
Europe's Strategic Choices

Thursday 7 and Friday 8 December 2017, Ritz Carlton Hotel, Berlin

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CONFERENCE PROGRAMME

Thursday 7 December

0815 – 0900 Registration and refreshments

Welcome

0900 – 0915

Dr Robin Niblett CMG, Director, Chatham House

Professor Dr Joachim Krause, Director, Institute for Security Policy, University of Kiel

Opening Remarks (on the record)

0915 – 0930

Dr Dietmar Woidke, Minister President, Federal State of Brandenburg, Germany

Plenary Session One | Uncertain Union: The Future of Europe (on the record)

0930 – 1045

Europe is facing the most challenging period it has had to confront since the fall of the Berlin Wall. The year 2017 has seen or will see pressured elections in France, Germany, the UK and the Netherlands; a rise in populism within European borders; the UK's formal triggering of Article 50; and an uncertain future relationship with the US. With Brussels, Berlin, London and Paris looking inward, does Europe risk being left behind on questions of strategic relevance for its neighbourhood and its global position? Or can the EU27, led by freshly elected governments and supported by falling unemployment and a return to growth, build a coherent narrative for their future?

Lord Peter Ricketts, UK Ambassador to France (2012–16) and Strategic Adviser, Lockheed Martin

Professor Dr Heribert Hirte MdB, Member of the CDU/CSU Parliamentary Group, German Bundestag

Zoltán Kovács, Government Spokesman, Cabinet Office of the Prime Minister, Hungary

Baroness Falkner of Margravine, Member of the House of Lords, UK

Ambassador Maira Mora, Director General, Council of the Baltic Sea States

Chair: **Quentin Peel**, Associate Fellow, Europe Programme, Chatham House

1045 – 1115 Refreshments

Breakout Sessions | Round One (These sessions will be under the Chatham House Rule)

1115 – 1245

Session A | Rocky Road Ahead? Brexit and the future of the UK-EU27 relationship

1115 – 1245

A year and a half after the UK voted to leave the European Union, the future of UK–EU relations is still far from clear. With negotiations now firmly under way, there are pressing questions about what the future agreement should look like, and whether a deep and comprehensive deal is indeed possible. All the while, discussions are taking place within the EU on reforming the Eurozone, improving economic performance, responding to the refugee crisis and strengthening security. How will these discussions affect the future deal between the UK and the EU? Is a mutually beneficial agreement possible? In which areas can the EU and the UK work together?

Caroline Wilson, Director, Europe, Foreign and Commonwealth Office, UK
Peter Watkins CBE, Director General Security Policy, Ministry of Defence, UK
Michael Schmidt, President, British Chamber of Commerce in Germany
Chair: **Tom Raines**, Research Fellow and Programme Manager, Europe Programme, Chatham House

Session B | The Data Dividend: Balancing Promise and Privacy

1115 – 1245

Big Data, and the new technologies and industries it is fuelling, offer potentially huge economic and social benefits. However, harnessing the full spectrum of potential involves thorny ethical issues around privacy. This is especially the case in many European countries with a strong culture of privacy, as reflected in the EU recently adopting some of the strongest data privacy regulations in the world. How will Europe cope in an era of Big Data? How can individuals' privacy be safeguarded against misuse without stifling new technologies? Does Europe need a privacy culture change?

Susanne Dehmel, Member of the Executive Board, BITKOM
Dr Sandro Gaycken, Director, Digital Society Institute, European School of Management and Technology
Dr Olaf Schulz, Head of Government Relations Europe and Middle East Africa, Nokia
Chair: **Annegret Bendiek**, Senior Associate, German Institute for International and Security Affairs (SWP)

Session C | Europe and a Resurgent Russia

1115 – 1245

From Ukraine to Syria, Russia is using the full arsenal of political, diplomatic and military tools available to it to re-establish itself as a global power. Compounded by the changing European political landscape, the question of how to deal with Russia is more pressing than ever. What incentive does Europe have to continue a dialogue with the Kremlin in the face of Russian aggression on NATO and the Nord Stream 2 project? How does Russia's relationship with the US fit into this?

Dr Lilia Shevtsova, Associate Fellow, Russia and Eurasia Programme, Chatham House
Dr Andreas Umland, Fellow, Institute for Euro-Atlantic Cooperation, Kiev
Dr Stefan Meister, Head, Robert Bosch Center for Central and Eastern Europe, Russia and Central Asia, German Council on Foreign Relations (DGAP)
Chair: **Dr Hannes Adomeit**, Non-resident Fellow, Institute for Security Policy, University of Kiel

1245 – 1345 Lunch

In Conversation | Crisis in North Korea: The Nuclear Provocation (on the record)

1345 – 1445

North Korea's unwavering provocations through missile tests and an underground explosion of a hydrogen bomb have led to a major international crisis. While many observers deplore the negative consequences for the international efforts to curb the proliferation of weapons of mass destruction, others are more concerned about the imminent danger of nuclear war given the belligerent rhetoric involved. This panel will address the North Korean crisis from different perspectives. How reliable are the threat assessments concerning North Korea? How has the underdeveloped and stagnant economy of North Korea been able to yield so many technological leaps in the field of missile and nuclear weapons technology within such a short time frame? Where does the technology come from? How much

responsibility do Russia and China have for North Korea's acquisition of missile and nuclear technology? What will be the regional and global implications of a North Korea armed with long-range missiles and hydrogen bombs?

Dr Brad Roberts, Director, Center for Global Security Research, Lawrence Livermore National Laboratory

Professor Dr Robert Schmucker, Technical University of Munich

Dr Sarah Kirchberger, Head of the Center for Asia-Pacific Strategy and Security, Institute for Security Policy, University of Kiel

Professor Dr Ben Schreer, Head, Security Studies and Criminology Dept., Macquarie University

Chair: **Professor Dr Joachim Krause**, Director, Institute for Security Policy, University of Kiel

1445 – 1515 Refreshments

Breakout Sessions | Round Two (These sessions will be under the Chatham House Rule)

1515 – 1645

Session A | New Industrial Models for Europe

1515 – 1645

Global economic, political and technological trends are driving interest in re-industrializing Europe, albeit in a very different form than that experienced in the 19th and 20th centuries. Increased popularity of protectionist policies in countries that were traditional champions of free trade; greater domestic competition in European export markets; new modes of production – all are making it newly desirable and cost effective to move industry and manufacturing back to Europe. Can Europe's economy adapt to an era of re-industrialization? What effects will this have on global supply chains? What policies are needed to ensure that jobs are not only adequately paid but guarantee the dignity of those working in radically changed industrial environments?

Kristin Schreiber, Director for SME Policy and the COSME Programme, European Commission

Dr Markus Kerber, Director General and Member of the Presidential Board, Federation of German Industries (BDI) (2011–17)

Nicola Brüning, Head of Governmental Relations, Berlin Office, BMW Group

Chair: **Dr Robin Niblett CMG**, Director, Chatham House

Session B | The Future of Free Trade: Multilateral, Bilateral, Regional, Protectionist?

1515 – 1645

The Trump administration's protectionist rhetoric has signalled a radical departure from the free trade agendas of previous administrations. This has sparked global uncertainty and uneasiness about how this will manifest over the next four years: will the current 'golden era' of free trade come to an end or will other major players, particularly China, be able to secure the future of the current system? Or is an alternative trade order based on bilateral and regional trade agreements most likely? Where does this leave Europe?

Dr Claudia Schmucker, Head of Program, Globalization and World Economy, German Council on Foreign Relations

Fredrik Erixon, Director, European Centre for International Political Economy

Dr Stefan Mair, Member of the Executive Board, Federation of German Industries (BDI)

Chair: **Clara Weinhardt**, Non-resident Fellow, Global Public Policy Institute

Session C | Old Threats, New Challenges: Changing Security Perceptions in Northern Europe

1515 – 1645

Russia's newfound foreign policy assertiveness has highlighted how Northern Europe and the Baltic States are on the front lines of European security, making the area a testing ground for European unity, transatlantic resolve and diplomatic skill. How has the region reacted to this changed security landscape, and what is the potential for further cooperation with non-NATO members such as Finland and Sweden? Will NATO's diplomatic and political responses and the reinforcement of its eastern flank be enough to reassure its members against Russian military capacities and postures? How well will the EU–NATO 2016 Joint Declaration and its regular reporting mechanisms work to increase European security, and in what time frame?

Lt Gen Frank Leidenberger, Commander, German Elements Multinational Corps and Basic Military Organization, Germany

Francis Kearney, Director of Customer Business, Europe, Middle East and Africa, Rolls-Royce Defence

Daniel Keohane, Senior Researcher, Center for Security Studies, ETH Zurich

Pauli Järvenpää, Senior Research Fellow, International Centre for Defence and Security, Tallinn

Chair: **Dr Patricia Lewis**, Research Director, International Security Department, Chatham House

1645 – 1700 Short break

Plenary Session Two | Stabilizing the Neighbourhood: North and Sub-Saharan Africa (on the record)

1700 – 1815

In the face of ongoing instability in North and sub-Saharan Africa, the countries of Europe have taken diverse approaches to stabilizing their southern neighbourhood, from partnerships promoting democratic transformation to political reform to supporting military intervention leading to regime change. What concepts, instruments and tools can Europe field to engage with these countries? Who are Europe's reliable and legitimate partners? Is Europe doing enough to enable its partners to take care of their own security, and what is the right balance between political, economic and military support? What are the prospects of addressing the root causes of instability?

Mark Bryson-Richardson, Director, UK Government Stabilisation Unit

Michael Köhler, Director of Neighbourhood, Directorate-General for Neighbourhood and Enlargement Negotiations, European Commission

Dr Canan Atilgan, Head of the Regional Programme Political Dialogue and Regional Integration South Mediterranean, Konrad-Adenauer-Stiftung

Mats Karlsson, Director, Swedish Institute of International Affairs

Chair: **Professor Dr Stefan Brüne**, Associate Fellow, Franco-German Relations Programme, German Council on Foreign Relations

1815 – 1915 End of day one

Friday 8 December

0845 – 0930 Refreshments

Plenary Session Three | One Year In: Taking Stock of the Transatlantic Relationship (on the record)

0930 – 1045

With President Trump in office for almost one year, it is time to assess his administration's policies and their impact on the transatlantic relationship. Has the Trump administration put forward a coherent plan to fundamentally alter the United States' foreign policy? Has the US president been true to his word and transformed his country's alliances according to a more transactional understanding of partnership?

Where does Europe feature in the new administration's political, economic and security thinking and who are the central figures for policy towards Europe in the White House? How has Europe reacted to the new tone and, if Washington has neglected established institutions, what are the prospects for bridge-building and productive working relationships outside of these forums?

Sir Simon Fraser, Deputy Chairman, Chatham House and Adviser, Europe Programme

Jan Techau, Director, Richard C. Holbrooke Forum for the Study of Diplomacy and Governance, American Academy, Berlin

Richard Burt, Managing Director, McLarty Associates and United States Ambassador to Germany (1985–89)

Dr Kori Schake, Research Fellow, Hoover Institution

Chair: **Klaus-Dieter Frankenberger**, Foreign Editor, Frankfurter Allgemeine Zeitung (FAZ)

1045 – 1115 Refreshments

Breakout Sessions | Round Three (These sessions will be under the Chatham House Rule)

1115 – 1230

Session A | Bitter Medicine? Migration: Need versus Want in an Ageing Europe

1115 – 1230

Migration has become one of the most controversial issues in European states. While ageing societies need substantial migration in order to maintain economic performance and social services, there is a growing uneasiness with seemingly uncontrollable migration from North Africa and the Middle East. The failure to properly integrate new arrivals has contributed to this unease, particularly regarding Muslim immigrants. What can be done to fix these imbalances of need and perception? How should new immigrants be more thoroughly integrated into European societies? What should a reasonable migration policy look like?

Thorben Albrecht, State Secretary, Federal Ministry of Labour and Social Affairs, Germany

Nicola Clase, Coordinator for Migration and Refugee Issues, Ministry of Foreign Affairs, Sweden

Dr Uta Dauke, Vice-President, Federal Office for Migration and Refugees, Germany

Chair: **Jasper Tjaden**, Data and Survey Officer, Global Migration Data Analysis Centre, International Organization for Migration

Session B | NATO and the 2% Goal: Keep Calm and Spend Wisely

1115 – 1230

Only five of NATO's members are currently meeting the agreed-upon target to spend 2% of their GDP on defence: Estonia, Greece, Poland, the UK and the US. The pressure is on the other members of the alliance to increase their military spending. However, many of the European member states have also declared their readiness to contribute more to common defence, posing the question of how to best allocate their spending. How realistic is a sudden increase in the defence budgets of NATO's European members? What is the correct mix of NATO vs European defence for member states? Can the US warning of moderating its commitments to NATO be turned into an opportunity for reform of the organization?

Lt Gen Jörg Vollmer, Chief of the German Army

Fritz Felgentreu, MdB, Deputy Spokesman for Defence Policy for Social Democratic Party of Germany, German Bundestag

Martin Michelot, Deputy Director, EUROPEUM Institute for European Policy

Oliver Mittelsdorf, Senior Vice President, Sales Tracked Vehicles and Turrets, Rheinmetall

Chair: **Professor Dr Joachim Krause**, Director, Institute for Security Policy, University of Kiel

Session C | Beyond Carbon: Europe's Energy Outlook Beyond 2020

1115 – 1230

The recent announcement from Europe's energy utilities that no new coal-fired plants will be built in the EU after 2020 signals an overhaul in the future of energy generation across the region. Even more ambitious, the industry has committed to provide 100% carbon-neutral electricity by 2050. However, the mining and use of coal has important socio-economic implications across Europe, including in Greece, Germany and Poland, making the restriction or phase-out of its use problematic. Additionally, the electrification of heat and transport will increase electricity demand and change consumption patterns, presenting important opportunities and challenges for decarbonization. Are the European energy utilities likely to be able to meet their commitments? How will this change the European energy mix and outlook? What does this mean for relations with Russia, Ukraine and Turkey?

Annalena Baerbock MdB, Member of the Alliance 90/The Greens, Deutscher Bundestag

Andreas Schell, Chief Executive Officer, Rolls-Royce Power Systems AG

Thomas W O'Donnell, Energy & International Affairs, Hertie School of Governance

Chair: **Antony Froggatt**, Senior Research Fellow, Energy, EER, Chatham House

1230 – 1330 Lunch

Closing Conversation

1330 – 1430

Sir Lawrence Freedman, Emeritus Professor of War Studies, King's College London

Linda Teuteberg MdB, Free Democratic Party, German Bundestag

Steven Erlanger, Chief Diplomatic Correspondent Europe, The New York Times

Closing Remarks

1430 – 1500

Professor Dr Joachim Krause, Director, Institute for Security Policy, University of Kiel

Dr Robin Niblett CMG, Director, Chatham House

1500 **End of conference**

Breakout Sessions | Round One

Session A | Rocky Road Ahead? Brexit and the future of the UK-EU27 relationship

Session B | The Data Dividend: Balancing Promise and Privacy

Session C | Europe and a Resurgent Russia

Session A | Rocky Road Ahead? Brexit and the future of the UK-EU27 relationship

While 2017 marks the beginning of Brexit negotiations, hopes of achieving a deal by March 2019 are fading. Generally, participants felt that negotiations were at a crossroads: although talks on a future deal are expected to start next year, ‘phase 1’ issues, namely the protection of the rights of EU citizens and the Irish border, have yet to be resolved. Despite these challenges, there is no appetite in the UK for an exit from Brexit.

What’s more, both the UK and EU27 have made clear that strong bilateral cooperation post-Brexit would be mutually valuable. Achieving this will require a joint strategic and political approach, as well as greater clarity from the UK and EU27 on what kind of end deal they are willing to accept.

One obvious area for close cooperation would be in defence and security. EU security is perhaps at its most fragile since the Second World War, with European countries facing growing threats of terrorism and cyberattacks, and tensions in Eastern Europe. But these shared challenges require common responses, and Brexit could be a chance to restructure defence relationships in Europe.

Much of EU defence cooperation takes place outside of the EU architecture, either through bilateral treaties or through NATO, which is the bedrock of EU security. Today, NATO and the EU have a clearer understanding of their different competencies; the UK government paper on future cooperation also makes clear that the UK would seek to support EU civil and military missions and to contribute to the EU’s defence fund post-Brexit.

Where defence cooperation could be affected is in regards to public procurement, specifically whether UK defence companies are able to access the single market, and vice versa – and at what price. This will depend on the future trade agreement between the UK and EU27.

Session B | The Data Dividend: Balancing Promise and Privacy

In this session, the main theme of discussion was the new General Data Protection Regulation (GDPR), a new European regulation that aims at strengthening and unifying data protection for people within the EU, which will enter into force in Jan 2018. Questions were raised on the impact of such regulation on the field of Big Data, the difficulties in its implementation, and what effect it will have on the competitiveness of European companies.

According to the speakers, the impact of regulation will be most felt by the research sector of Big Data. In fields, such as health, the minimization of data collection could negatively impact the effectiveness of research efforts and yield lower quality results. The issue of data minimization is also one that will effect research in the fields of artificial intelligence (AI) and robotics, of which Big Data is the basis. As one speaker put it, “data minimization is in direct conflict with the concept of Big Data”.

All the speakers agreed that the effects of the new regulation could not be gauged properly until it is enforced, at which point the interpretation of the law will become clearer. The regulation has been kept tech neutral so as not become quickly outdated. The speakers emphasized that the GDPR must be seen as a starting point for data privacy regulation and that future deviations from the rules should be made

possible, i.e. the focus should be on the 'use' of the data, rather than the 'collection'. Another criticism of the GDPR was that is consent-centred, meaning that it gives the burden to the individual to decide on what happens to their data. The danger here, according to the speakers, is that most individuals do not possess an adequate level of digital literacy to make an informed decision. In their view, tougher regulation should be enforced on tech firms to ensure that the privacy of end-users is safeguarded. Here, the speakers lamented the lack of expertise in tech on the side of governments that would allow them to formulate such regulation and called for more data literacy initiatives.

On the question of what the effect of the GDPR will be on the competitiveness of European companies and in European markets, the speakers were rather optimistic. One speaker explained that the industry usually orients its policies to the 'lowest common denominator' in regulation (in this case, the GDPR), which might result in the GDPR becoming the global standard. However, they did note that the restrictions on data collection imposed by the new regulation could result in tech research being conducted outside the EU.

Finally, on the main aim of this session - whether the privacy of personal data could be safeguarded - the speakers were sceptical. First, they noted that some program structures and algorithms are so complex that untangling an individual data might not be entirely possible. Secondly, that large amount of data collected overall means that the removal of the data of one individual might not be enough to anonymize them completely. Through implicit data – data about people connected to an individual – a person's data can be, in some cases, reconstructed completely.

[Session C| Europe and a Resurgent Russia](#)

In the context of the Russian attempt to re-establish itself as a global power, this session explored what incentive Europe has got to address this issue, how to overcome the current crisis and if Russia really is a revolutionary power or a spoiler.

There was broad consensus that the Russian system is trying to improve its military instrument while it is lacking financial resources and technological factors as well as showing internal weakness. It was highlighted that the survival of the Russian regime never depended so much on the West than now. That it's nonetheless not feeling any pressure for compromise and is continuing its power game, is a clear sign for Western weakness. It was noted that Russia is successful meeting European politics as can be seen on the example of Syria, where it stepped in because the United States stepped out. Therefore, it was deemed necessary that the West urgently needs to develop a strategic plan.

The argument was raised that the Russian weight is sinking every year, wherefore we have a window of opportunity for positive change, which we shouldn't miss again as with the Soviet Union. To drive progress forward and have the possibility to propose deals, possible points could be the liberalization of the visa regime for ordinary Russia, integration agreements with e.g. Georgia and a membership action plan for Russia into the NATO.

Discussing who would be the driving institutions or groups in this process (of democratization) or regime change as neither the Minsk II provision nor sanctions have been fully implemented, the session's participants suspected successful economic reforms and a clear western voice (for Ukraine) being a crucial instrument. Another point was made concerning the time frame: While we must develop a long-term policy, issues like nuclear weapons and regimes of arms control require short- and mid-term action. As Russia accepts lower living standard for military power the question was raised whether change can be achieved through Russian society. The panelists deemed it unlikely, seeing a middle class that is less

dependent on the state and preferring to leave the country instead of rebel against dissatisfaction. It was furthermore noted that not in a systematic strategy, but in trying to connect actors, the regime is working strong with left- and right-wing groups whose Russian content and disinformation is hugely rising. Having the Soviet history in mind, next to a more dominant becoming China, the Russians are thinking even harder to avoid the repetition of its failures and will possibly find a new person after Putin that has the authority and charisma holding the system together. It was underlined that the European Union's way of muddling through is not going to be enough.

The Panel went on to discuss possible and powerful instruments next to military. A participant emphasized the weight of sanctions, which started to bite and made a difference, the lack to gain technological transfer and of partners to sell Russian pipelines. The speakers agreed on the fact that the key institutions are the liberals and that the Russian regime knows it must rely on them. Nevertheless, as highlighted by another participant, we should be aware of Russia's military means, being a successful instrument for the destabilization of neighborhood. Its main budget is going to it and this military state can work much longer than we expect. In this context, next to the Russian need to diversify its market, we must invest in regimes of arms control and IMF treaties. A speaker draws the conclusion: What do you do, if not Minsk and not sanctions? It is not sure if the way of a Russian-Georgian peace treaty was working better. On the Ukrainian side it's a prefix that new institutes are present in all regions and national guard groups in last instance in the agreement implementation. Maybe it could be possible.

Breakout Sessions | Round Two

[Session A | New Industrial Models for Europe](#)

[Session B | The Future of Free Trade: Multilateral, Bilateral, Regional, Protectionist?](#)

[Session C | Old Threats, New Challenges: Changing Security Perceptions in Northern Europe](#)

Session A | New Industrial Models for Europe

Revolutionary developments in digital technology, increasing labour costs in emerging markets and increasing inward foreign investment are all acting as drivers to decrease Europe's reliance upon global markets and support the development of local supply chains. However, the decline of the West's global economic influence, concern for the climate impacts of industrialisation and the perceived risk to jobs posed by the digital revolution, leave European politicians with little room for manoeuvrability. Some argue that it is only by highlighting the fundamental role of government to develop infrastructure, facilitate access to capital and to provide education and affordable energy, that this prevailing political narrative can be challenged and new opportunities can be realised from industrialisation.

European Union member states no longer see industrial policy as a tool of protectionism. States are encouraging the European Commission to recognise the economic potential of re-industrialisation policies that combine more traditional manufacturing with new technology and innovative business models. Others stress that it is important to be realistic about the economic potential for industrial strategy and to recognise the strengths of the current economic landscape. EU unemployment is at a nine year low, there has been a real recovery in the SME sector from 2008 and growth is stable. Public bodies have to balance the benefits of innovation whilst managing risks and protecting consumers. An industrial policy at the European level can help to achieve this balance even as challenges remain with strengthening the single market.

Many point to the fact that small, specialised businesses are the backbone of the European economy. The key challenge is to modernise the SME sector by integrating SMEs with start-up and scale-up culture. Industrial policy can play a role in facilitating this approach and avoid a systemic loss of skills and expertise to non-European markets. Addressing digitisation is a prerequisite to realising the potential of SMEs but some note that government regulation often lags behind technical innovation due to a fragmentation of responsibility across Government departments.

Many believe that Europe is on the eve of a neo-industrial revolution as technological developments will reduce the scale of industry, provide resource efficiencies and spur decentralisation. However, it would be a mistake to view Europe homogeneously as there is a significant regional disparity between Western European states that are looking to realise the potential of the digital revolution and post-Soviet states that are continuing to develop major industrial plants. The decentralisation of industry may have a negative effect on trade and in turn make international investment agreements more important than trade agreements in the future.

Digitisation can reduce demand for overseas workforces and reduce labour costs; however, a focus on digital must not be at the expense of those who do not have the skills to reap the benefits of these developments, particularly older generations with significant electoral influence. Europe has a competitive edge in areas such as cybersecurity, however there is need for a holistic view of the challenges and opportunities posed by digitisation within different parts of the European Union.

Investment is a prerequisite to realising the positive potential of digital industries but the prevailing political narrative does little to inspire investor confidence. Despite venture capital being far weaker in Europe than in the United States, access to financing may be improving in the early stages of business development. The real challenge is often in financing businesses to scale. For many businesses, regulatory challenges or market uncertainty pose greater challenges than a lack of access to finance.

It is important to recognise that new employment opportunities presented by reindustrialisation are unlikely to replicate the jobs of the past. Emerging industries may require 'hybrid workers' that sit somewhere between the traditional understanding of service staff or industrial workers. There will therefore be a need for new education and training provision that meets these new skills requirements. Whilst some argue that apprenticeships may no longer be the right model to develop these skills given the high speed of technological change, others argue that apprenticeships can still serve a valuable role for developing the skills for traditional industrial production and that the benefits of learning within a company context can be transferred to other contexts.

The UK's decision to leave the European Union has encouraged a reevaluation of European values. In the face of increasing inward investment and the protectionist policies of emerging markets, many are calling for the EU to develop a stronger voice in international markets and to collaborate more closely with the United States. Others point to the fact that the current US administration is pursuing protectionist economic policies and argue that many business leaders have an ahistorical and apolitical view of global markets and international trade. They argue that there is a need for an attitudinal shift within European business and politics to recognise the underlying global power dynamics which will determine the future of Europe's economic growth.

Session B | The Future of Free Trade: Multilateral, Bilateral, Regional, Protectionist?

The historical expansion in global trade was driven by structural change, as a larger part of the world joined the global supply chain. The factors that were at play during this time no longer apply and it is not surprising that the growth in global trade has so significantly slowed vis-à-vis economic growth. Given that populous countries have already joined the global supply chain, it will be difficult to replicate the growth that these new players previously brought to the market,

Some point to the fact that this 'golden era' of global trade died long before the emergence of the protectionist economic politics that have recently emerged from populist politics across the Western world. They point to the fact that the last major international trade agreement was agreed in 1994 and argue that trade has been becoming increasingly regional, not global, for the last fifteen years. From this perspective, it is more accurate to conceptualise the current trade system as 'non-organised global trade'.

Compared to global agreements, bilateral trade deals have marginal economic benefits in real terms. By some estimates, the EU/Korean bilateral deal will benefit as little as 0.01% of the European marketplace. However, some argue that assessing the direct economic impact of trade is applying the wrong metrics and point to the fact that establishing rules and regulation have the potential to facilitate future economic growth.

President Trump's approach to global trade represents a radical break from previous US positions. Trump is waging a war on regional trade deals such as TTIP and NAFTA and is seeking to undermine the dispute systems of the WTO by refusing to endorse the selection process for the Appellate Body. President Trump's stated objectives are to reduce the US trade deficit and return manufacturing to the US. Many believe that these objectives cannot be achieved through trade agreements, but Trump believes that by using trade agreements to establish dominant trade relations, they can play an important role. This approach to trade is exactly what the WTO was designed to avoid. Even if these policies do not achieve their stated objectives in any meaningful way, they may bring small political wins, particularly they bring benefits to manufacturing in US swing states.

Xi Jinping's recent statements in support of the global rule based trading system surprised many. It remains to be seen whether China has either the desire or the capacity to become the champion of global free trade. What is apparent is that at a competitive level, sector by sector, China plays the most significant role in distorting the global economy. The Chinese have previously criticised the US and EU for developing trading rules that they see as intrusive in the Chinese market but they are yet to develop their own conceptualisation of a global trade framework. It is difficult to consider how the historical approach to developing raw market power and state influence could be developed in to any sort of meaningful global framework. For now, it is clear that the Chinese government is pursuing a dual track policy, at once wanting to be part of Bretton Woods institutions but also building their own initiatives such as the Asian Investment Bank and Belt and Road Initiative.

Following the Brexit decision, the EU is, trying to build on the success of the Comprehensive Economic and Trade Agreement (CETA) with Canada to develop trade agreements with emerging markets. Whilst most in the EU would like to see a greater role for the WTO, in the face of US opposition, bilateral negotiations with Japan, India, Australia and New Zealand as well as new agreements with Singapore and Vietnam and modernising the agreement with Mexico, are all designed to strengthen the EU's trade relations.

The populist politics that some saw as emerging from the decline in the nation state were reinforced by the 2008 financial crises. However, many of the most pressing global challenges, from climate change to migration, cannot be addressed by the nation state alone. Given these challenges many argue that the solutions lie in strengthening global governance, not the nation state. Others point to the fact that is important to recognise the increasing inequality within nation states when considering the prospects for greater economic globalisation. Even if businesses increasingly recognise the need for states to provide a social safety net to those who do not benefit from globalisation, it remains to be seen whether there is the political will to develop these mechanisms whilst championing the benefits of free trade.

For supporters of free trade, it is vitally important that states reengage with multilateral forums, and in the absence of progress at the WTO, that states continue to pursue bilateral trade agreements that are harmonised with WTO rules. Few believe that the forthcoming WTO ministerial meeting (M11) in Buenos Aires will achieve any significant outcomes. Within Europe, more needs to be done at the political level to build consensus on free trade within European societies. By demonstrating the successes of the past and communicating a positive vision for the future, European politicians can meaningfully engage electorates with the complexities of globalisation and build support for free trade.

Some question whether illiberal, non-democratic states will always have a competitive advantage in global trade. Some argue that despite having effective institutions, European states will always face difficulties in building political consensus and overcoming unnecessary bureaucracy. The belief that economic growth will increase civil liberties and encourage pluralism has been tested by the resurgence of China. Whilst China is far from democratic, some argue that economic development has brought an improvement in political institutions and facilitated a greater role for dissent. However, it is quite apparent that the notion that the post-Cold War economic order would lead to a spread in liberal democracy was misplaced and, in this position of great economic strength, Chinese authoritarianism challenges the historical assumptions about economic globalisation.

Unlike in the industrial sector, the services sector lacks a strong advocate for trade agreements and there is only a nascent understanding of how the sector could benefit from such agreements. Similarly, there are few companies strongly advocating for the liberalisation of e-commerce and digital trade. Whilst services are driving economic growth within a domestic context, the prospects for liberalisation remain slight. The UK had been pushing this agenda within the EU but Brexit leaves no great opposition to Germany's resistance to liberalising the services sector.

[Session C | Old Threats, New Challenges: Changing Security Perceptions in Northern Europe](#)

With the ever more precarious security situation within NATO, the strategic role of Northern Europe in the Treaty Organization's security considerations has gained renewed importance.

The panel argued that securing logistics and expanding infrastructure, supporting and encouraging resilience and communication frameworks between civilians (first responders and police forces) on the one-hand and military forces on the other, as well as ensuring that every NATO member's geographic considerations remain relevant and understood are just a few of the challenges confronting NATO members. Specifically, with a view towards Northern Europe, NATO must remain Brexit proof and the British military must stay an active partner within the Treaty Organization.

Relating to more strategic or fundamental considerations, the panel was in agreement that capability vis-à-vis intent must and indeed does guide judgements and decision-making processes. NATO forces which

are deployed are done so in order to be capable and battle-ready, not merely act as ‘trip wires’. Deterrence, as a strategic principle must be re-established in the face of adversity and persistent threat, evidenced by the reformation and reactivation of significant, potentially hostile, traditional military formations in the Russian Federation. Concurrently, determination must be in supply as well, to ensure that strategic decisions are executed to the full and complete extent. In sum, more must be done and undertaken to meet the threats perceived to be forming along the horizon.

Evidencing this, the panel highlighted that Northern European countries have been the victims of increased Russian aggression, often in the form of violations of sovereign air space, repeated on numerous occasions and done so with obfuscated, albeit unquestionably malicious intent. The simulation by Russian forces of nuclear attacks against various North European countries and capitals during wargames and drills underlines the aggressive and omnipresent nature of the difficulties confronting the alliance on its northern flank.

Offsetting this, the creation of NATO battlegroups offers a welcome answer to Russian aggression. Indeed, enlarging the battlegroups would provide an unmistakable signal of deterrence. Additionally, greater air defence and marine patrol capabilities coming online will do much to improve NATO’s ability to deter outside aggression and confront security threats. Capability gaps need to be addressed in order to strengthen deterrence. This can include the sharing of surveillance, intelligence and information among NATO members.

Breakout Sessions | Round Three

[Session A | Bitter Medicine? Migration: Need versus Want in an Ageing Europe](#)

[Session B | NATO and the 2% Goal: Keep Calm and Spend Wisely](#)

[Session C | Beyond Carbon: Europe’s Energy Outlook Beyond 2020](#)

[Session A | Bitter Medicine? Migration: Need versus Want in an Ageing Europe](#)

This session set out to discuss Europe’s options for its migration policy. It debated the challenges of balancing the European need for migrants and their integration into European societies and economies as well as the criteria for a reasonable migration policy.

Given the complexity of the phenomenon, the panel highlighted that it is not only helpful but necessary to distinguish between humanitarian migration and labor market migration. While Europe was considered strong enough to handle the former and in a need for the latter by one of the panelists, both humanitarian and labor market migration remain hard to manage and control for European countries and third countries alike.

There was broad consensus that good language skills are the key factor for migrants’ success in the labor market. At the same time, the acceptance of European values remains the precondition for the integration into European societies. One session participant described an existing gap between the need for qualified migrants and the high number of low skilled and very young asylum seekers arriving in Europe with high expectations.

Different strategies are needed to handle the different groups of migrants. While there is a consensus that the countries of Europe need to provide educational opportunities, there is an ongoing debate among and within European governments on a number of critical issues. These include the question of citizenship, the recognition of professional qualifications and degrees from non-European countries and the lack of

migration laws in countries such as Germany. The panel discussed the need for European solutions, noting that some member states of the European Union are already working closely together while others do not.

In the future, Europe's engagement of the root causes of growing migration and measures such as the creation of job opportunities will be critical, particularly in Africa. At the same time, more African governments need to assume the responsibility to take back their own nationals. To promote voluntary returns, a panelist proposed that Europe should focus on providing information and financial aid to help returning people accommodation in their country of origin.

Facing growing populism throughout the continent, democratic parties and political representatives have to take their citizens' concerns into account and prove that they are able to address the issue of migration effectively. This includes demonstrating control, fairness, the ability to provide security and the determination to leave no one behind in order to prevent growing social conflict.

Session B | NATO and the 2% Goal: Keep Calm and Spend Wisely

Russia's aggressive posture in the east, conflict and the rise of Jihadist proto-states in North Africa and the Middle East, the migration crisis and deteriorating border security, the rise of right-wing populism and the threat from home-grown religious extremism have caused a rapid decline of both security and stability in Europe. On top of this, transatlantic relations have been strained as the new US administration criticized Europe's 'free riding' at America's export of security, and declared that it would scale down its commitment to European security. This new reality has produced a push to increased security spending in Europe for the first time after almost 30 years, since the end of the Cold War allowed European countries to harvest a 'peace dividend' and significantly reduce their defence budgets.

At the 2014 NATO summit in Wales, NATO members pledged to spend at least 2% of their GDP on defence, and in the light of the recent events, many European members have repeatedly reiterated their readiness to increase defence spending, but only four are currently meeting the 2% target: Estonia, Greece, Poland and the UK. Others have faced rising pressure by allies to increase their military expenditures in order to meet the 2% threshold in the near future.

The panel explored how realistic a sudden increase in defence spending of NATO's European members really is? And, what kind of investment is actually needed?

There was general consensus among the panellists that Europe faces multidimensional threats and needs to allocate more resources to security. However, the 2% target agreed upon by NATO members remained a subject of controversy. While some considered the 2% pledge as a useful guideline that indicates a country's political commitment to NATO's burden sharing, others viewed the 'obsession' with the figure as unpractical because the 2% metric measures what governments spend, not how they spend it.

However, there was a general consensus on the panel that security investment needs to increase in Europe and the road needs to be prepared for more defence spending. Years of underfunding have created critical gaps in European armies' capabilities and capacities, including, for instance, strategic air transport, short-range air defence and cyber defence. Furthermore, interoperability remains still a challenge as member nations operate a large variety of systems, including out-dated technology. There is an urgency to harmonise standards, and collaborate in joint procurement and training, but the reality of diverging security interests and approaches to security within Europe still remains a major stumbling

block to defence cooperation. The threat perception is very different today in the Baltic States and France, which inevitably affects consensus building within Europe.

Despite the disagreement over the 2% target, all participants stressed that at this turbulent time in Europe, it is essential to raise the debate over more defence spending to ensure that it goes along with more coherent and efficient procurement processes, better-integrated research and development, and stronger cooperation in education and training.

Session C | Beyond Carbon: Europe's Energy Outlook Beyond 2020

The European Union has made much progress with its plans for decarbonisation in Europe, most recently with the 'Clean Energy for all Europeans' package. The EU has about 30 years to reduce its greenhouse gas emissions by 80 to 95 per cent to achieve a near-zero carbon energy system. This is against the economic lifetime of much new energy infrastructure built today, so the track to decarbonisation will not be easy.

Participants felt that the EU on the whole was performing well. Any transformation will require the support of national governments particularly since they are responsible for determining their countries' energy mix and to a lesser extent, energy prices. They will need to demonstrate greater willingness to align EU priorities in their energy policies. President Macron has made the fight against climate change central to his government's agenda and has already hosted a summit to explore new opportunities for 'green' innovation in Europe. But his approach still contrasts with those more climate-sceptic countries in the EU.

Energy transformation will impact jobs, customers and the structure of the energy market. The quality of the debate at national and European levels, including around the difficulties of transforming energy systems, will be decisive in driving positive change. This energy transition needs to be cross-sector: it will require broadening the dialogue to energy companies and investors as well.

Currently, there are no carrots for clean innovation with most of the emphasis still on compensating 'dirty' energy. Long-term investment should be matched by short-term recovery programmes, particularly if a fall in energy prices decreases ambition to pursue an energy transformation.

But there is room for optimism. 2017 was a big year in the field of energy and business: Tesla, Volvo and Jaguar have all indicated that they would be improving their energy efficiency and targets. The EU will need to show more commitment to 'green' innovation as well as ensure that sufficient capacity exists to store clean energy. New European efficiency standards may also be required to ensure a gradual transition, and to support businesses looking to invest in new technologies.