, depends on **how successfully collective the EU can act**. The new representative for foreign affairs of the EU, Lady Ashton, did not establish any visibility of Europe in this crisis. Still, this is not solely her fault. As long as the big EU member states cultivate their national egoisms, **not only the EU is weak, but also all of its members. The EU has to speak with one voice and establish a consistent foreign and neighborhood policy.**

## 7 Europe has to change

To become a credible actor, **Europe has to change**. EU's policy towards our neighbors is full of contradictions:

- ⇒ We are committed to strengthen Morocco's and Tunisia's economy – but we are **not willing to reduce taxes** for their agricultural products, while we go on subsidizing our own agricultural exports to their markets.
- ⇒ The **fishery-agreement** with Morocco is blocked, because there are regional elections in Spain.
- ⇒ There is **no real exchange between students** and temporary working migrants, despite the fact that we know, that this

will help these countries to stimulate growth and foreign investment – for reasons of interior policies. Again, *Nicolas Sarkozy* is campaigning on anti-migration and anti-Islamic patterns.

We have to overcome **the principle of unanimity** in the Common European Policy. **We need a majority vote.**

**If Europe wants to be a credible and effective actor in the world, we have to overcome a situation, where the EU behaves like a Security Council with 27 Veto-Powers.**

This can be seen in the current conflicts within the MENA-Region.

**We have to ask ourselves:**

## **What would have been different if the EU had a Common European Policy without unanimity?**

- ➔ Would there have been a different decision on **Libya**?
- ➔ Would there have been **earlier and more effective sanctions on Syria** that would have contained the conflict?
- ➔ Would there have been an alternative to a possible military attack on **Iran** if the EU would have acted in a common way?

Just have a look back to 2003 when the **EU 3+3** started the negotiations with Iran. Europe started an initiative and **decided to take a leading role**. I also appreciate the current action taken by Lady Ashton writing a letter to Mr. Dschalil and offering him **further negotiations**. This is a

**positive sign** because I think there have to be incentives offered by the International Community to Iran if the Iranian regime is supposed to move. There is a third way between either an **Israeli military attack** or just accepting that Iran might be **building a nuclear bomb**. **Europe can play an essential role here, if it is to overcome its political cacophony.**

**I am sure that in the following discussion we can go further into the details of European Policy towards the Middle East. My colleague Kerstin Müller will also add some important aspects.**

I am very much looking forward to your questions and comments and thank you again for the invitation.