

Think

new things

Make

new connections

**Europe after Merkel:
how can the EU best
build on its strengths
and mitigate its risks?**

17-18 March 2022

DITCHILLY

Terms of Reference

The departure of Chancellor Merkel after so many years as a powerful figure in Europe marks a moment of change and invites reflection. How best can the EU build on its numerous strengths as a democratic, economic and regulatory bloc and mitigate its risks and weaknesses?

The coming years will bring numerous opportunities, for example through advances in technology; rapid economic growth in the Indo-Pacific; the building of new renewable energy industries; and a global demand for considered regulation, perhaps. But there will also be numerous challenges to navigate, including growing systemic competition with China; declining demography; climate change action and transition; increasing immigration pressures; and external interference in democracies as well as potential disillusion within. What might be the best policies for the EU to pursue? How will EU institutions, and the states themselves, need to evolve?

Bringing together a range of voices from EU states and beyond, this Ditchley conference will focus firmly on the EU itself rather than on its relationship with the UK, although both the EU and the UK's Transatlantic relationships and interests in the Indo-Pacific and membership of NATO (alongside EU member states) will be relevant to the strategic questions.

Detail

A strategic challenge for the EU in coming years will be how it positions itself between the United States and China as geopolitical tensions increase. There is close to political unanimity in the US that now is the time to push back on China's expansion of its influence and to reduce the reliance of key parts of the economy on Chinese exports. At the same time, the US will want to limit the passage of innovation and intellectual property to China to maintain its innovation and defence primacy.

There is nowhere near the same political unity on China in EU states. Although European concerns about China are growing, at the same time China is expected to remain the most economically significant country in the Indo-Pacific and European interest in investment in China is rising, including for example in Chinese government RMB bonds. How should the EU handle its relationship with China and the US? The EU has published its own Indo-Pacific strategy. How will the defence and national security responsibilities of member states link to this strategy? Diplomatically and through development aid and other forms of soft power, how can the EU best promote EU values and the EU as a development and trade partner in the region? What are the prospects of the EU becoming an important player in the Indo-Pacific?

Russia will also be a continuing challenge. Financial sanctions have not been sufficient to make President Putin change course and Russia remains an active and disruptive hybrid actor in European politics, as well as militarily in Ukraine. The developing partnership between Russia and China could see Russia's role be to keep Europe distracted from strategic matters and absorbed at home with disinformation; cyber attacks; and countering populist movements. Immigration could also be a lever, as cynically manipulated by Belarus at the Polish border. The supply of Russian gas through Nordstream 2 will be of particular importance to Germany, with no nuclear energy programme, and could also be a lever for manipulation. Beyond this, there is the risk of further Russian incursions into Ukraine in one form or another and, less likely, into the Baltic states. Meanwhile, in the Balkans and the Mediterranean, direct Chinese influence is growing through the Belt and Road strategy of strategic investments and could become a factor in the security of Europe's southern flank. How should the EU manage its relations with Russia and China?

Linked to these issues is the question of European defence. Should Europe look to develop the concept of a European defence force? Is there sufficient appetite for this across the continent for the initiative to move forward? What would the role be for such a force in Central and Eastern Europe and how would it be received by EU states there and by Russia? How would it coordinate with NATO?

Continuing tensions over a common approach to the rule of law in Hungary and Poland – with the EU withholding funds; the European Court of Justice issuing fines; and far-right leaders looking to form a block in the European Parliament – also threaten to undermine the EU's cohesion. How can these tensions be contained and further deterioration avoided?

Where will the definition of open strategic autonomy settle on the spectrum between state-led industrial strategy and free market dynamics and what will the strategic autonomy agenda look like, practically? With the UK out of Europe and with a new Chancellor and coalition in Germany, has the EU's centre of gravity shifted to France and French policies? Or will Chancellor Scholz and his coalition manage more continuity with the Merkel era than expected, including in the relationship with the US under President Biden? Is there appetite for further coordination of economic policy in Europe and where would the funds for EU-led industrial strategy come from within the EU? Will the priority for the next few years be to maintain the EU's breadth, or to reshape the EU's core as an ever more integrated union?

How should the EU's approach to the technological revolution and digital markets evolve? As yet, the EU's power of regulation flows from its large number of wealthy consumers for digital markets, as opposed to having technological platforms of its own. As the Indo-Pacific and other regions rise in economic importance, will the EU's regulatory influence over US platforms decrease? How can the EU develop technology champions of its own with capital based in the EU? How does the EU avoid being forced to choose between American and Chinese AI and data eco-systems? How will the Digital Services Act, Digital Markets Act and, further off, the Artificial Intelligence Act, perhaps, shape the adoption of AI and other technologies in the EU? What will be the role and impact of the EU-US Trade and Technology Council?

What will be the impact of climate action and the shift to renewable energy on the European economy and the EU? How can it best handle the challenges from *gilets jaunes* protests, or similar, as some of the tougher measures that will be necessary begin to bite economically? What will be the impact on the EU and its trading relationships of proposals for carbon tariffs on imports?

Perhaps most strategically of all, how can the EU tackle the demographic challenges of low birth rates and declining populations in many EU states? There will be strong pressure for immigration to the EU from the global south. What are the prospects of a common approach to asylum and illegal migration? The most recent package involving provision of funding, strengthening of the external border with common procedures and databases, and reform of the Dublin asylum, is moribund. Does this risk the future of Schengen itself, let alone the EU absorption of talent and creation of new opportunities?

For the middle part of the conference we will break into three working groups so as to discuss some of these issues in more depth.

Group A will look at the strategic foreign policy, defence and national security challenges facing the EU: the relationship with the US and China; containment of Russian actions; and the approach to European defence.

Group B will look at the EU's economic strategy and the approach to open strategic autonomy, along with the Indo-Pacific strategy and digital markets.

Group C will look at the strategic challenges for the EU (which also face much of the rest of the industrialised world): the transition to renewable energy and the adaptation to climate change; demographic decline; and the control and absorption of immigration from the south (including paths toward a common approach on asylum and illegal migration).