

DEUTSCH-BRITISCHE GESELLSCHAFT

58th Young Königswinter Conference

Wednesday 25th July – Sunday 29th July 2018, Berlin

Conference Report



A Partnership Under Stress – UK-German Relations in a Post-BREXIT Era

1. The Global Order in Disorder: British and German Responsibilities
2. BREXIT and Other Challenges for our Economies
3. Political Answers to Changing Societies in the 21st Century

Programme

Conference Venue

Europäische Akademie Berlin
Bismarckallee 46/48
D-14193 Berlin
www.eab-berlin.de

Organiser

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Date

25th – 29th July 2018

TOPICS

1. The Global Order in Disorder: British and German Responsibilities
2. BREXIT and Other Challenges for our Economies
3. Political Answers to Changing Societies in the 21st Century

Wednesday, 25 July 2018

12:00 Arrival and check in
 Light Lunch at EAB

13:00 – 14:30 **Opening of the conference**
 by the Chairman
 HANS-HENNING HORSTMANN, Ambassador ret.
 Chairman of the Deutsch-Britische Gesellschaft e.V.

Keynote Speakers

SIMON WELLS, Head of Communications and Bilateral Team, British
Embassy in Berlin

CHRISTOPH WOLFRUM, Head of Division EU Policy Planning Staff, Federal
Foreign Office

14:30 Coffee break

15:00 – 17:00	Introductions to the study group topics by selected participants
17:00	Coffee break
17:30 – 19:00	Study group sessions begin Selection of Chair and Rapporteur
19:30	Dinner hosted by ROBBIE BULLOCH Deputy Head of Mission at the British Embassy in Berlin

Thursday, 26 July 2018

08:00	Breakfast
09:00 – 10:30	Lecture with regard to the topic of group I <u>Speaker:</u> RALF BESTE, Head of Policy Planning, Federal Foreign Office
10:30	Coffee break
11:00 – 12:30	Lecture with regard to the topic of group III <u>Speaker:</u> SOPHIA GASTON, Director of the Centre for Social and Political Risk at the Henry Jackson Society and Research Fellow, LSE
13:00	Lunch at EAB
14:00 – 15:30	Study groups
15:30	Coffee break
16:00 – 18:30	Study groups
19:00 – 22.00	Würth Haus, Schwanenwerder Lecture Concert Reception

Friday, 27 July 2018

08:00	Breakfast
09:00 – 10:30	Study groups
10:30	Coffee break
11:00 – 13:00	Study groups
13:00	Lunch at EAB <u>Speaker:</u> DR CORNELIUS HUPPERTZ Deputy Head of Unit 21/Northern Europe, Federal Foreign Office
16:30 – 18:30	Lecture with regard to group II <u>Speaker:</u> DR MARTIN HEIPERTZ Head of Division "European Policy", Federal Ministry of Finance
19:00 – 21:00	Dinner at the invitation of the Federal Foreign Office

Saturday, 28 July 2018

08:00	Breakfast
09:00 – 10.30	Study groups
10:30	Coffee break
11:00 – 12:30	Preparation of study group reports
12:30	Lunch at EAB
13:30 – 15:30	Presentation of working group results Plenary session
15:30	Coffee break
16:00 – 17:00	Continuation of presentation of working group results
19:00	Boat trip through the historical centre of Berlin with buffet Presentation of the Young Königswinter Alumni e.V.
22:00	End of Conference

Sunday, 29 July 2018

08:00

Breakfast and check-out

Conference Sponsors

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WÜRTH  GROUP



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Topics for the 58th Young Königswinter Conference 2018

Group 1: The Global Order in Disorder: British and German Responsibilities

Which impacts does the changing global order have on Europe? How will leadership in Europe evolve, faced with tectonic shifts in the world? Sketch the Germany/UK matrix going forward. What does this mean for security and defence?

What is the potential for UK and Germany to act together at a global level? Which frameworks will be successful post-BREXIT? Which opportunities do United Nations, NATO, OSCE offer? How can Europe organise security and defence between EU-members and non-members?

What are the key common interests of Britain and Germany on the international level? Where will cooperation be in 5 years?

Group 2: BREXIT and Other Challenges for our Economies

What effects will BREXIT have on the world of finance? What does this mean for Britain and for Germany, respectively?

What is the impact of Artificial Intelligence, Robotisation, Data analytics for the future of work and how should the policy framework adapt and respond? What is the learning experience of Britain and Germany regarding the digital economy and how can they cooperate?

Has WTO become obsolete? What is the future of trade Post-BREXIT? Will FTAs and bilateral agreements replace the current framework?

Group 3: Political Answers to Changing Societies in the 21st Century

How has digitalisation changed society and social behaviour? What are the repercussions on the political system? Do our democratic instruments represent the reality of the younger generation? What delivery systems will meet the citizens' values and needs? How can trust in the political system be regained and values be sustained in contemporary societies? Which purpose do political parties still serve? Do we need more elements of direct democracy?

What new identities do globalisation and digitalisation in the 21st century produce? Is polarisation within societies on the rise? How can we safeguard social cohesion and open societies? Which roles do culture, religion, constitutions and nationalisms play? What is the impact of migration? How can migration and integration policies in the UK and Germany be enhanced?

How can we keep societal bridges open and build new ones to keep the networks and informal alliances between Britain and Germany alive after Brexit? How do we avoid misperception?

Report

Background

The 58th Young Königswinter conference took place between the 25th and 28th July 2016 at the Europäische Akademie in Berlin. It was attended by 45 delegates from both Germany and the United Kingdom, from a range of interests and professions, including civil the service, academia, lobbying, business, think tanks and journalism. The conference took place at a time of great uncertainty, when the world's geopolitical tectonic plates are shifting. The UK's vote to leave the European Union now appears to be just the start of a new political wave rippling across Europe and the world. The greatest uncertainty in the discussions centred on whether the existing structures of the geopolitical order will survive, albeit in an altered form, or whether they will wither away or collapse dramatically – and how we should respond if that does happen.

There was a strong consensus that Germany and the UK need to nurture their relationship in order to weather the unsettling times ahead. But there was also a realisation by the end of the conference that this is easier said than done, as events like Brexit can sometimes generate their own momentum and drive us apart even if we know it is to our mutual disadvantage.

Wednesday 25th July 2018

Opening of conference

In his opening remarks, Hans-Henning Horstmann, welcomed the delegates and emphasised the importance of the Anglo-German relationship.

Simon Wells explained that Brexit was the result of a long-term trend involving Britain's gradual split from the rest of the EU. The UK understands the importance of the integrity of the single market for EU countries.

Christoph Wolfrum pointed out that bilateral Anglo-German relations will become more important after Brexit, since the two countries will have a less intense exchange in Brussels. Germany agrees on the need for a continued close partnership with the UK and this convergence of interests should make us optimistic about the outcome of Brexit. We are witnessing a changing international order in which certainties vanish. Britain's answer to this is "global Britain". Germany's answer is that we need a united Europe to make us strong. Britain will be a third country after Brexit – a unique one, but still a third country.

Study Group Introductions

Two members of each of the three study groups were asked to present their initial thoughts on a set of questions posed to each study group.

Group I - The Global Order in Disorder: British and German Responsibilities

This group quickly focused on the issue of security in a changing geopolitical environment. Both speakers emphasised the importance of threats to the global rules-based order, particularly posed

by US isolationism. It was suggested we might be heading into a "GO" world in which there is no clear superpower or pair of superpowers and instead it is every country for itself.

Germany's biggest security question is to what degree Donald Trump represents the beginning of a long-term US withdrawal from being Germany's security guarantor and whether NATO will disintegrate. At the EU level, Germany's concerns include migration, the economy and Brexit, and domestically, it is preoccupied by the rise of the hard right AfD and the instability of the CDU-CSU alliance. Shoring up the EU is Germany's number one interest, as shown by the development of PESCO since the Brexit vote. Berlin needs to revitalise the Franco-German "motor" and ensure that Emmanuel Macron's presidency is a success. Germany then needs to look at nurturing bilateral relations with the UK and trying to further the transatlantic relationship by, for example, engaging intensively with sympathetic senators if the president is not receptive.

A British participant laid out the UK's challenges. The UK might be in a long term decline as a geopolitical power and faces the prospect of being frozen out of the Franco-German alliance. Germany is weak militarily but can grow, the UK vice versa. It will also struggle to resolve the tension between a vision of "global Britain" and the "insular" instincts. The UK faces a question as to how it will engage with any new EU security apparatus. Domestically, it needs to focus on rebuilding trust in its democratic institutions.

Group II - BREXIT and Other Challenges for our Economies

It was said that Germany's focus is very much elsewhere than Brexit, for example on the disintegration of its own political settlement. The EU clearly wields much greater negotiating power. Regarding the Chequers White Paper, perhaps the EU will agree to some symbolic "cherries" e.g. the customs partnership so long as the UK insures the EU against any loss of revenue from smuggling. It's hard to see how the UK government can get a House of Commons majority for Theresa May's vision of Brexit, given the unlikelihood of Labour supporting it.

The discussion focused also on financial services. The UK tends to argue that the single market in services is not complete, so losing access won't be a big deal. This ignores the fact that the EU has gone further than anywhere else in integrating services. Britain's approach in Chequers is predicated on the idea that the UK can liberalise trading arrangements with all of its trading partners more than the EU could, which is a dubious proposition. And Britain is still asking more than the EU will countenance. In particular, its desire for "mutual recognition" regulatory arrangements will get short shrift in Brussels.

It is unlikely London's dominance of EU financial services will suddenly evaporate, but over time it will see a reallocation of resources towards the EU27. Since the EU and US are regulatory superpowers, the UK will essentially face a choice of which bloc it wants to take its rules from.

Group III - Political Answers to Changing Societies in the 21st Century

This group was immediately grappling with an enormous array of topics. Some of them were: globalisation, the rise of populism, Euroscepticism and the erosion of the traditional left-right political spectrum. Instead of emphasising the importance of economics, we would need to understand the increasingly important role of identity and culture. A matrix was presented that plots attitudes to cultural integration versus cultural demarcation on the one hand and economic integration versus economic demarcation on the other hand.

The EU, as the sum of its parts, is moving away from integration. The political elite have neglected national identities and left-wing parties, in particular, find it difficult to connect with voters culturally because they tend to embrace a cosmopolitan outlook.

It was argued that institutions, norms and values are being replaced by opinions and personalities, for example tweets are replacing press releases. People are losing trust in institutions and personalities. There's a question as to whether digitisation is changing people's behaviour, whether it gives pride of place to experience over other forms of evidence and whether everyone is simply having their own ideas reaffirmed by clickbait-driven echo chambers.

More deliberative democratic models, in which the public exchange arguments and don't just vote once every five years, might be worth trying.

Thursday 26th July 2018

Lecture with regard to the topic of group I

Ralf Beste

Head of Policy Planning at the Federal Foreign Office

Ralf Beste started with a suggestion, put by the historian Timothy Garton Ash, that the UK could return to its nineteenth century European policy: divide and play off its rivals, rather than cooperate. He then talked more broadly about the many challenges facing the post 1945/1989 world order that we had previously taken for granted.

In particular, the multilateral system, roughly corresponding to one-nation one-vote in international bodies, is in danger. There are several possibilities for new global rearrangements. The first is a "G2" world, a new Cold War with two global superpowers: China and the US. It's not clear how fast US power is waning and how fast China is rising. The second is a "GO" world, posited by Ian Bremner. In this scenario there is no great power. It's all against everyone, with larger powers competing for regional hegemony, building spheres of influence and then fighting over the grey zones in between. In this world, power is everything and rules mean very little. Smaller powers face a choice of seeking protection or trying to play off great powers against one another. This is the world Timothy Garton Ash was describing. The third possibility is that the multilateral system holds together in some form.

Germany should make Europe as strong as possible and try to keep up the transatlantic partnership and: we need a global alliance of multilateralists to protect our interests.

Lecture with regard to the topic of group III

Sophia Gaston

Director of the Centre for Social and Political Risk at the Henry Jackson Society and Research Fellow, LSE

There is a sense of precariousness in the United States and Europe, even amongst people in work. Naturally, globalisation does play a role in this. Austerity in the UK has also heightened a feeling of competition for resources between groups.

However, the parts missing from most political analysis until recently were the non-economic factors: culture, identity etc. Amongst white majorities, there is a sense of decline and that communities and national identities are being hollowed out. Cultural diversity is also seen to have played a role in this – a majority of Britons think not enough is done to promote British values and traditions, across all demographics. Increasingly, in European focus groups, people say things like: "We need to remember that we are a Christian country." And one man's progress is another man's loss. Right now, there is a strong feeling that the loss of community, cohesion and security outweighs gains in health, wealth and convenience.

Many positions considered fringe five years ago are now finding wider audiences, partly in response to a heightened level of perceived threat on social and cultural levels. This environment is now activating defensiveness in some areas and fuelling risk appetite in other ways, e.g. Brexit.

At the same time, many of these concerns and conversations simply aren't reaching the national stage of politically acceptable conversation. If mainstream politicians don't wade into difficult topics, they leave them to the extremes, e.g. in Germany, the issue of "migrant crime" is mentioned in every German focus group and the country is rife with conspiracy theories aided by the lack of data.

What remedies exist? We need to talk about seething issues people feel are neglected: patriotism, belonging, nationalism. We need to find a way of talking about them that draws people back from the extremes.

Friday 27th July 2018

Lecture with regard to the topic of group II

Dr Martin Heipertz

Head of Division "European Policy", Federal Ministry of Finance

Dr Heipertz gave an outline of the Withdrawal Agreement. Michel Barnier's "staircase to hell" diagram was recalled, setting out what was possible for the relationship, depending on the UK's red lines (the answer: not very much as things stand). The transition should be as straightforward as possible to avoid disruption.

Saturday 28th July 2018

Study Group Presentation

Group I - The Global Order in Disorder: British and German Responsibilities

Group I chose to outline three different scenarios for the future geopolitical order, based on Mr Beste's lecture. The first involves the continuation of the current multilateral system. The second theorises emergence of a G2 world, with the US and China as two superpowers in a potential new cold war. The third is a "GO" world, with no global hegemons. The group also mentioned other factors at play: the growth of Russian interventionism, increasing US isolationism, rapid technological advances, environmental stresses, regional conflicts in the Sahel and Maghreb, Syria's civil war and the war in Yemen.

As for Brexit, the group generally assumed that the UK would adopt a cooperative approach rather than the disruptive role theorised by Garton Ash. For the UK and Germany, this is based on shared interests. The two countries share values (democracy and human rights), economic interests (rules-based trade and resource security) and security concerns (a stable European neighbourhood and reliance on the transatlantic relationship).

The first scenario supposes the continuation of multilateral relations on the basis of rules, not just raw power. Institutions like the EU would continue and perhaps expand in the Balkans, Nato would hold together, the UN would muddle through and emerging powers like China, Brazil and India would integrate into the WTO/World Bank system. The UK and Germany would be predominantly regional powers focused on Europe, would draw Turkey back towards Europe, would successfully introduce rules to govern cyber security and would cooperate on initiatives like epidemic planning and energy security.

In the second scenario, a G2 Sino-US cold war, we would see increasing protectionism, a US military retreat from the Pacific and Middle East, China pursuing a global leadership role, particularly using strategic investments in infrastructure, soft and hard power. There would be an escalating trade war and military build-up. The EU would still exist but with no greater integration or expansion and increasingly incoherent internal relations. The multilateral system would still exist formally but on shaky foundations due to US unreliability. Overall, there would be a competition between two values systems and economic models – the democratic capitalist model and a Chinese authoritarian approach. In this scenario, the UK and Germany would be best-advised to spend more on defence to shore up Europe.

In the third scenario, multilateralism crumbles. Governments focus exclusively on their national interests (borders, defence, mercantilism, cornering resources) and hybrid warfare (cyber, propaganda) flares up. Governments deprioritise values in favour of interests. This scenario sounds rather bleak but might not be if the UK and Germany invest to protect themselves, intervene judiciously and pragmatically outside their borders and successfully project soft power.

Throughout all of these scenarios there are several common threads. British and German security are mutually dependent, they will have to cooperate and the UK can participate in European foreign policy even as a non-member.

Group II - BREXIT and Other Challenges for our Economies

In order to tackle a sprawling array of topics, Group II decided to stage two debates on specific aspects of the questions posed to them. This enabled them to take a longer-term view and to consider not just the ins and outs of Brexit negotiations but broader economic and regulatory questions. The first dramatization involved a parliamentary debate between the Member for Space (MS) and the Member for Deep Shade (MDS). They argued over the motion: Anglo-German digital trade can thrive even in a crash-out Brexit scenario, with MS in favour and MDS against.

MS's case centred on the idea that politicians are not the prime determinants of economic activity and that trade in the cloud knows no barriers. The people who know where innovation is going, she argued, are entrepreneurs in Berlin and London, who have little time to pay attention to politicians. Solutions to problems don't happen at a high political level but in conversations between people and businesses. Where business goes, politics follows. So if, for example, Berlin and London set standards for digital trade between themselves, e.g. on the ethics of AI, others will follow. Businesses can choose with which regime they should align themselves in order to do business, e.g. GDPR or US rules. They do not need grand regulatory frameworks to function.

MDS accused his opponent of having her head in the clouds. For one thing, he said, a crash-out Brexit would be a symptom of a catastrophic breakdown in trust that would permeate through the economy. The distinction between digital trade, e.g. data, and other kinds of trade, e.g. goods, is not clear-cut – disruption in one affects the other. A crash is a reckless way to achieve nothing but divergence, animosity and competition, when the best advances will come from cooperation with our neighbours. Instead of following business, MDS declared, politicians should listen to it. At this point, an honourable friend of MS's interjected that this was simply Project Fear II.

The second dramatization was a talk show in Berlin focused on the question of whether or not, after Brexit, the UK and Germany/the EU would diverge in their regulation of the financial technology industry or whether they would continue to cooperate. A German participant argued they would diverge, a British participant that they would cooperate.

The German participant pointed out that abolishing EU regulations would be low-hanging fruit for a post-Brexit UK government determined to be more competitive, e.g. bonus caps, which the UK had opposed anyway. Inevitably, issues like cyber security will become bargaining chips because Britain will adopt a different supervisory approach and it's hard to separate the means from the ends. The EU, meanwhile, is unlikely to successfully foster its own fintech industry on the scale of London. Its record is poor and it isn't prepared to grant businesses the necessary freedom.

The British participant suggested that Britain and Germany's shared interests would encourage them to cooperate. The UK might do some things differently as it won't have single market access, but only as they relate to the unique features of its financial industry, e.g. it has many sole traders for whom Mifid II is a disproportionate burden. On larger issues like cyber security, it would be a big mistake for the UK to use its expertise as a bargaining chip because it faces the same threats as Germany does. The EU, meanwhile, will find it is advantageous to liberalise its approach to financial regulations somewhat so as not to fragment markets across the continent.

On the question of whether the UK would become a tax haven, the British participant argued there is certainly no popular or political will for such a move. Indeed, British politics are going in

the opposite direction. The German participant, on the other hand, argued that while there is no appetite for it at present, the logic will be overwhelming in the face of economic pressure.

Group III – Political Answers to Changing Societies in the 21st Century

This group divided their enormous topic into two main categories: people and institutions. The two trends they focused on were globalisation and digitisation. There has been a failure of leadership to deal with the downsides of globalisation and that is generating a sense of alienation and powerlessness. Digitisation is a newer trend whose risks are now becoming apparent alongside its acknowledged benefits (efficiency, greater connectivity).

The group argued that too many people feel disenchanting. These citizens feel economically marginalised, either from a competition for scarce public resources or deindustrialisation. They are socially excluded from the elite and feel there are limits on their aspirations. And they are also culturally alienated due to the decline of Christianity, racial prejudice and the question national solidarity (e.g. the Essen food bank, which sparked fierce debate by prioritising locals over foreigners in its distribution of supplies).

The group suggested that citizens needed to be given a greater role in policymaking and that governments should convene forums in which politicians listen, rather than speak. If extended to include everyone via infrastructure investment, technology might also be able to help as it gives people unprecedented access to information and enables anyone to be a political actor.

As for our political institutions, the group said that they are failing to demonstrate sufficient agility (five-year electoral cycles are too slow) and inclusivity. The fragmentation of identities, lack of choice and security (from terrorism to job security) are contributing to a dramatic erosion of trust in institutions.

Among the solutions the group suggested were that policy ought to embrace more trial and error and adopt successful examples from various countries. For example, Finland has established committees that have a statutory duty to report on the long-term impact of policy. Education should teach more critical thinking and give citizens the opportunity to be in the room when decisions are made e.g., Singapore offers tertiary educational funding in return for five years' work in the civil service.

Lastly

After some closing remarks by Mr Horstmann, encouraging the delegates to stay in touch throughout the turbulent times ahead, the conference ended with a twilight boat trip through central Berlin. The view from the deck was a fascinating and beautiful cross-section of the city, from its grandiose Prussian palaces to its austere, modern political buildings, leafy neighbourhoods and industrial canal-side ports.

