



Comprehensive Global Consulting Services

## ***Commentaries and Insights from Allawos & Company***

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### ***“What are the Europeans up to?”***

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Europe is a success story. For seven decades the European Integration Process, known as the European Union, has guaranteed peace, stability and a fairly decent amount of economic welfare to her citizens on a heretofore war-faring and bloodthirsty continent. It encompasses most of the continent, but has also extended what has been famously termed a “peace dividend” to many other countries and regions in the world using her soft power to contribute to a better world. Yet, when you look at the Europe of today, it looks like a mess and a world region in decline.

Europe has not been able to recover from the 2008 financial crisis and . with few exceptions - has amassed unsustainable deficits. The gap between the rich North and the poor South is widening so is the income gap in almost all EU countries in spite of redistribution policies. Unemployment is high and seems ever more indomitable.

The EURO, introduced in 2000 as the common currency that should boost trade and development within the EU, is in crisis. This is primarily due to the fact that the EURO should have been followed-up with a something that should resemble a common financial policy. This, of course, has never happened, not the least because the European population, including in core members, like France, has documented in referenda and elections that it has enough of integration. No more expansion and no more intensification of the integration process seem acceptable to a large part of the European electorate.

The recent elections in Greece remind us that the European Union is more vulnerable than ever. Greece is now governed by a hugely strengthened anti-EU-far-left-wing party in a coalition with an anti-EU-far-right-wing-party. This gives hope to all the populists and fringe groups on both ends of the European political spectrum. The hopes of the Greeks, though, that the new government will make a big difference, will be thwarted by the economic realities of the world and of the EU as such. Once again, fears of social unrest seem warranted. Should the Greek elections create a European trend; this will not make anything better. For

what was promised during the election campaign is at closer look nothing but more of the concepts that have created the mess in the first place.

Switzerland just recently contributed to the economic turmoil by ending her artificial peg to the EURO, leaving many European debtors, public and private, with a hugely augmented financial burden. The European Central Bank in the coming months will ease money supply at the rate of 80 billion Euros a month, hoping to prevent deflation and to stimulate growth. The downside is that these sums will be handled by the national Central Banks of the member States, which might not result in enhanced private lending to private debtors but rather to governments, thus only intensifying the budgetary crisis.

Europe also seems to back away from her very own concept of free trade. The trend to rather resurrect trade and investment barriers instead of dismantling them is getting ever stronger in the general public. Opposition towards further trade negotiations, such as TTIP between the EU and the United States is growing vociferous in the European Parliament as well as in many member States. The CETA Agreement on enhanced economic cooperation between EU and Canada still awaits ratification. The longer it takes the harder it will get.

Once again war is back in Europe, albeit not in the European Union itself but in the immediate neighbourhood, in Ukraine. While, of course, Putin is the source of all of this, Brussels bureaucrats have to take part of the blame for the short-sightedness of their uncanny negotiators who did not have sensors for the political trouble brewing when negotiating the association agreement with Ukraine. Nor has the way the EU has handled the crisis turned out to be comforting. As almost always in foreign and security policy issues Europe is far from speaking with one voice. On the contrary, 28 countries are pulling on the rope, but in different directions, 28 different directions.

Add to all of this the Islamist threat to many of the EU member States, a threat that emanates primarily from a foreign source, but nevertheless coming from within, as the heinous recent attacks, such as in France and Belgium, have shown. This has raised the spectre of anti-Semitism, now intermingling with Islamophobia and intolerance vis-à-vis foreigners. We see that Europe in reality has no idea yet on how to deal with issues of immigration and integration, multiculturalism, modern migration and asylum seekers.

So far not everything is lost. Europe can still have a bright future. Seeing the problems clearly helps finding the right solutions. People realize slowly but increasingly that bureaucratization has to be overcome. This, I am afraid, will not come from the top with the leadership that Europe has. It is coming from below. Reasonable reform-mindedness manifests itself in numerous articles and contributions. It is an amorphous process, pulling in many directions, sometimes in the wrong ones like currently in Greece, and yet contributing to opening up the regulatory European fortresses.

Contrary to what many people say there are still vestiges of leadership in Europe. German Chancellor Merkel is not a charismatic leader, but she does have a steady hand and an inner compass showing Europe the way, sometimes convincingly, sometimes timidly, but at least leading.

In recent weeks even France has been giving ground for hope of European resurgence. It may not emanate from President Hollande, but from the people that have always formed and still are forming "a Grande Nation". France has again risen to be a grand nation by the convincing reaction of her people to the terrorist attacks. "Je suis Charlie" has become a battle cry for the all those holding up Western values of freedom, free speech, tolerance and democracy. Europe may finally get its act together and rekindle its values.

What gives me particular hope is Europe's youth. Many young people are entrepreneurial, comparatively well educated, much more open-minded and cosmopolitan than their elders. They are ready to go. The old continent has to let them move. Combining what is good and traditional with the esprit of the young and the future will once again belong to Europe.

Europe has gone through several difficult phases of the integrations process, periods of "Euro-scepticism" or "Euro-sclerosis", as they were called respectively. It does have a chance to overcome her current period of weakness.

This would be good news for the US. Because Europe needs a strong US, the US also needs a strong Europe. So does the rest of the world.

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