The next Europe: a new trajectory?

Plenary Meeting of the Club of Three
London (Foreign and Commonwealth Office), 15-16 November 2019

INTRODUCTION

The EU political landscape changed significantly in May 2019 following the European Parliament elections, reflecting the increasing polarisation of societies in many Member States. Populist and Eurosceptic parties gained ground as a result, although not as much as anticipated ahead of the elections. Liberal, pro-EU parties which regrouped under the "Renew Europe" banner also won a larger share of seats while the main centre-right and socialist groups remained dominant. A new European Commission was set to take over the reins of today-to-day EU business under the leadership of Ursula von der Leyen, and

Christine Lagarde had replaced the Italian Mario Draghi as President of the European Central Bank. All of this signalled the start of a new period for Europe.

It is against this background that the Club of Three held its annual Plenary meeting in London on 15-16 November. The event, entitled "The next Europe: a new trajectory?", took place at the British Foreign and Commonwealth Office (Locarno Suite) and fell into three sessions. The first one explored what sort of Europe was in the making and the UK's possible contribution post-Brexit. The two other sessions focused

Left: Laurel Powers-Freeling (Saturday sessions)

Right: Pierre-Henri Dumont (speaking), Friday afternoon session

Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

1

respectively on technology and particularly digital trust, and the role that Europe could play in an age of great power competition.

The Friday session was followed by an evening reception at the residence of French Ambassador Catherine Colonna in Kensington Gardens. This was an opportunity for Lord Simon of Highbury to mark his last meeting as President of the the Club of Three. Following a warm welcome by the Ambassador, Lord Simon made a poignant and inspiring speech in which he reflected on the work and mission of the Club of Three since its beginnings 23 years ago, before officially handing over the Club's leadership to Norbert Röttgen.

Top left: Jean-Dominique Giuliani (speaking), Friday afternoon session

Top right: Sarah Taylor (Europe Director, FCO) and Vivienne Cox (Friday reception, Résidence de France)

Bottom left: Lord Simon of Highbury and Ambassador Colonna   **Right-hand side:** Sir Simon McDonald and Michael Maclay

MEETING PARTNERS

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Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

2

FRIDAY 15 NOVEMBER

SESSION I – NEW COMMISSION, NEW EP, NEW ECB LEADERSHIP – AND BREXIT: WHAT SORT OF EUROPE IN THE MAKING?

Chair: **Lord Powell of Bayswater**

Speakers: **Jean-Dominique Giuliani | Anna Kuchenbecker | Ed Vaizey**

A keynote address was given by Sir Simon McDonald, Permanent Under-Secretary of the Foreign and Commonwealth office, before the first session. His address was followed by a UK election briefing delivered by John Peet, Political and Brexit Editor at *The Economist*.

Sir Simon highlighted the importance of cultivating close relationships between France, Germany and the UK, particularly in the present European context. The kind of trilateralism inspired by Club of Three founder George Weidenfeld was filling an important gap in the European architecture, and the relationship between Europe's three largest nations was critical to the future of a continent under increasing pressure from the US-China rivalry.

During his general election analysis, John Peet pointed out that Boris Johnson's Conservatives were likely to win although probably not by a large margin.

Nigel Farage's decision to drastically reduce the number of Brexit Party candidates across the country had given the Conservatives a boost. The 'pure' Remain parties led by the Liberal Democrats (i.e not including Labour) had struggled to form a solid united front to counter successfully the Brexit Party's very rapid rise. And the People's Vote campaign was partly hampered by infighting within its leadership.

As far as Labour was concerned, its chances of winning with Jeremy Corbyn as its leader were extremely low. He had done unexpectedly well in the general election of 2017 but had since lost considerable credibility over issues including antisemitism, national security and the costs of his economic policies. This did not mean however that Boris Johnson would have

Bottom (left): Anna Kuchenbecker
Right: Ed Vaizey

an easy ride. The number of Conservatives seats in Parliament had dropped from 331 to 298 between 2015 and 2019, including 20 seats lost during the last session. In order to secure a majority, the party would have to win a non-negligible number of seats in traditional Labour areas such as the Midlands and the northeast and northwest of England. These areas were historically hostile to the Tories and austerity.

Brexit and the role that the UK could play in Europe in years to come was an important aspect of the discussions during the first session. The ultimate outcome of the UK-EU negotiations was very difficult to predict, especially in the middle of an election. But even if a deal was finally struck by 31 January, key issues would still need to be solved during the next phase of talks on the future relationship. This made a cliff-edge Brexit under a new, strengthened Boris Johnson government a real possibility further down the line.

On the continent, a new approach to dealing with the many external and internal challenges Europe faced was emerging. There was first of all a recognition in Brussels that, in an age of great power competition, the European Union could not simply be an economic power. It also needed to be more geopolitical. President-elect von der Leyen had clearly stated that she would push for greater 'autonomy' in this area. However, Europe's overall trajectory was less clear. Emmanuel Macron's opposition to open EU membership talks with Albania and Northern Macedonia had signalled that further enlargement was not going to be on the agenda for some time. The Community method appeared to have reached its limits and it seemed that further economic and social integration would be difficult. At the same time, Europe had much to do in order

to remain relevant in the world that was shaping up. Finding a way forward would require pragmatism and flexibility, which some felt would be more difficult than in the past given the deep divisions within European societies today.

Security and defence was seen as an area where deeper collaboration could be achieved. President Macron's comments on NATO were meant as a wake-up call: Europe had to step up its efforts as the US was less and less willing to underwrite its low defence spending. And this was irrespective of whether Donald Trump was re-elected as President or not. The European defence fund was welcomed as a good first step. However, the British had not been involved in this initiative due to Brexit, and there could not be credible European action in this area without them. There was agreement that any future initiative would have to be done outside of the EC Treaty. In relation to this, a proposal was made by a French participant to have a Franco-German-British treaty on the security of Europe.

UK election update:
John Peet, Friday afternoon

Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

4

The first Saturday morning session was dedicated to the technology and digital themes. A central question was the issue of trust vis-à-vis artificial intelligence. Three models were emerging across the world: America's market-based model, the Chinese model based on efficiency and control, and the European third way which consisted of pursuing a human-centric approach. The concept of 'trustworthy AI' developed by the EU meant that the way data was harvested had to be lawful, ethical and robust. It aimed to ensure that AI development would benefit both citizens and the economy, constituting a niche market that would give Europe an edge in the global AI race.

On digital services more generally, a major issue was going to be the role that the UK would play post-Brexit. Right now, roughly half of advanced AI and digital research was happening in Britain. The reality of Brexit posed a significant obstacle to future links with the EU digital single market. But could the rest of Europe afford to lose the UK's digital capacity if it truly wanted to remain a player in the AI race? Making sure that science and innovation continued to operate on a pan-European basis was considered as very important.

The impact of digitalisation on the future of work was also addressed. It was pointed out that the technological revolution of the 19th century had been very beneficial to the workforce overall. The main question was how to manage the transition. There was debate over how the education system should adapt to the digital world. Some felt that STEM (Science, Technology, Engineering and Mathematics) would have to feature more prominently in the curriculum. Others believed that a more

Bottom (left): Gry Hasselbalch

Right: Rowan Barnett

Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

5

general education was the best way of preparing young people for transformational change in the labour market. As the main 'destroyers' of existing jobs, companies had a duty to educate and retrain their workforce to benefit from the new opportunities created by technological change.

However, a word of caution was expressed. One of the British participants stressed that STEM and coding alone were not going to help provide the majority of future jobs. This was because technology giants were not major employers relative to their size. Google for instance had a market capitalisation of about $910bn but only employed 140,000.

By comparison, Kodak at its peak had 145,000 employees for a market capitalisation of $30bn. In the entertainment industry today, Netflix employed 7,000 people and had a market value of $124bn. The exception was Disney which needed to a large number of employees (210,000 worldwide) to operate its theme parks.

Another topic discussed was the security concerns around 5G. Was the use of Huawei technology a real threat to Europe? In the UK, the technology had been heavily scrutinised. There were two mains threats: espionage and distributed denial of service (DDoS).

LIST OF PARTICIPANTS

Claude **ALBER** *Collins Aerospace* | Edmond **ALPHANDÉRY** *Euro50 Group* | Hans C. **ATZPODIEN** *Federation of German Security and Defence Industries (BDSV)* | David **AZÉMA** *Perella Weinberg Partners* | Arnaud **BALNER** *French Embassy London* | Rowan **BARNETT** *Google.org* | Katherine **BENNETT CBE** *Airbus* | Marie-Hélène **BÉRARD** *MHB SAS Investment and Consulting* | Joachim **BITTERLICH** *ESCP Europe Paris* | Pascal **BORIS CBE** *Cercle d'outre-Manche* | Jochen **BUCHSTEINER** *Frankfurter Allgemeine Zeitung* | Elisabeth **BRAW** *Royal United Services Institute* | Philippe **COQ** *Airbus* | Vivienne **COX CBE** *Vallourec SA* | Felix **DANE** *KAS UK and Ireland* | Gilles **DE MARGERIE** *France Stratégie* | Sophie-Caroline **DE MARGERIE** *Conseil d'Etat* | Pierre-Henri **DUMONT** *Assemblée Nationale* | Andrew **FRASER CMG** *Mitsubishi Corporation International* | Jean-Louis **GERGORIN** *JLG Strategy* | Jean-Dominique **GIULIANI** *Robert Schuman Foundation* | Julia **GROSS** *German Embassy London* | Uwe **HANNECK** *German Industry UK* | August **HANNING** *Pluteos AG* | Gry **HASSELBALCH** *DataEthics* | François **HEISBOURG** *International Institute for Strategic Studies* | Steffen **HOFFMANN** *Robert Bosch UK Ltd* | Edward **HOWARD** *Vodafone* | Matthew **KIRK** *SquirePatton Boggs (UK)* | Anna **KUCHENBECKER** *European Council on Foreign Relations* | François **LE GOFF** *Club of Three* | Michael **MACLAY** *Montrose Associates* | Anne-Elisabeth **MOUTET** *The Telegraph* | Victoire **NEWMAN** *Gragus Ltd* | Laela **PAKPOUR TABRIZI** *MotorK* | John **PEET** *The Economist* | **Lord Powell of BAYSWATER** *House of Lords* | Laurel **POWERS-FREELING** *Uber UK* | François **REVARDEAUX** *French Embassy London* | Sir Malcolm **RIFKIND** *King's College London* | **Lord Simon of HIGHBURY** *Club of Three* | Bernard **SPITZ** *Mouvement des Entreprises de France* | Jean-Michel **STEG** *Greenhill & Co LLP* | Sarah **TAYLOR** *Foreign and Commonwealth Office* | **Lord Turner of ECCHINSWELL** *Energy Transitions Commission* | Ed **VAIZEY** *Former Conservative MP* | William **WELLS** *Rothschild&Co*

Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

6

Espionage threats were the same whether a telecom operator was using Huawei or Ericsson technology. A well configured network would provide sufficient protection. DDoS attacks however could render a service inoperable. UK security experts had found weaknesses in Huawei's technology that could be exploited by foreign agencies. But the general view was that these risks were manageable.

A managed approach to reduce the risk exposure was also advised for the rest of Europe. Roughly 38% of the European telecom network already relied on Huawei technology. Scrapping it in order to build a different 5G infrastructure would come at a significant cost. Because of the multiple sub-contractors they used, it was also pointed out that EU providers such as Nokia and Ericsson were not entirely risk-free either.

Preparedness in the event of 5G disruptions was another key issue. A recommendation was that companies should start sharing attack updates and contingency systems, and 5G contingency forums would need to be established at the national level to pull together all the expertise available.

Top: Elisabeth Braw (session II)

Middle: Lord Simon of Highbury

Bottom: Laela Pakpour Tabrizi and Anne-Elisabeth Moutet (coffee break)

Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

7

SATURDAY 16 NOVEMBER

SESSION III – EUROPE IN AN AGE OF GREAT POWER COMPETITION: HOW CAN REMAIN RELEVANT?

Chair: Edmond Alphandéry

Speakers: Lord Turner of Ecchinswell | François Heisbourg | Joachim Bitterlich

Relations with a more self-assertive China and an unpredictable US partner were the focus of discussions during the final session. China was now in a self-sustaining development cycle and the US was psychologically not prepared to cope with its rise as a major power on the world stage. More than ever, Europeans needed to create a safe and stable bloc that could protect them from the turbulences that were to come. They could no longer count on America to guarantee their security.

There was concern over America's increasing use of threats and sanctions towards its traditional allies as it was attempting to retain its superpower status in the face of a rapidly rising China. For instance, it had threatened to withdraw

intelligence from the Five Eyes network if Britain and others did not follow its actions over Huawei. This was a sign of how intense the competition with China had become. The situation was further complicated by the fact that Russia and China had begun joint military exercises in the Sea of Japan, with reports of occasional intrusions into the South Korean airspace. Europe faced hard geostrategic choices in this new context.

There were different opinions on what to expect from China. Some feared that it would increasingly take a predatory approach towards Europe and other smaller nations, in the same way as Europeans treated China in the 19th century. Europe would therefore become a hunting ground for the Chinese superpower. The relationship would be deeply asymmetrical and the idea that successful partnerships with China could be developed was met with scepticism.

Bottom: Lord Turner of Ecchinswell (speaking)

Right: François Heisbourg

Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

8

In this respect, the so-called 16+1 initiative its had agreed with eleven EU Member Sates and five Balkan countries was seen as a 'Trojan horse' destined to create divisions on the continent. China's pressure on Australia over Chinese students at its universities was sign of what was to come.

Another view was that China merely wanted respect from others and that it had not intentions of being a hegemon. Unlike Germany who had behaved aggressively towards the rest of Europe while it was experiencing a demographic explosion, China's population was soon going to start declining. Consequently, it would not seek to expand beyond the territories traditionally claimed as part of China. Under this scenario, Europeans were advised to engage with China on a number of issues including climate change. Cooperation on the next generation of battery technology in particular represented huge opportunities. This should be done while being uncompromising about the use of Chinese money to limit criticism of China around the world.

Africa was presented as a much bigger challenge for Europe. Its population was set to grow from 1.2bn today to over 4bn by 2100 while its economic prospects in the foreseeable future were limited. This would put major pressures on European societies, carrying the risk of continuing populist gains. Large investments were needed to boost Africa's development, which was a European security priority.

CONCLUSION

With Brexit looming, a new Commission taking over and a European Parliament with a greater proportion of populist and Eurosceptic groups, the next Europe promised to look very different from the previous one. However, what sort of trajectory it would take was less clear.

Ursula von der Leyen, a politician who had had comparatively little exposure to the 'Brussels bubble', was expected to bring new impetus to the EU. Adapting Europe to the major external challenges it faced was going to require pragmatism and flexibility, and inter-governmental initiatives outside of the EC Treaty. In this respect, the UK would have a major role to play, particularly in areas such as security and defence.

The digital space was another area were Britain should continue to make a key contribution post-Brexit. Making sure that science and innovation continued to operate on a pan-European basis was therefore very important. Although Europe was lagging behind in the global AI race, it was felt that it had managed to carve out a promising niche market with the human-centric approach underpinning its Trustworthy AI concept.

Globally, Europe was finding itself under increased pressure as the US-China rivalry was intensifying. Could Europe be anything like an equal partner vis-à-vis China? This question was met with scepticism. Some highlighted what they saw as early signs of the predatory approach that the Chinese superpower was going to take. Geopolitical and security autonomy seemed all the more important as America became increasingly unpredictable.

Plenary Meeting of the Club of Three | The next Europe: a new trajectory?

9