

NIC EUROPE, 2020

SCENARIOS

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Contents

1. Four scenarios for Europe, 2020.
 - 1.1 From stagnation to decline
 - 1.2 Multi-speed Europe
 - 1.3 Reforms to economic growth
 - 1.4 A rift between the US and Europe

2. Four global scenarios, 2020.
 - 2.1 Global insecurity
 - 2.2 Increasing regionalism
 - 2.3 Successful globalization
 - 2.4 Europe between the US and China

Conclusions: Some combinations

1. FOUR SCENARIOS FOR EUROPE, 2020

Four **European scenarios** have been presented to the group for discussion.

1.1 From stagnation to decline

The first scenario describes low or no economic growth as well as lack of political changes because the missing financial resources make economic and social reforms impossible. This leads to growing frustration and criticism toward the EU institutions. Terrorism can be an element that hinders progress. Immigration is also an important factor potentially leading to ethnic strife especially in Germany and the Balkan regions.

Political extremism may occur in case of no growth and no reform. Revolts and riots in cities and urban centers are increasingly probable. Both political extremism and inner city riots might be more likely to happen in the less developed countries (i.e. newer member states of the EU), because the large gap between the EU's ability to deliver and the new members' expectations can cause dissatisfaction. In addition, problems of energy resources and water scarcity, as environmental factors, might stand behind such happenings. If the EU does not deal with environmental problems in the short run because of lack of financial resources, they will have to pay a tremendous price in the long run.

However, a chance of a revolution scenario is limited because usually young not aging societies revolt.

In these conditions some member states may exit the EU as a result of dissatisfaction. This might be the U.K. on the one hand, or some of the new member states, on the other. (However, the idea of a future Central European Federation has been discarded.)

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1.2 Multi-speed Europe

The second scenario forecasts small and slow economic growth of one to two percent. This is a multi-speed Europe where the big countries would go in front and some of the new members would grow up to the big ones by reducing the gap between them. Responses to immigration issues or democratic challenges would be inconsistent. An enlargement toward Turkey and the Ukraine is done.

This scenario has resulted in a consideration of what countries are expected to join the EU by 2020. This scenario suggests that Turkey, the countries of the Balkans will join the EU, and, perhaps, Ukraine may join too. It seems reasonable to expect this on grounds of economic relations but the authoritarian structure of some of these countries would bring some substantial consequences: Either their accession would lead to a very different EU, or serious political change must occur in these countries. In this scenario, the expansion of the EU is an important factor inasmuch the size of the EU is thought to influence the direction in which it develops.

The nature of the reforms has also been pondered. Some have envisioned a slow dismantling or slimming down of the welfare state. This could occur so that rightist governments are elected and they carry out Thatcherite reforms. Some have seen Thatcherite reforms as a failure of the welfare state not a reformation of it.

1.3 Reforms to economic growth

The third scenario forecasts significant economic growth based on major reforms. The impetus for reform may come as a response to political crisis, the collapse of the Euro or external challenges. It involves a redefinition of the social contract. The issue of migration is dealt with which is facilitated by economic growth. There is a change in economic direction, which would transform Europe as we know it today.

Environmental crises and the state's breaching of the social contract (inability to pay pensions etc.) can be as likely crises leading to reform.

However, to successful reforms a change in the political elite is needed. The need for the rise of an effective leader might be a necessary condition to reform. Yet, the fact

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that European systems are parliamentary ones seems to indicate that one person is not enough to be converted to the cause of reform but the whole political elite must be won over. (Even then, as some voiced their pessimism, it is doubtful whether the willingness to reform would actually lead to successful reforms.)

The idea that the problem of Europe is really a problem of the German economy resurfaced again. If so, then reform should be sought by the German elite but not necessarily by other EU members.

1.4 A rift between the US and Europe

The fourth scenario describes a rift between the US and Europe within the framework of a multi-polar world system. The sources of the rift might be the result of disagreement over how to deal with weapons of mass destruction, the continuing war on terror, Russia and energy policy, China's emergence as a partner or rival, or the Middle East peace process. This scenario is compatible with the three previous ones.

One view has been that such a rift would be a part of a larger global collapse. Nonetheless, it may effect the EU and European unity in various ways:

- (1) If the rift happens now, then there will also be a rift in the EU. The advantages of bilateralism as a result of a rift may also lead to European disputes.
- (2) If the rift happens later, then socialization of the new EU members into the 'EU culture' and the Iraqi experience of the West can strengthen European unity.

The present cooling in the relationship is seen as a result of the costs of exporting commonly agreed democratic values. A missionary American approach may make the price to support the US too high for the EU. In other words, unilateralism may negatively influence European attitude toward US policies and would also mean a dissolution of the international security institution, which would remove one further barrier for the US to act freely according to her own wishes.

However, America would be forced to act multi-laterally if faced with a large external threat (excluding terrorism) such as the rise of another great power (possibly China) in which case, her interest lies in cooperation. In other words, in this respect, EU-US relations will largely depend on American behavior.

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However, as it has been added, beyond security and geopolitical considerations, common economic, environmental, energy problems can bring the US and Europe together so as to seek common answers to common problems. It is disputable to what extent these issues can set the two sides against each other, leading to rivalry. In addition, the emergence of China and India as great powers will not necessarily have unifying effect on the transatlantic relationship. China may be a strategic competitor for the US but an important trading partner for Europe.

There has been no agreement on whether economic or geopolitical factors should be the primary cause of a rift.

Economic isolationism seems to be too costly because the European and American economies are very much intermingled. Indeed, there is a possibility of a united free trade area of the EU and the NAFTA countries on the condition of French and German prosperity.

On the other hand, a rift does not have to be sudden but can occur as slow dissolution of cooperation and mutual trust. In this case the US would shift its focus to Asia, because of faster growth in that region, the growing Asian population in the US, and problems with NATO. Such a negotiated disengagement might lead to a new division of labor and then a sudden break in the relationship.

The issue whether Europe would develop its own army and cease to depend on the US for security guarantees has been discussed. As a conclusion, it is unlikely to take place in the next 15 years. The CFSP is going to continue but European capabilities will remain limited. A European rapid reaction force has been born already in the EU, but it is unclear if it is financially sustainable in the long run.

A European army can only be the consequence of the appearance of some major threat (terrorism has not been seen as such a threat). Weapons of mass destruction, organized crime and state failure has been named the primarily security threat.

In spite of Central and Eastern European countries' demand that the EU guarantee their security, and partly because of the British opposition to enter into a common security structure, which however is not feasible without Britain, no other factors seems probable to bring a European Army come about. Even a transatlantic rift has been seen unlikely to lead to the development of a common army.

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An alternative view of the development of a European army has been that it depends on whether it is more effective to be a soft or a hard power. Europe would choose the more beneficial route.

Current Anti-Americanism in Europe seems to be overemphasized in the public discourse and it may not last long. It is rather anti-Bushism than anti-Americanism. (However, it is true that anti-American demonstrations happened in Europe during the Clinton administration as well.)

A Russian threat is not expected until 2020 but the current NATO structure is forecasted being able to fight such a threat should it occur.

2. FOUR GLOBAL SCENARIOS, 2020.

European scenarios of development cannot be separated from the rest of the world. Therefore, the workshop concluded with a discussion of a few **global scenarios**.

2.1 Global insecurity

The first such scenario is global insecurity that includes the spread of terrorism. Failed states are exploding recurrently. There will be an erosion of global security institutions as well as the erosion of bilateral security guarantees that prevent states from aggressors. Hence, this is more of a self-help situation in relations to both the security of the states and that of the individuals.

Such an international situation might change the nature of European institutions by 2020. There is a complicated balance between the global ambitions, both political and economic, and the capabilities of the EU. A vision of how to bring the two together is missing. There would be a lot of pull effects from local crises. The stress is on early intervention in failed states, which is a very sensitive issue. It will bring more controversy even within Europe.

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2.2 Increasing regionalism

The second scenario is regionalism or multipolar mercantilism. The world is going to be divided to regional blocks. There will be troubled trading relations between the regions. Countries will be turning their attention toward regional cooperation, which will be reinforced by strategic realities, namely, the resistance to American power. The WTO will still be there, but it may cease to be a strong or pushing factor.

While the EU will continue to support regionalism, it also will prefer to create agreements with various regions. It is assumed that Internet technology will not change the world fundamentally, thus economic regionalism will remain in place.

2.3 Successful globalization

The third scenario foreshadows a return to successful globalization of the early 1990s. Regionalism would not go away and there would be high European growth. Countries adapting to globalization will be successful and the same can be said about individuals. Globalization is meant to be heterogeneous (i.e. countries may not copy the US). The EU will continue to exist and trigger globalization through its trade relations.

As for the likely influence of these three scenarios, it seems that in the first scenario some EU countries have problems, but some are successful. In the second the EU is affected as a whole. And in the third the EU can be a strong force.

Europe will, however, face tremendous challenges especially in agricultural questions. This is especially so, because permanent return to a pre-Maastricht level of cooperation is not feasible.

2.4 Europe between the US and China

The fourth scenario takes a look at possible European reactions to growing tensions between the US and China. The US and China currently have a rather harmonious relationship, can avoid disagreements and the Chinese are cooperative. However, at the end of the period as a result of internal change or the issue of Taiwan and Korea etc.

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might bring a crisis and it might make the US realize that the relationship changed for the worse with worsening trade relations (tension and competition). A military conflict may be part of this scenario, but not necessarily. Russia remains neutral in the dispute.

European reactions might lead to two directions: Europe will either stay out of the game or it will work to create institutions to moderate and/or tame the conflict. However, EU-China confrontation is not entirely impossible, as China is the second largest competitor for energy, which may make China a rival of Europe.

It cannot be excluded that Europe may be closer to China in such a rivalry than to the US because for Europe China seems less of a rival than an important trading partner. European and American protectionism is expected to push China into stronger regional domination in Asia.

The likelihood of American-Chinese tensions will depend on how strongly China will push for a role in Central Asia and the strength of the Chinese Diaspora in Europe. Chinese-Indian relations may also have a destabilizing effect. Because of the expected increase in Chinese oil/energy use in the short run, China may wish to become an active participant in the Middle Eastern affairs. A possible area of confrontation with China may come with Russia over the resource rich Siberia.

Conclusions: Some combinations

The European and global scenarios do not necessarily make a fully exclusive system of categorization in a two-dimensional table. Some scenarios might go parallel in the future. Nevertheless, it is worth considering the possible combinations of future development, even if in a simplified manner (See Table 1).

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Table 1. The effects of European and global processes combined

(A, B, C, D = European scenarios)

(1, 2, 3, 4 = Global scenarios)

	1. Global insecurity	2. Increasing regionalism	3. Successful globalization	4. EU btw. US and China
A. Stagnation to decline	A1	A2	A3	A4
B. Multi-speed Europe	B1	B2	B3	B4
C. Reforms to growth	C1	C2	C3	C4
D. Rift (btw EU and US)	D1	D2	D3	D4

The *best* possible scenario for Europe by 2020 would be the case of **C3**, a combination of successful European economic reforms, restructuring, and growth with a successful globalization led (or partly led) by Europe. Similarly, C2 and C4 would be favorable for Europe, while B3 would be a sub-optimal, but still favorable, case.

The *worst* possible scenario for Europe by 2020 would be the case of **A1**, a combination of European stagnation and decline with global insecurity. The cases of A2, A4, B1, D1 would also be very bad. Similarly, Europe would suffer from the realization of A3 and D4 cases, but, perhaps, to a less extent.