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# Europe's Strategic Choices

Thursday 7 and Friday 8 November 2019, Ritz Carlton Hotel, Berlin

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## CONFERENCE PROGRAMME

### Thursday 7 November

0815 – 0900 Registration and refreshments

#### Welcome

0900 – 0915

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

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

#### Opening Address

0915 – 0930

**Dr Dietmar Woidke**, Minister President, Federal State of Brandenburg, President of the Federal Council

#### Plenary Session One | European Multilateralism and Global Power Competition

0930 – 1045

The resurgence of geopolitics and great power competition, and the simultaneous exposure of the limits of the rules-based international order, present a challenge to Europe at a moment of internal pressure on the cohesion of its institutions as champions of multilateralism. In an international environment increasingly marked by multipolarity and new and emerging tensions in the security and economic space, the question of how key European multilateral systems and institutions can continue to function is ever more relevant.

- How can Europe's multilateral framework be effective in tackling global issues without falling victim to great power competitions?
- To what extent is Europe, and the EU, in a position to look after its own security interests and carry its share of responsibility as a global security provider?
- Where should Europe concentrate its diplomatic weight to make its voice heard?
- How can Europe navigate current and potential trade conflicts and tariff wars?
- In an increasingly transactional and politicized environment for global trade and economic relations, how can international businesses navigate the challenges this presents?
- What consequences would an authoritarian alignment between Russia and China have for Europe's strategic choices? In what ways and with what means should the EU and the UK deal with the increasingly controversial character of international relations?

#### Speakers

**Sir Julian King**, Commissioner for Security Union, European Commission

**Dr Andreas Nick MdB**, Member of the Committee on Foreign Affairs, German Bundestag, and Head of the German Delegation to the Council of Europe

**Sir Martin Donnelly**, President, Boeing Europe, and Managing Director, Boeing UK and Ireland

**Stacey Farnen Bernards**, Vice President, Government Relations Europe, Middle East, Africa and India, Honeywell International

**Chair: Dr Leslie Vinjamuri**, Head of the US and the Americas Programme, and Dean of the Queen Elizabeth II Academy, Chatham House

1045 – 1115 Refreshments

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

1115 – 1245

### Session A | The Opportunities and Challenges in China's Economic Ascendancy

1115 – 1245

China's ascendancy as an economic power offers Europe opportunities as well as generating fears. Initiatives such as the Belt and Road present avenues for increased trade, and the sharing of technological innovations such as 5G has the potential to enhance Europe's competitiveness. Concerns remain, however, regarding China's adherence to widely held norms in the global economy, and disputes between Chinese companies and the US government are indicative of the potential for disruption.

- How can European policy-makers bridge the consensus gap on issues that threaten Europe's ability to effectively take advantage of economic opportunities with China?
- What exactly are the trade-offs for Europe's deeper economic engagement with China?
- Can Europe take advantage of potential benefits while at the same time managing risks relating to competitiveness and security?

#### Speakers

**Dr Yu Jie**, Senior Research Fellow on China, Asia-Pacific Programme, Chatham House

**Dr Leslie Young**, Professor of Economics, Cheung Kong Graduate School of Business

**Prof Dr Doris Fischer**, Chair, China Business and Economics, University of Wuerzburg

**Jörn Ekkehard Beißert**, Director, China Division, Federal Foreign Office

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

### Session B | Ghosts of Conflicts Past? The Danger of Conflict in Europe's Wider Neighbourhood and the Challenges of Prevention

1115 – 1245

With the return of armed conflict to its neighbourhood in Syria and Ukraine, Europe has been challenged to respond to numerous crises simultaneously, stretching its political, diplomatic, military and crisis-response capacities. At the same time, political instability and the potential for new or further escalating armed conflicts in other regions such as the Western Balkans, the Baltic Sea and Black Sea, the Levant and the Persian Gulf (Iran) and Northern Africa (Algeria, Sudan and Libya) have increased.

- What are the risks of new wars and armed conflicts in Europe's neighbourhood?
- What are the most likely scenarios for the evolution of ongoing conflicts?
- Is Europe capable of dealing with further escalation of conflict in its neighbourhood, or have the current crises already overwhelmed Europe's diplomatic, economic and military capacities?
- What approaches and capacities for conflict prevention does Europe possess, and what are the past examples of (successful and unsuccessful) conflict prevention efforts?

#### Speakers

**Dr Christopher Coker**, Professor of International Relations and Director of IDEAS, London School of Economics

**Ben Hodges**, Pershing Chair in Strategic Studies, Center for Policy Analysis (CEPA), and former Commander, US Army Europe

**Paul Landes**, Head, National Bureau for Counter Terror Financing, Israel

**Liana Fix**, Program Director, International Affairs, Körber Foundation

**Chair: Kristina Kausch**, Senior Resident Fellow, German Marshall Fund of the United States

### Session C | European Climate Action

1115 – 1245

Europe's policy-makers and business leaders are assessing prospects for stepping up collaboration on climate action. 2018 saw wildfires rage across the Iberian Peninsula, and the security risks posed by climate change are increasingly clear. However, political and economic roadblocks – Brexit, populist rhetoric and sentiments, concerns over economic competitiveness – could complicate action to mitigate and manage climate risks and the impact of climate change.

- Has the current political dynamic in Europe led to new alliances and fault lines in global climate action? What avenues are there for deeper cooperation?
- What risks does climate change pose for European security? Where can these be anticipated?
- What do international climate objectives mean for European businesses? How can governments and non-state actors work together to take advantage of the latest technological advances and build a low-carbon future?
- Can discussion on climate change be depoliticized? What steps can be taken to achieve this?

#### Speakers

**Prof Dr Daniela Jacob**, Director, Climate Service Center Germany

**Janne Peljo**, Project Director, Climate Solutions, Sitra

**Prof Dr Carlo Jaeger**, Chairman, Global Climate Forum

**Chair: Sven Egenter**, Editor-in-Chief and Executive Director, Clean Energy Wire

1245 – 1345    Lunch

### Plenary Session Two | The Search for European Economic Growth

1345 – 1500

As technological developments and demographic shifts continue to dramatically alter global and regional economies, and rising inequalities lead to disaffection with globalization, many stakeholders are re-evaluating how to harness opportunities and adapt policies to pursue more inclusive growth.

- Which specific technologies are poised to cause the most disruption, and in what ways?
- Which sectors and regions are likely to be most affected in terms of employment?
- What are the implications of evolving economic disparities for political and social dynamics across Europe, and do proposed policy solutions exist?
- How can public and private actors work together to stimulate sustainable employment while promoting productivity and economic competitiveness?

#### Speakers

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

**Prof Dr Anke Hassel**, Professor of Public Policy, Hertie School

**Prof Dr Christoph Meinel**, CEO and Scientific Director, Hasso Plattner Institute

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

1500 – 1530    Refreshments

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

### **1530 – 1700**

#### **Session A | Europe and its Southern Neighbourhood**

1530 – 1700

The current dynamics in countries across Europe's southern neighbourhood, in the southern Mediterranean and North Africa, and further south in the Sahel, present complex policy and security questions for European policy-makers. The challenges of weak statehood, economic stagnation and political conflicts are increasingly exacerbated by a growing population, irregular migration and the adverse effects of climate change. The nature of the crises in the region is undergoing a major transformation and necessitates the recalibration of European policy at a time when it is becoming a theatre upon which established (US, Russia) and emerging (India, China) international players are interacting with each other and vying for influence.

- Is Europe's quest for 'stability' possible without transformation in its southern neighbourhood? Does Europe have a common approach to this region and countries within it?
- How is Europe interacting with both old and new international players in the region?
- What are the motives for Europe's engagement? How are these contrasted by those of other international and regional powers?
- How can different actors promote peace and stability in the region? Which instruments are most effective, and how can efforts be better coordinated?

#### **Speakers**

**Güney Yildiz**, Visiting Fellow, German Institute for International and Security Affairs (SWP)

**Judy Dempsey**, Editor, Strategic Europe, Carnegie Europe

**Dr Nick Westcott**, Director, Royal African Society

**Chair: Christian Patz**, Researcher, Project Coordinator 'Europe's Strategic Choices', Institute for Security Policy at Kiel University (ISPK)

#### **Session B | Artificial Intelligence**

1530 – 1700

Breakthroughs in machine learning are transforming the working environment and increasingly having an impact on societies. The potential to unlock new opportunities cannot be overstated, however there is a risk of unleashing too much too quickly and without adequate forethought on how to effectively govern and utilize artificial intelligence (AI).

- What are the real-world applications of machine learning right now, and what are the greatest present-day risks?
- Which industries are poised for massive disruption? Which regions are most likely to be affected, and what does this mean for policy-making?
- In the race for technological supremacy, how can a 'race to the bottom' be avoided when it comes to AI regulation? Can countries or companies be realistically expected to cooperate in this area?
- Could AI's integration exacerbate economic inequality in Europe? How can this be mitigated?
- Given recent concerns surrounding AI decision-making prejudice, can AI systems be imbued with values? Is there consensus over what these values should be?

#### **Speakers**

**Prof Dr Christoph Meinel**, CEO and Scientific Director, Hasso Plattner Institute

**Philippe Lorenz**, Project Director, AI and Foreign Policy, Stiftung Neue Verantwortung

**Prof Dr Dagmar Monett**, Professor of Computer Science, Berlin School of Economics and Law

**Chair: Dr Sandro Gaycken**, Director, Digital Society Institute, European School of Management and Technology

### Session C | The Future of European Trade

1530 – 1700

Whatever formula for Brexit that is eventually agreed will require a recalibration of many existing trade relations and an inevitable period of change. With slow progress on free trade agreements, and a shift towards national protectionism, this session will examine potential long-term consequences for Europe's trading environment.

- What is the potential that developments such as Brexit will lead to longer-term protectionist trade policies in Europe?
- How will further escalation of tensions between the US and its trading partners affect global trade?
- To what extent have decades of European integration weakened the UK's ability to strike trade deals with major economies?
- What new trade patterns and relationships are emerging, regionally and globally?

#### Speakers

**Marianne Schneider-Petsinger**, Research Fellow, US and the Americas Programme, Chatham House

**Dr Stephanie Leupold**, Head of Trade Strategy, DG Trade, European Commission

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

**Dr Elvire Fabry**, Senior Research Fellow, Jacques Delors Institute

**Dr Holger Hestermeyer**, Reader in International Dispute Resolution, King's College London

**Chair: Iana Dreyer**, Founder and Chief Editor, Borderlex.eu

1700 – 1715      Short break

### Plenary Session Three | Visions for Europe's Security and Defence Architecture

1715 – 1830

In a moment of growing and diverse external challenges to Europe's security architecture, the future shape of European security cooperation seems more open than it has been for decades. With France willing but Germany hesitant to develop the EU's capacities further, NATO remains the common political denominator unaffected by the evolving nature of the EU–UK relationship. The UK and France are vying for Germany to underwrite a future design with different centres: NATO *or* the EU. But US pressure on members of NATO to contribute more is not subsiding, and any ambition for an increasingly autonomous EU to go 'full-spectrum' is meeting resistance. With the alliance under strain, NATO's symbolic 2019 December summit in London will have to deliver more than a glimpse of where the alliance is headed and where Europeans' priorities for security architecture lie.

- Which of the two schools of thought – strengthening the European pillar in NATO vs EU strategic autonomy in security and defence – will provide Europe with a better future security arrangement?
- What are the prospects of NATO–EU cooperation in light of these developments, and how can both organizations find a way to bring the competing interests, preferences and caveats of NATO and EU member states into alignment?
- What does EU–UK cooperation in the field of security look like? What alternative mechanisms and avenues of cooperation exist outside NATO after Brexit?

## Speakers

**Lieutenant General Jörg Vollmer**, Army Chief of Staff, Germany

**General Philip Breedlove**, Supreme Allied Commander Europe, NATO (2013–16)

**Dr Fritz Felgentreu MdB**, Social Democratic Party, German Bundestag

**Dr Claudia Major**, Senior Associate, Research Division, International Security, German Institute for International and Security Affairs (SWP)

**Alex Zino**, Director, Customer and Government Relations, Defence, Rolls-Royce

**Chair: Peter Watkins**, Associate Fellow, International Security, Chatham House

1830 – 1930 End of day one and drinks reception

## Conference Dinner and Keynote Conversation

1930 – 2200

In Conversation | Security Challenges and the Current Threat Landscape

**General Philip Breedlove**, Supreme Allied Commander Europe, NATO (2013–16)

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

2200 Dinner concludes

## Friday 8 November

0845 – 0945 Refreshments

## Plenary Session Four | How Deep Is the Crisis in the West?

0945 – 1100

After a decade of growing nationalism and populism, it is time to ask: what is the nature of the crisis the Western world is going through? International institutions are withering, domestic political institutions are failing and the sense of unity that has prevailed for decades since the 1950s is eroding. There are different approaches to explain this: some observers are naming socio-economic factors, such as globalization and its consequences, deindustrialization, loss of competitiveness and falling wages for major parts of the population. Many blame growing alienation with the political and intellectual elite, with populations seeking alternative narratives having felt patronized by globally oriented political classes. Others blame the impact of digitalization, the rise of social media and the decline of traditional political institutions. This discussion will scrutinize these explanations and others in the context of ongoing political transitions and assess what they mean for the future of European democracies.

## Speakers

**Dr Michael Kimmage**, Professor of History, The Catholic University of America

**Dr Jana Puglierin**, Head of Program, Alfred von Oppenheim Center for European Policy Studies, German Council on Foreign Relations

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

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

**Chair: Hans Kundnani**, Senior Research Fellow, Europe Programme, Chatham House

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

1130 – 1300

### **Session A | The Future of Arms Control: Europe's Contribution to a Global Solution**

1130 – 1300

The breakdown of the Intermediate-Range Nuclear Forces (INF) Treaty has revealed critical strategic concerns and challenges regarding the future of arms control and deterrence in Europe. While the conversation has very much revolved around the continent, key decisions over the future will likely be made outside of Europe. The rise of China and the relevance of its nuclear capabilities for US strategy, Russia's development of new weapons in the intermediate range and the risk of nuclearization in the Middle East have turned the conversation into a global one. This is even more apparent regarding the control of strategic weapons, and the unclear fate of the New Strategic Arms Reduction Treaty (START) risks leaving the world without any limitations on capabilities for its two dominant nuclear powers.

- What consequences will the breakdown of the INF Treaty and a lack of alternatives have for Europe?
- What is Europe's role and how should it position itself in the debate over the future of deterrence?
- What effect does the lack of agreement over the need for a continuation of the INF Treaty and the New START between the US and its allies have on NATO?
- As the inclusion of the Indo-Pacific region into any future global arms control regime will likely pose a number of challenges, what voice, weight and role will Europe have in this conversation?
- What is the way ahead for conventional arms control in Europe after the death of the Treaty on Conventional Armed Forces in Europe (CFE)?

#### **Speakers**

**Ambassador Susanne Baumann**, Federal Government Commissioner for Disarmament and Arms Control and Head of the Directorate-General for International Order, the United Nations and Arms Control, Federal Foreign Office

**Ambassador Ron Prosor**, Head, Abba Eban Institute, and Permanent Representative of Israel to the United Nations (2011–15)

**Dr Pavel Podvig**, Senior Researcher, United Nations Institute for Disarmament Research

**Frank A Rose**, Senior Fellow, Security and Strategy – Foreign Policy, Brookings Institution

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

### **Session B | Skills Demand and the Future of Work**

1130 – 1300

Technological developments are dramatically altering the way people and organizations work. Automation and digitization herald opportunities for productivity and other workplace gains, while also reshaping the marketplace for skills required by different sectors. In response to these changes there is a need for policy-makers and employers to engage and develop solutions that match skills supply to the demands of the 21st-century workplace.

- How is the nature of skills demand changing and what is driving these changes?
- How can policy-makers pursue more active labour market policies that involve all stakeholders?
- What are some examples of innovative policies for remedying skills mismatching in the labour market? To what extent can these be replicated across different regions and industries?
- How can governments and businesses utilize technology to equip people with the necessary skills for a 21st-century labour market?



### Speakers

**Dr Tilman Tacke**, Partner, McKinsey Global Institute

**Vice Admiral Rainer Brinkmann**, Vice Chief, German Navy and Commander, German Fleet and Supporting Forces

**Siria Taurelli**, Strategic Project Leader, European Training Foundation

**Arek Jaworski**, Director of Education, DACH, Russia and CIS, Pearson

**Chair: Mark Keese**, Head Employability and Skills, OECD

## Session C | Connected Markets and Eurozone Fiscal Policy

1130 – 1300

Europe's coordination of economic and fiscal policies remains mired in complexities, with its Monetary Union and Capital Markets Union lacking progress and a lot of reforms still needed. The question of which reforms provide the optimal basis for future prosperity is yet to be agreed upon but breaking the inherent procyclicality according to which the eurozone operates, and which has affected the potential growth of the peripheral countries, is key.

- What kind of countercyclical devices are needed in the eurozone to allow it to operate more closely and target investment to regions that require support?
- Is there a consensus on the need to reduce risks and how to achieve risk sharing?
- What are the strategic choices for the eurozone internationally in terms of cross-border flows?
- To what extent do growth and investment need new rules and institutions in Europe?
- In a European landscape increasingly characterized by volatility, how can regulators create optimal frameworks to foster economic growth and stability?

### Speakers

**Karel Lannoo**, Chief Executive, CEPS

**Michael Theurer MdB**, Vice Chairman, Free Democratic Parliamentary Group, German Bundestag

**Vicky Pryce**, Chief Economic Adviser and Board Member, Centre for Economics and Business Research

**Pepijn Bergsen**, Research Fellow, Europe Programme, Chatham House

**Chair: Marianne Schneider-Petsinger**, Research Fellow, US and the Americas Programme, Chatham House

1300 – 1400    Lunch

## Closing Conversation | The Search for a New Common Understanding

1400 – 1515

As the traditional consensus about the core of the European project and its key narratives weaken, the question of a new common understanding for the EU and the relationship with its associates must be asked anew. The traditional scenario of France and Germany defining the way ahead no longer seems feasible, as two diverging visions of the EU's future have caused the engine of European integration to stutter: while France seems intent on taking the road of majority decision-making in a strengthened or altogether new supranational framework, Germany is hesitant and interested in preserving intergovernmental decision-making and a strict fiscal policy. At the same time, EU-sceptic governments in Hungary and Poland are focused on balancing against Franco-German designs that seek to limit their national sovereignty. While the incoming European Commission may provide advocates of an ever-closer

union with a renewed sense of purpose and energy, the chances are high that Eurosceptic and anti-EU forces will remain strong and resilient in their pursuit to build a coherent anti-EU movement. This session will discuss competing visions for Europe, the drivers behind their support and adoption, and the progress towards a common understanding of the continent's future.

**Speakers**

- Prof Dr Henrik Enderlein**, President and Professor of Political Economy, Hertie School, and Director, Jacques Delors Institute Berlin
- Ambassador Peter Wittig**, German Ambassador to the United Kingdom
- Shada Islam**, Director, Europe and Geopolitics, Friends of Europe
- Karel Lannoo**, Chief Executive, CEPS

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

**1515 Closing Remarks**

**1530 End of conference**

**THURSDAY 7 NOVEMBER SIDE EVENT | HERRHAUSEN SIMULATIONS**

There will be two simulations on disinformation taking place as side events during the conference on Thursday 7 November. Simulation activities require active participation and spaces are limited to a maximum of 20 people at each event. Participants can sign up to take part during the registration period prior to the start of the conference.

**DISINFORMATION ACTIVITIES: RECOGNITION AND RESPONSE**

1100 – 1300 and 1500 – 1700

This simulation will explore the concept of disinformation ‘activities’, how they can be recognized at an early stage and what a government can do when political turmoil arises due to disinformation. Participants in the role of different government actors will be taken through several stages of this strategy and discuss the role of social media and modern communication in this increasingly challenging area for international security in the 21st century.

## **Discussion summaries for the following sessions**

### **Plenary Session One | European Multilateralism and Global Power Competition**

*(this session was on the record)*

#### **Breakout Round One**

*(these sessions were held under the Chatham House Rule)*

Session A | The Opportunities and Challenges in China's Economic Ascendancy

Session B | The Danger of Conflict in Europe's Wider Neighbourhood and the Challenges of Prevention

Session C | European Climate Action

### **Plenary Session Two | The Search for European Economic Growth**

*(this session was on the record)*

#### **Breakout Round Two**

*(these sessions were held under the Chatham House Rule)*

Session A | Europe and its Southern Neighbourhood

Session B | Artificial Intelligence

### **Plenary Session Three | Visions for Europe's Security and Defence Architecture**

*(this session was on the record)*

### **Plenary Session Four | How Deep Is the Crisis in the West?**

*(this session was on the record)*

#### **Breakout Round Three**

*(these sessions were held under the Chatham House Rule)*

Session A | The Future of Arms Control: Europe's Contribution to a Global Solution

Session B | Skills Demand and the Future of Work

Session C | Connected Markets and Eurozone Fiscal Policy

### **Closing Conversation | The Search for a New Common Understanding**

*(this session was on the record)*

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## **Plenary Session One | European Multilateralism and Global Power Competition**

The conference's opening panel was dedicated to exploring how Europe's multilateral framework can be effective in tackling the wide array of internal and external issues it is confronted with, at a time when geopolitics and great power competition are on the rise, and the limits of the rules-based international order in managing global turbulence are becoming increasingly clear. The widely shared *problematique* of how Europe is to act internationally while facing the risk of being stuck between a belligerent and assertive United States, an ascendant China and a resurgent Russia, informed many of the discussions.

Sir Julian King, the European Commissioner for Security Union, refuted the idea that the EU is an idle international bystander. While acknowledging issues of lack of coherence, he pointed to a series of cases where European member states have come together in several security-related policy dossiers, ranging from dealing with cyber terrorism and hybrid threats to improving intelligence cooperation and

strengthening critical digital infrastructure. Andreas Nick from the German Bundestag agreed with the idea that the EU has achieved progress in many (hard) security issues over the past few years, and that the bloc is therefore slowly becoming a more geopolitical actor. Nonetheless, he cautioned that the EU is still ill-equipped to face China and the US on many policy fronts and advocated in favour of urgent actions to be taken to increase European resilience, strengthen the Union's innovation policy, and define its place in the world in a more assertive way. For Sir Martin Donnelly, Europe has to get better at managing change, faced with global demographic trends, the rise of Asia, and rapid technological advances. The scale of this change calls for not romanticising the past, while recognising that it is very unlikely that we have another Bretton Wood moment. Having more trust between the public and private sectors and the electorates and allowing more time for a proper analysis of the problems at hand before deciding on institutional and policy solutions were also considered key in this regard.

The question of whether the emerging global order will end up being more confrontational or cooperative was acknowledged as being a central one for Europe. Most panellists referred to the transatlantic relationship being under strain and Russia's interference efforts as impeding factors towards giving a clearer answer to this question, not least because of the impact they have on the rules-based nature of the international system. China's meteoric rise was also mentioned as a complicating factor, in light of Beijing's recent actions which could be considered as disruptive and given how different the European and Chinese political systems are. Dealing with global actors that seek to maximise their security at the expense of the EU or gain an illegitimate advantage against the bloc, the need to strengthen and diversify the Union's capacity to act—via dialogue and deterrence—was widely recognised.

Since the conference almost coincided with the 30<sup>th</sup> anniversary of the fall of the Berlin Wall, the discussion also turned to the issue of values and cohesion within the EU itself. Cases like that of the protracted wrangling between Poland and Hungary with the European Commission certainly illustrate that fissures and centrifugal forces exist not only beyond but also within European borders, increasing the turbulence that the continent is faced with.

Regarding what Europe's strategic choices can be against this backdrop, whereby tumult is both endogenous and exogenous, some panellists agreed on the need for Europe to assume a more flexible stance. Coalitions of the willing might be a sensible way to approach this, both in terms of the impact Europe can have to tackle global problems but also in promoting its internal integration further. Nonetheless, as it was underlined, core values cannot be sacrificed for the sake of flexibility, especially when concerning the internal dimension. While the EU needs to continue allowing some leeway on other policy disagreements, the consensus was that the Union needs to also continue standing firm when it comes to its fundamental values.

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## **Round One Session A | The Opportunities and Challenges in China's Economic Ascendancy**

With China's ambition and gravitas increasingly felt across the continent, this panel focused on the ways in which Europe can navigate China's ascendancy, finding synergies and taking advantage of the benefits in areas of common interest, while managing and mitigating risks relating to competitiveness and security. Beijing's flagship Belt and Road Initiative, its appetite for buying up strategic infrastructure assets and critical technology in Europe, the growing nationalism within the country, as well as a series of long-standing normative divisions between China and Europe were important areas where it was recognised that a concerted European focus is needed.

The fact that a deeper engagement with China means both deeper interdependence and deeper vulnerabilities from a European standpoint is an important one if Brussels wants to credibly follow up on the recent strengthening of its defensive strategy on China. For some of the panellists, this calls for more concrete policies through which short-termism in Europe's strategic outlook vis-à-vis Beijing can be avoided, and Europe's own rules, values and interests can be better defended, not least in the economic and technological domains. Recommendations were offered as to how this can be done in the form of better coordination within and among EU member states, as well as a more ambitious collective technological and innovation policy to support external action goals. The bloc was also advised to avoid protectionist measures but nonetheless assume a more holistic stance when it comes to foreign investment screening.

In response to questions from the audience, an intense debate took place around the issue of data privacy and control. This discussion came on the back of reports that Beijing uses AI, facial recognition and big data to control and monitor its citizens and was by extension related to the wider issue of how the EU is to approach the fundamental differences that exist between the European and Chinese political systems. Different views were expressed on the topic, with some going as far as to equate the situation to the emergence of an Orwellian dystopia that Europe needs to stand up against, while others argued that the accountability that comes with the Chinese government's control over this data is better than the unaccountable modus operandi of American tech giants. While no clear consensus was found beyond the fact that Europe should give up on the idea that it can move China towards a more democratic direction, this debate demonstrated the very tangible nature of the dilemmas posed to Europe on how to manage a China that is economically successful and politically assertive.

Where most panellists agreed on however was in the acknowledgement that the Sino-European relationship still suffers from many misconceptions, which often leads to confusion and suspicion. It was argued that these misconceptions need to be corrected, if both sides are not to allow a 'Thucydides Trap' mindset to dominate the way the two sides engage with each other.

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## **Round One Session B | The Danger of Conflict in Europe's Wider Neighbourhood and the Challenges of Prevention**

The resurgence of Russia as strategic rival, along with the emergence of political insecurity and conflict in the European periphery, has unravelled the security order in Europe that had emerged after the Cold War. Against the backdrop of these security challenges, the breakout session discussed the many and profound challenges Europe is facing today and tried to identify fields where Europe needs to make strategic choices to address these challenges.

The panel set out to discuss several focus areas that demand attention and action. First off, the Western Balkans and Ukraine have emerged as major flashpoints, where long simmering tensions and unresolved grievances have come to the fore, which has increased the risk of armed conflict or has already led to a spill-over to open violence (in the case of Ukraine). Playing a particularly destructive role, Russia has actively meddled in these conflicts and magnified ethnic tensions in order to expand its own influence, create distractions and undermine pro-Western and pro-democracy forces in these countries.

In addition to Europe's eastern flank, the Sahel has emerged as another strategic area, where the increasing flow of irregular migration and the spread of violent extremism have created significant security challenges to Europe. Climate acts as a risk multiplier that exacerbates these problems, as water shortages, diminishing agricultural land and rising food insecurity will likely cause massive displacement and conflicts over rapidly depleting resources. While Africa and the Middle East will be most affected by climate change, spill over effects will also have a significant impact on Europe and the wider World.

Outside of Europe's immediate vicinity, the rise of China has transformed the global power balance in such a tremendous way that it implies a radical change to a new world order. China's aggressive behaviour on the South China Sea and its increasing economic and political influence will likely result in a Sino-American struggle for regional hegemony, but it will also have wider consequences for global security. According to the panellists, Europe needs to pay more attention towards the East to identify challenges but also opportunities of China's rise.

Discussing possible responses to these challenges, the panellists highlighted the importance of the transatlantic partnership, especially the relations between Germany and the USA. Despite the recent turbulences, panellists expect that cooperation between Europe and the USA will remain strong because they share common values and interests. Alongside the EU, NATO has been the bedrock of Europe's security architecture and continues to provide the best framework for tackling future security challenges. According to one panellist, European nations are, therefore, best advised to meet their share of NATO's defence goals to strengthen mutual trust and build confidence in the alliance's ability to guarantee an effective deterrent and ensure stability. It was also noted that strengthening the European pillar in NATO would give Europe more strategic autonomy, enabling it to handle minor challenges in its periphery by itself, without undermining the transatlantic alliance.

In this regard, Europe also needs to make a strategic choice to remain a transformative power in its eastern neighbourhood. This means ensuring security and maintaining its partnership to help its partners continue their transformation process and eventually qualify for EU membership. To tackle the challenge of climate change, Europe can adopt a more active role in raising international awareness. Paradoxically, in regions most affected by climate change, the issue is largely neglected. For instance, Middle Eastern states spend far more on defence than on measures that address climate change, even though increasing desertification, drought and water shortages in these states create the conditions for future unrest and conflict.

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## **Round One Session C | European Climate Action**

The past five years have been the warmest ever on record. Accordingly, Europe has faced its share of extreme weather events, including heat waves, droughts, wildfires, floods and storms. Should global temperature rise beyond the 1.5°C limit as defined in the Paris Agreement, life on earth would change tremendously: freshwater reserves would be pushed back by saltwater, space for food production would diminish and many coastal areas would vanish. Consequently, action needs to be taken immediately and on all levels.

According to the panellists, three parallel steps are inevitable in order to prepare Europe to deal with this challenge. Firstly, there needs to be a concrete shift in politics and a clearly defined political will to push through required climate policy changes. Climate change not only needs to be prioritised among

policymakers, it must be communicated as such to the public and implemented accordingly. To facilitate this process, climate scientists should provide policymakers with more knowledge on possible positive scenarios. Secondly, public and private stakeholders need to be convinced to focus on sustainable solutions, including investment in and development of new green technologies in different sectors, including energy supply and transportation. Thirdly, behavioural changes on all levels need to be motivated. Here, the panellists mentioned communication and education as key issues.

On the one hand, visions and knowledge about the future have to be made available to the entirety of the population. The panellists were of the opinion that people need to be informed more precisely about the impact of climate change measures on their everyday lives. For instance, how will their work change by the production and the use of more sustainable technologies? To prevent the polarisation of society, the panellists underlined the importance of leaving no one behind. Rather than cutting jobs, policymakers and managers should enable employees to adapt to the new circumstances by educating and preparing them for sustainable jobs. Furthermore, similar measures should be implemented already in school education to inform the youth about the type of jobs they will have to prepare for in the future.

Overall, the awareness of climate change is rising, however, the process is not evolving fast enough. Whereas national and European policymakers are on the right track, i.e. Christine Lagarde's and Ursula von der Leyen's initiatives to foster investments in green bonds and green development, a more progressive European agenda is needed, which provides a positive vision and precise solutions of how measures can be implemented concretely and what this means for the average person, business or sector. Considering that the earth has already warmed by around 1°C, the panellists agreed that climate action is a strategic choice that should be at the top of the European Agenda.

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## **Plenary Session Two | The Search for European Economic Growth**

This session was aimed at exploring what technologies and policies Europe should be looking at to pursue stronger and more inclusive growth. The chair pointed out that the European economy has come out of the crisis relatively well but now the German economy is slowing, inflation remains below target and generally growth is still subpar. This raises the question whether the current slowdown is structural. Andreas Schell noted that we need realistic optimism about Europe. There are significant challenges, and these are both cyclical and structural. Germany is going through a cyclical downturn and structural issues include Europe's risk aversion and fragmentation across markets. Dr Meinel believed the problems were mainly structural, including the difficulties created by attempting to force a German growth model onto the south of the euro zone.

There was agreement on the panel on the challenges posed to the European economy by digitalisation and the slow European response to this. Both China and the US are ahead of Europe in areas such as artificial intelligence and there was an agreement that one of the hurdles that Europe faces is the broadly shared risk aversion. Worries were expressed that Europe is not quite aware how far behind it is and the contrast was made between China having completely changed its economic system by means of technology and German schools still not having digital services.

There was broad agreement that Europe lacks the speed to innovate and more broadly an entrepreneurial mindset. One example mentioned was the lack of a European company ready to rapidly roll out 5G. More

support to create European champions was suggested, with the example brought up that if we hadn't had Airbus, we would only be buying American planes.

Governments across the EU are aware of all these issues but struggle to deal with them. There is little imagination on what to do, even if they were willing or able to put aside the money to make the necessary investments. Prof Hassel made the argument that Europe needs more innovation in public policy but that this is incredibly difficult. She also pointed out that the business community also needs a change in mindset, particularly when it comes to demanding very specific skills qualifications.

The need to upskill and reskill large parts of the workforce was discussed and how some countries are clearly more successful at this than others, again highlighting a north-south gap within the EU. However, the pitfalls were also brought up, particularly from a political perspective. If you ask people to upskill, you will create pushback against the system if they subsequently feel like they don't share in the increased prosperity.

The importance of education was a strong point of agreement on the panel. This was also related to the risk aversion visible in Europe. Europe lacks the psychology of growth, with technology mainly being seen as a threat, because this is already implanted in the classroom. The current education system is too focused on creating copies of what we already have.

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## **Round Two Session A | Europe and its Southern Neighbourhood**

The current dynamics in countries across Europe's southern neighbourhood, in the southern Mediterranean and North Africa, and further south in the Sahel, present complex policy and security questions for European policymakers. It was established in the discussion that Europe by and large has been punching below its weight, particularly since the transformative events of 2011. Europe was initially very engaged only to present a disunited picture in 2019. On the eve of the ten-year anniversary of the Arab Spring, soft power idealism (or at least the willingness and ability to throw large sums of money at the "problem") has largely been replaced by hard power realities of the military and political battlefield. Libya and Syria have long since succumbed to civil war and sectarian violence, with unclear allegiances and disturbing atrocities; Turkey has turned from a bridge between continents to a most difficult actor to deal with individually and collectively. Wide US disengagement from the region has opened large gaps readily filled by other states and non-state actors. China, Russia, and Iran – to name a few – are now poised to use North Africa and the Middle East as bridgeheads and arenas where they can display regional world order to their liking.

The panel's discussions revolved around the fact that the strategic challenges for Europe's Southern neighbourhood remain: weak statehood, economic stagnation and political conflicts, demography, irregular migration, and the adverse effects of climate change. The nature of the crises in the region is undergoing a major transformation and necessitates the recalibration of European policy at a time when it is becoming a theatre upon which established (United States of America, Russia) and emerging (India, China) international players are interacting with each other and vying for influence.

What are, then, some of the upshots? Tunisia's and Morocco's aspiration to become full democracies is a hopeful sign that must not be overlooked. Trade ties need to be strengthened to these countries as well as to those in the broader region that can be considered. Military sales to selected countries, coupled with broad training and meaningful partnership programs, could mean a significant step forward if they are



uncoupled from national interests in favour of a more European approach. Allies from the Pacific – Australia, Japan, South Korea – or Canada could be invited to take more active roles in this region with continuous US withdrawal, at the possible cost of a tit-for-tat where Europe would be asked to do significantly more in the Indo-Pacific as well. Europe’s continuous and rocky relationship to its Southern neighbourhood ought to be studied in much more detail, including the maritime, security and defence aspects. In fact, select European engagement in counter-piracy and good governance missions in the Gulf of Guinea could be a useful blueprint for European engagement with North Africa and the Middle East. Where history rhymes, topography endures. The wide-ranging developments since 2011 showed that singular foci, even “dreaming in continents”, is an unattainable path forward to tackle the challenges. Interdependence and complexity are facts of geopolitical life. A sensible neighbourhood policy would include a reality check at home to arrive at a more nuanced strategy by Europe for its southern approaches.

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## **Round Two Session B | Artificial Intelligence**

At the very beginning of the discussion, the panel formulated a clear recommendation for action: When it comes to the technological development of Artificial Intelligence, European States act far too hesitant in order to compete with other states such as China and the USA. Therefore, the European Union should become a global actor with regards to the development and use of AI. The reason for this European backlog was found in a lack of investment in European AI technologies, particularly in the areas of research and education.

Subsequently, the discussion moved on to identifying the reasons for such lack of investment in AI technologies within the EU. Institutional, cultural and economic factors were considered. Panellists reached consensus that in certain European States such as Germany, complex bureaucracies hinder innovation and progress with regards to AI. In addition, a culture of risk-avoidance and perfectionism as predominant in some central-European countries does not foster innovation, either. As a result, Europe suffers from a brain-drain of qualified researchers and developers skilled in AI technology who leave primarily to countries with more developed infrastructures such as the US and China. Adding on these findings, panellists noted that the current state of development of AI technology within the EU was hard to assess since not enough data has been collected as of today.

Turning to the question of how to tackle the identified European brain-drain, the panel came up with four recommendations. First, communication between government, industry and academia should be enhanced in order to elaborate common AI strategies. Second, once these strategies have been set and the corresponding budgets allocated, a flexible and dynamic structure has to be established, allowing for, for instance, partnership projects between universities and companies. Third, discussions have to be more action-oriented and less theoretical in order to foster economic growth. Lastly, panellists stressed once again the need for a common European approach to AI technology. This should also include the pooling of monetary as well as non-monetary resources. As a positive example, the German-French led project “Gaia-X” aiming to establish a shared cloud network was mentioned.

Comments from the audience referred to the problematic image of dual-use AI technologies and the stalling influence of data protection rights on the development AI. Lastly, the question of how to define Artificial Intelligence was discussed. The panel concluded that no uniform definition existed, however,

identified certain common elements of Artificial Intelligence such the mental capacity to find creative solutions to complex and innovative problems.

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### Plenary Session Three | Visions for Europe's Security and Defence Architecture

This plenary session focused on the state of European security cooperation at a time of growing threats and challenges. The panel set out to analyse the different avenues and mechanisms for European and transatlantic collaboration on security and defence issues. At a time of growing mini-lateralism, increased defence budgets, and a more active role of the European Commission, how does it all come together?

There was a broad agreement on the fact that Europeans are today confronted with the lack of sustainability of their security architecture, as there is no credible defence in Europe without American assets. Although a vast majority of US citizens and Congressmembers still support NATO, the panel noted that the US security guarantee is now in question. **Lieutenant General Vollmer**, German Army Chief of Staff, argued for a projectable and steady budget increase for the Bundeswehr and pointed to the European responsibility to reassure Eastern Allies by increasing readiness and combat-ready forces to use as a credible deterrent.

The panel lamented the fact that, despite good results, NATO suffered bad press due to political developments. Commenting on Emmanuel Macron's controversial interview in *The Economist*, **Claudia Major, Senior Associate at SWP** remarked that his strategic analysis is correct but that his phrasing is unhelpful and risks dividing Allies even more. She pointed to the necessity to strengthen NATO cohesion and focus on a set of shared values and clear goals. The panel generally denied that NATO had a "fixation" on Russia and instead argued that the Alliance was mostly reacting to Russian aggression.

**General Philip Breedlove, former Supreme Allied Commander Europe of NATO Allied Command Operations**, remarked that we understand far less about Russian strategy today than we did during the Cold War. He pointed to rise of hybrid threats and the Russian attempts at disrupting, discrediting, and dividing Western democracies.

There was broad agreement on the fact that the EU has gained new strength on security and defence issues, and that such efforts should be encouraged and benefit NATO. **Alex Zino, Director of Government Relations at Rolls Royce Defence**, noted that EU and NATO structures influence rather than dictate how governments buy their capabilities. What governments ultimately seek are capabilities to tackle their gaps and the real question for the industry is not so much the institutional framework for procurement but the conflict tasks and capabilities that governments decide to prioritise.

Finally, panellists pointed to the difficulty of filling the political and military power vacuum left by the US. **Dr Fritz Felgentreu, an SPD member of the Bundestag**, argued that the best solution for Europe is to strengthen the European pillar within NATO. The key will be to make the most of all the formats of European cooperation, from NATO to bilateral collaboration, regional clusters, and the EU. The panel overwhelmingly agreed on the fact that Europeans can talk about formats for hours, but that there is no substitute for Allies "doing their homework" on defence spending, capabilities, and readiness. They concluded that visions without resources are just dreams. Thirty years after the fall of the Berlin Wall, it is time for Europeans to take their fate into their own hands.

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## Plenary Session Four | How Deep is the Crisis in the West?

The panel was dedicated to exploring the severity of the crisis which is widely believed to be affecting the West. Discussion began with the chair posing the question on whether the West is in crisis and asking each of the four speakers to define what the concept of ‘the West’ means to them. Should it be understood in geographical terms? Is it a normative concept based first and foremost on common values? Or is ‘the West’ a strategic idea embodied primarily by NATO? Interestingly, all of the speakers advocated for a slightly different conception of the term. Most importantly, there was no common agreement on whether the current global political context warrants the description of the West as being in crisis. Despite this, the discussion produced a number of practical takeaways.

To start with, Dr Joachim Krause argued that the crisis the West is facing is internal as well as external. The global order is changing and it is not just because other countries are rising and are looking to play a more prominent role on the international arena. There is - at the same time - a widespread crisis of western democratic systems and societies. People are losing trust in democracy, inequality is rising, nationalism is on the rise and domestic disputes dominate over international issues in national conversations. Declining belief in the power of compromise and the accompanying polarisation of political discourse is also a problem. Krause noted that the West remains the strongest group of states on the global political arena and its armed forces are still best equipped. The issue is using this power effectively in a coordinated way and addressing the crisis of domestic democratic systems.

For Dr Jana Puglierin, the power of the West is not yet lost. It is true that the transatlantic relationship, seen by many to lie at the foundation of the current world order, is hollowing out politically. The US is shifting focus to the Asia-Pacific, Russia seems set to take over as the power broker in the Middle East and China is on the rise. However, this trajectory is not guaranteed to continue. Russia is at danger of becoming overstretched in Syria. China’s rise will not continue indefinitely. The country needs a new growth model that takes account of the looming demographic and ecological crises. It is important not to make the decline of the West a self-fulfilling prophecy. As Puglierin noted, the West is still aspirational to other countries, most notably in Europe’s neighbourhood.

For Dr Michael Kimmage the power and endurance of the West can be explained by its historical significance in the aftermath of the two world wars. In the US especially, a post-war commitment to Europe was a major part of political culture - there was a cultural commitment and a willingness to sacrifice for Europe. He noted the sentiment was not as widely shared anymore. The damage that the Trump administration is doing to US foreign policy is not institutional, it is cultural - Trump never speaks of the West. The younger generation also think of the concept as old-fashioned and see it first and foremost as a white project, which no longer reflects the world around them. In this context, Obama’s Asia pivot was seen as a recognition of the realities of the modern world.

Baroness Falkner suggested that these days the West is the project of the global educated elite. As such, it excludes those left behind, including those in western societies who could not reap the benefits of hyper-globalisation. What the West needs to do is use the power it has more effectively. After being in hegemony position for over 70 years, the world is changing, and superiority is no longer granted. The West is being challenged on multiple fronts and we need to prove why our approach is better. In the 1990s, there was widespread hope that other countries will become like us; now our focus needs to be on defending the values of the West: democracy, rule of law, market economy. Defending is not the same as projecting and

requires a different approach and a new kind of soft power. Macron's answer is European sovereignty but there is an inherent contradiction in this concept - stronger European sovereignty means losing national sovereignty.

Finally, speakers emphasized the importance of investment in cultural diplomacy. With youth on both sides of the Atlantic increasingly sceptical towards the concept of the West, more investment in promoting links between Europe and the US is needed to future-proof the transatlantic relationship. We need to make the case for why Europe and the US matter to each other. The panel ended with an open question: what would this discussion have looked like if it were four millennials speaking about the future of the West?

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### **Round Three Session A | The Future of Arms Control: Europe's Contribution to a Global Solution**

The discussion in this lively and extensive session was centred around three topics: arms control in the context of NATO-Russia relations, the challenges of the multipolar new world order, and the issue of compliance and verification.

In light of recent setbacks like the suspension of the Intermediate-Range Nuclear Forces (INF) treaty and the questionable future of the New Strategic Arms Reduction Treaty (START), most panellists concluded that the conditions for NATO-Russian arms control had changed for the worse. The focus of recent arms control treaties on numerical reduction does little to decrease actual risks, as posed for instance by rapidly deployable short- and medium-range systems – something that should be adjusted in the future. This seems especially important in light of new and untested technological developments like hypersonic missiles or AI in command and control systems, which increase the risk of overreactions and miscalculations.

The suspension of the INF treaty was a particular setback in this regard, and the panellist had different perspectives on the issue: on the one hand, Russia was described as being open to a continuation of INF-type arms control, but NATO's insistence on the destruction of the missiles in questions as a prerequisite for further negotiations was seen as counterproductive. In light of new delivery methods, rearward stationing and sealed stockpiles should be the priority instead. On the other hand, other panellists had a more critical impression of Russia's role and criticized the Russian negotiating position as unserious and stalling. While agreeing on the importance of cooperative security, they also repeatedly mentioned that arms control must go hand in hand with credible deterrence. Regarding the extension of New START, all panellists agreed emphatically that the treaty should be extended. However, they expressed doubts whether the political realities allow for an extension. In practice, however, both the US and the Russian government seem currently aversive to arms control, although this may not necessarily reflect the wider attitude of the administrations or populations. Finally, on the topic of conventional arms control, one panellist highlighted an ongoing effort by 24 EU partners to look into a new treaty as well as amendments to the Vienna documents in order to replace the factually suspended Treaty on Conventional Armed Forces in Europe. However, it was also mentioned that many Eastern European partners think that it is currently not the time for amicable negotiations with Russia. Russia itself was described as having little concern for European systems or capabilities (instead worrying about US precision missile systems and missile defence), which bodes poorly for Russia's motivation to negotiate a Europe-centred treaty on conventional arms control.

The panel also mentioned several challenges outside the NATO-Russia context, such as the Iranian nuclear program, North Korea's ballistic missile program, and India's development of anti-satellite weapons. The panellists agreed that the multipolar nuclear world order, with nuclear powers like India and Pakistan, poses new challenges. The recent attempt by the US administration to bring new parties into the existing arms control framework was generally lauded, however, the execution was described as very poor. China, which is currently modernising its nuclear arsenal, seems generally open to engaging in arms control, but it remains to be determined what capacities the US is willing to give up in order to bring, for instance, China on board of existing treaties.

Finally, the recurrent issue of compliance and verification was discussed. The Iranian nuclear deal was mentioned as an example of a state dividing up a "red line" into multiple smaller technicalities, which are then violated one by one – each violation seemingly too small to warrant a decisive reaction. This non-response might encourage even more aggressive behaviour. Another panellist had a more positive opinion of the verification measures of the Iranian nuclear deal and added that gaining knowledge about treaty violations by accepting a certain degree of non-compliance may still be preferable to no treaty and, thus, no knowledge at all. All panellist agreed, lastly, on the importance of confidence-building measures for ensuring compliance and verification.

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### **Round Three Session B | Skills Demand and the Future of Work**

New technological developments, as well as climatic and demographic changes require Europe to rethink its approach to work, if it seeks to remain competitive in a globalised world. Whereas advancing digitalisation and automation processes pose a great opportunity in terms of increasing productivity and other workplace gains, different stakeholders, including policymakers, organizations, businesses and individuals are faced with the challenge of reshaping and adapting existing skills supplies to current and future demands.

Generally, the panellists viewed the shift towards digitalisation and its outreach into a vast number of sectors within both, military and civilian domains, as a necessary and positive development. Although new computer-based systems and automated machines can reduce the need for manpower in certain sectors and, thereby, destroy jobs, the integration of more sophisticated technologies can facilitate existing working mechanisms, as well as foster the creation of jobs in new sectors. Rather than being replaced by it, people need to learn how to work together with technology. Accordingly, employability will increasingly depend on the acquisition of digital know-how.

Unfortunately, Europe is lacking behind and has come to suffer from a 'digital gap'. Whereas more than 80 percent of the employees on the European labour market need digital competencies for the performance of their jobs, only 40 percent of these workers actually have the technological skills required. To minimise this gap a multi-actor and -level approach is necessary. Based on the concept of life-long learning, the attainment of digital and cognitive skills needs to be embedded in both, formal and non-formal education systems. Hence, younger generations should be prepared for future work by learning about respective skills already during their school education, whereas people that are already working should receive the opportunity to acquire necessary new skills through additional trainings in order to maintain their employability. To ensure a smooth transition, the panellists agreed that employers should not simply replace their workforce. Rather, they should invest in their existing staff by creating training

programmes that would best suit the purpose of the respective company or sector. As not all companies are able to afford these rather costly measures, the educational basics should be secured or at least supported by government spending. Private and public measures need to go hand in hand.

Whereas private and public actors play a key role in remodelling formal and informal education in favour of a life-long learning approach, additionally, positive incentives need to be created to encourage individuals to take advantage of these offers and enhance their skills. Here, the panellists mentioned a number of examples, including (1) the implementation of a 'learning passport', with which people could record all their formal and non-formal learning activities, (2) training programmes within which young professionals could be matched with senior professionals within related and/or non-related departments, and (3) the extension of international training programmes, such as Erasmus, to include the exchange of apprentices. Improving the quality of trainings is key to motivating people to take these trainings voluntarily. Policymakers should learn from the positive effects of these cases and support their implementation on a wider basis.

The panel discussed major challenges and opportunities regarding the adaption of skills to the future of work. All panellists agreed that the transformation of formal and non-formal education systems is the most effective and durable approach to the issue. Consequently, Europe's public and private stakeholders should work together and take the lead in creating and encouraging a qualified workforce that meets the technological demands of 21st century developments. This was seen as fundamental for Europe to remain competitive and, eventually, play a leading role in the future.

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### **Round Three Session C | Connected Markets and Eurozone Fiscal Policy**

In this session, the panel considered the prospects for further Eurozone reform against the background of slowing economic growth in the euro area, rising global trade protectionism and with Germany on the verge of a recession. With the new European Commission set to take office in late 2019, the panel also discussed what the future priorities for the Eurozone economy should be.

To begin with, the panel agreed that there was a lot of uncertainty in the EU on how to move forward. There are numerous structural issues facing the Eurozone but reform has been slow partly due to legacy issues. There are also concerns among some members over countries having been treated differently in the past. For this reason, there are differences in what countries are prepared to support going forward. For instance, at the time of the Greek crisis, no institutional framework for the transfer of funds existed within the Eurozone. As a result, Greece was treated far more harshly than Portugal who, later on, did not have to abide by the same conditions as Greece; Spain, even later, benefitted from support funds.

Economies that were meant to be converging over the past few decades ended up diverging further. The resulting divergence inhibits what countries can do now. Priority needs to be sustainability and growth, and Eurozone members that are lagging behind need to be given an opportunity to catch up. If focus is on keeping the markets connected, the structure needs to allow for more flexibility.

On the above point, it was noted that markets in Europe are still strongly fragmented along national lines. The degree of financial market integration was highest just before the financial crisis in 2007. Twelve years later, the degree of integration is still at only half of what it was in 2007. Capital markets remain fragmented too, partly due to strong home bias and risk aversion. Tax harmonisation across the EU is still

lacking. Connected markets allow for economies of scale which are needed for Europe to stay competitive on a global scale.

A more vibrant EU-wide capital market would also enable Europe to keep its innovative companies on the continent. Some proposals on the capital markets union have recently been adopted but European companies still go to the US for their initial public offering (IPO) as the US capital markets are more willing to take risks. E.g. Swedish company Spotify was last year's biggest IPO in the US. To this end, Von der Leyen's recent proposal to create a European innovation fund is very welcome, though needs to be implemented along with making the capital markets union a priority.

On tax harmonisation, the panel argued that a common consolidated tax base is much needed in the EU but prospects for this to happen are low. Given the importance of tax revenues to national authorities it is doubtful we will see much progress on this in the near future. The Swiss model provides a useful case study however when it comes to having a common federal tax base.

There was widespread agreement among the panel and participants in the room that any future regulation and reform efforts need to take account of new geopolitical and economic realities, as well as recognise the importance of integrating thinking on how to build a greener economy into any discussion on these issues. E.g. the importance of a banking union for Europe's economic sovereignty; tax and regulation reform to accompany the digitalisation of the economy; and more public-private partnerships to finance concrete green projects as part of a new Green Deal for Europe.

On green projects, the panel advocated for more courage and creativity. If there was a clear political framework in the EU, combined with a new industrial strategy aimed towards a greener economy, it would inevitably attract investors. It is not a question of more spending, but better spending. To foster growth and innovation, it is necessary to overcome the inherent risk averseness in the euro area and to re-think how we treat fiscal policy. European societies are ageing and there is a growing tech and innovation gap, especially when compared with China. Low investment spending now will come at the expense of future economic growth.

The EU Emissions Trading System was cited as a good example of a green policy that delivered results in every industry it was applied to. Currently the issue is that industries that are the worst polluters are not required to take part in the scheme - i.e. the agricultural sector, transport and housing.

The panel also discussed the current economic situation in the euro zone and particularly the impact of the low interest rate environment. Some of the panellists mentioned that this was driven in large part by economic fundamentals and that governments could help alleviate this by increasing spending, particularly on the types of investment discussed on the panel. However, another pointed out that, despite the negative side effects of this, we do not have a good idea of how to fix this and should probably treat it as the new normal.

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## **Closing Conversation | The Search for a New Common Understanding**

This session focused on the challenges to the traditional consensus about the core of the European project. The EU has a great history of bringing the two halves of the continent together, but it currently

faces internal and external threats to its political unity. The panel set out to analyse competing visions for Europe and find possible avenues to forge a common way forward.

There was a broad agreement as to the main external trends which currently impact Europe. Among these are the retrenchment of the United States from its role as guardian of the liberal order, the end of the WTO order towards more protectionism, and the rise of China which tests the EU's need to both "cooperate and compete." The panel agreed on the fact that, while the EU is still seen by many countries as a success story when it comes to peace and prosperity, there is a deep lack of cohesion and resilience when it comes to power projection. **Ambassador Peter Wittig, who currently serves at German ambassador to the UK**, argued that this was a sobering lesson for Europe, as the EU is currently incapable of securing its own interests, yet increasingly needs to do so given that the US guarantee is irrevocably over.

Among the internal hurdles to a common European vision, the panel debated the erosion of our democratic model, the threat of populism, and the impact of Brexit. **Karel Lannoo, Chief Executive of CEPS**, argued that rising nationalism was a big risk for the European project. All pointed to the need to better include ethnic minorities, women, and young people in the policy debate. They emphasized the fact that a more inclusive EU will be stronger and more resilient both internally and externally.

The panel then discussed what type of leadership is best for Europe. **Prof. Dr Henrik Enderlein, President of the Hertie School and Director of the Jacques Delors Institute**, remarked that Europe owes a lot to Macron for challenging Germany and offering some strategic vision. He lamented the fact that, as the "end of history" narrative dominated German thinking, the EU sleepwalked for the past decade by acting reactively rather than anticipating the challenges ahead. It was later noted that Ursula Von der Leyen's ambition for a more "geopolitical" European Commission will be challenged by the European Parliament and require winning the support of all Member States.

Turning to the Franco-German motor, the panel highlighted that, unlike Chancellor Merkel who can only govern in a coalition and through compromise, President Macron is destined and condemned to lead. Panellists differed slightly in their assessment of the French president's recent actions, from re-engaging with Russia to calling NATO "brain dead." For **Shada Islam, Director of Europe and Geopolitics at Friends of Europe**, President Macron is right to rock the boat and ask real strategic questions which a rather complacent and conciliatory Germany would rather avoid. But, while all agreed with the French President's strategic analysis, some felt uncomfortable with his abrupt approach and noted that he was antagonising European partners rather than building coalitions. The Macron method surely creates damage, but is it the wake-up call that Europe needs to forge a new consensus?

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