



Foreign &
Commonwealth
Office



Wilton Park



Image: Albertane

Conference report

British German Forum

**A smarter Europe: cooperation, competition and
innovation in the 2020s**

Sunday 13 July – Thursday 17 July 2014 | WP1320

In association with:

British Embassy, Berlin

Foreign and Commonwealth Office

Supported by:





Conference report

British German Forum

A smarter Europe: cooperation, competition and innovation in the 2020s

Sunday 13 July – Thursday 17 July 2014 | WP1320

Europe has undergone a dramatic transition during the last one hundred years. It has been central to two global conflicts, become the interface between competing superpowers and witnessed a flourishing of democracy and prosperity. It has also played host to an unprecedented experiment in regional political and economic cooperation. Relations among states in Europe today are no longer primarily defined by military conflict and memories of past grievance. The future of Europe is about being smarter in the 2020s. Are competitiveness and innovation the main drivers of relations among states in Europe?

The 29th British German Forum will focus on Europe's transition from conflict to contemporary competition and cooperation. In so doing, it will discuss:

- Europe's economic prosperity: towards a smarter 2020s
- Europe's competitiveness and innovation (economic and political)
- Patterns of innovation and cooperation in Europe (economic and political)

The British-German Forum was established by Chancellor Kohl and Margaret Thatcher in 1985 and has been an annual event ever since. The event convenes approximately 50 'high fliers' from Germany and Britain, aged between 25 and 35. Participants are chosen from a wide range of professional sectors and represent future leaders in their respective fields. The Forum provides a neutral, dynamic space in which participants network and share ideas among their peers and gain insight and inspiration from experienced professionals. Through dialogue, it aims to facilitate both increased shared understanding and the building of strong relationships between influential young Britons and Germans.

“For the first time, economics was perceived as key to international security”

Europe in the 21st century: a remarkable transition

Lessons from Europe's history

1. Jean Monnet's involvement in the Allied Maritime Transport Council during World War I was an early example of the international cooperation that would lead to the establishment of the European Coal and Steel Community (ECC). Such connections were sustained via the League of Nations in the 1920s. Post WW2 for the first time, economics was perceived as key to international security. This gave rise to the view that the ECC was created, not only to prevent war, but to overcome a crisis of capitalism.
2. Europe's institutions were therefore founded in a history based on networks of people built throughout the 1920s and 30s. The League of Nations was not only critical in evolving a language of rights, but also in acting as a point of convergence for financial experts. In 1945, a similar pattern emerged, led by the US and focused on resolving an economic depression which by some accounts had lasted for almost 25 years. As outlined in David Mittrani's work, pragmatic thinking on economic policy in addition to themes such as refugees and food, fed into the re-establishment of a global market-based network.

Perceptions of 'Europe'

3. Today, Europe's¹ policy-makers recognise that history matters. Although more could be done to improve comprehension of specific national experiences and *perceptions* of those experiences. There is a tendency to focus on positive aspects of western Europe. Whilst ignoring the challenges in the East and South. How to account for and acknowledge tensions in these regions is complex but cannot and should not be avoided by the continent's decision-makers.
4. This also applies to the lens through which member states view certain regions, eg the East as a membership issue versus a foreign policy challenge. Cultural diversity is a key strength of the European Union (EU) and the Eastern partners have a lot to contribute.

Europe's narrative

5. Whether or not the EU was founded out of a fear of war or a crisis of capitalism, the peace narrative has clearly been a guiding force for policy-makers. This narrative has lost its salience and Europe must look for other means of explaining and justifying its existence.
6. The prosperity narrative matters but has failed to inspire people. This may relate to a lack of action around the competitiveness agenda which is perceived as being trumped by the needs and interests of local politics. However, the prosperity agenda suffers from fluctuations in the economy and therefore cannot provide a consistent and sustainable narrative for publics.

A European demos and the nation state

7. The concept of a European demos, to most, is not a possibility and misinterprets the European project, founded amid an array of unique histories, languages and cultures.
8. The search for statehood prevalent in the 19th and 20th centuries has shifted in line with the move from collective to individual rights. Whilst the cost of succession has lowered, its limits may be close. Historical analysis reflecting alienation felt as a result of

¹ Throughout this paper, Europe refers broadly to the “European Union” as was decided at the beginning of the dialogue.

centralisation, eg in the fall of the Roman Empire provides an important lesson in this respect. It is clear that these shifts in political landscape signal not only a key moment for Europe to reassess its role on the continent, but further, its position in the wider international environment.

The strategic agenda

9. The EU's new strategic agenda will aim to address: growth and jobs creation; monetary union including banking; energy and climate change; the digital agenda; justice and home affairs; and foreign and security policy. The agenda needs to acknowledge the fact that the Europe's relative weight based on population size has decreased. The Trans-Atlantic Trade and Investment Partnership (TTIP), the digital agenda, and the free movement of services may prove to be the most critical elements moving forward.

"many member states excel in terms of competitiveness - an aspect lacking in newer economies"

Economic competitiveness: challenges and opportunities for Europe

10. Europe faces a number of challenges in relation to competitiveness including regulation in industry and the wider economy; external factors such as China; and demographic issues, for example, ageing societies. Europe has a range of opportunities though not least in its highly skilled and educated workforce; multicultural exchange; the provision of high quality goods; and the completion of the single market.
11. Up until the 1990s the European economy was on an upward trend, however this has not been the case in the 21st Century. Whilst according to some indicators, emerging economies are outpacing Europe, many member states excel in terms of competitiveness. Europe may be in a different economic phase to the BRICs, for instance - low growth, low volatility and as such should not be solely focused on 'trying to catch up.'
12. To kick-start 'smart growth' Europe could focus on: building a more competitive enterprise environment, completing the single market for services and creating a single market for energy; supporting TTIP; reducing costs for new business; reducing regulatory burdens on small and medium enterprise (SME); and improving education and training.
13. Germany's GDP growth since the onset of recession as compared to the UK and the Eurozone has been notably strong. In part due to Social Democrat reforms of 2003, unemployment has decreased and did not increase as much as the UK during recession, as it has focused on promoting growth *with* jobs.
14. Germany has not always been a net exporter, however received a significant boost from 2005 onwards, a result of significant investment. The majority of Germany's exports remained within the Eurozone between 2002 and 2007; however this trend was reversed over the course of the financial crisis, in large part due to the global competitiveness of German manufacturing goods. In 2012 and 2013, the German budget was balanced, raising questions around best use of the surplus. Many consider that savings should be invested domestically as current international investment may come at the cost of supporting domestic jobs and growth.
15. Conversely, Germany's 'budget-wunder' and 'job-wunder' will be impacted upon by rising implicit debt related to the countries' ageing society, associated expected costs from pension reforms and early retirement, and a lack of skilled labour. The age group paying into pensions (25-65) is significantly reducing and the years spent in retirement has doubled. The middle section of the working generation will have to pay.
16. The fiscal burden of ageing on Germany but also Greece and Luxembourg, will result in an increase in expenditure. The implicit debt/sustainability gap is currently forecast at 400% of GDP with only Latvia coming close to the 'magic number' of 60%. Countries such as Ireland are worse off at 1000%.
17. Germany's high growth could mitigate these challenges through encouraging migration,

as has been the case in the UK. Berlin has already witnessed a steady flow of young Spanish and Italian migrants; however inflexibility of the labour market poses an obstacle to employment. Otherwise, work participation rates including getting more women into work and retaining the 'elderly' in jobs will also contribute to an easing of this challenge.

18. Overall, Europe as a whole may need to do more thinking around how it understands and defines 'growth' and what it means socially and economically. Should it follow Japan's high living standards, low growth example. Deciding between economic and social development may be a false and the need to move beyond individual indicators of the 1980s - GDP, social spending, etc. is apparent. All are interconnected and contribute to Europe's global competitiveness.

Education

19. Education systems in Europe need to be adaptable to societal change including an increasingly diverse but ageing society. This also relates to the requirement for new technological skills.
20. Both the UK and Germany may need to approach higher education with a greater focus on lifelong learning and entrepreneurship. Current degree courses move people away from building their own businesses towards safe career paths or major companies.
21. There is a downside to a quantitative grading system that only rewards correct answers. There must, however, be a greater emphasis on critical thinking and real-world problem solving and universities could adapt teaching methods to reflect this. Stronger cooperation with industry would be of benefit and greater integration of campuses (ie engineering, politics, etc.) would be positive in mirroring what is needed in both business and education.
22. Solutions to education challenges are societal, financial, and technological. At the societal level in Germany, the provision of education for a full day for younger children may increase dual-earning potential of families as is the case in the UK. Germany's variety of education pathways including its emphasis on vocational training. This is viewed positively and has contributed to a diversity of skills in the workplace. Although both countries suffer from low public perceptions of the types of jobs this training leads to. Social diversity can also be promoted through the integration of a range of languages and cultures in schools, an aspect in which Germany has also excelled.
23. Financially, the UK and Germany could look to other countries, including the US, for alternatives in the provision of education. The effectiveness of online learning needs to be understood to a greater extent, especially in how it incorporates innovative methods beyond mass online lectures.

Economic policy

24. The UK and Germany have unique strengths in terms of economic policy. For instance, the UK is particularly strong on: access to capital and advanced financial markets in London; openness to foreign investment and migration; flexibility of the labour market; fiscal policy and austerity which has contributed to the UK's recovery; the pension system (although favours high earners); innovation and high-tech start-ups; a relatively uncomplicated tax system; and the English language.
25. German strengths lie in: the education system including apprenticeships, vocational training and multiple career paths; German manufacturing and 'hidden champions' - behind-the-scenes suppliers are global leaders in their specialised field; integrated supply chains; the expansion of German SMEs across Europe; fiscal certainty and impact on the investment environment; ease of buying property; infrastructure (autobahns, airports, etc.); and a long-term approach to Europe beyond electoral cycles.
26. Lessons Germany and the UK can learn from one another include providing the right

incentives to start-ups and clarifying the tax system, in addition to setting out a clear regulatory and legal system to encourage free markets.

27. Both countries suffer from poor public perceptions of immigration although this is more acute in the UK. This is a challenge for policy-makers particularly in the context of the 2017 referendum in the UK and an ageing society in Germany. Fears of welfare tourism need to be addressed and the economic advantages of migration communicated to publics more effectively.

Entrepreneurship

28. Entrepreneurship and innovation within existing industry is perceived as particularly difficult due to company structures and perceptions of high capital costs. With stakeholders in mind, focus is often on failure rates rather than the one in ten success. Although established companies cannot necessarily plan to innovate, certain actions can contribute to an environment susceptible to innovation. This includes promoting diversity, beyond gender and other traditional concepts, and drawing on entrepreneurial spirit from Eastern Europe.
29. The UK and Germany have as many entrepreneurial ideas as the United States, but face challenges in commercialisation. This, in part, relates to perceptions of risk which arguably is taken on by private equity in the US - an element missing in Europe. Support for a start-up must extend beyond the initial investment and acknowledge the high potential for and lessons to be learned from failure. Whilst some believe that Europe's banks could fulfil an intermediary role, others challenge the idea of banks extending their remit beyond immediate financing.
30. Government is also crucial in setting the framework within which entrepreneurs can flourish. This includes reducing regulatory burdens, improving tax systems, and providing platforms for 'generalists' (ie intermediaries). There is, however, debate around how much government intervention is necessary vis-à-vis regulation and whether employees of start-ups should be encouraged to take a risk by sacrificing certain benefits such as minimum wage and maternity leave, with the understanding that they will benefit in the long-term. Whilst these benefits could be provided by 'responsible entrepreneurs,' it is unlikely that they will leave the political domain. Government also has a role in communicating success stories to the public in order to impact societal risk averseness to entrepreneurship.
31. Risk adverse cultures in the UK and Germany could be related to responsibilities such as mortgages and childcare, but also to perceptions of reward. For instance, the likeliness of an individual taking a risk in leaving a high-paid middle management job in order to create a start-up.

Technology and innovation

32. Innovation is Europe's biggest opportunity and challenge. As highlighted above, there is a role for government in facilitating markets. Shanghai and Silicon Valley provide two diverse examples of innovative environments with Shanghai providing a good example of the state itself acting as an entrepreneur.
33. The UK and Germany both lag behind China and the US in terms of innovation and technology. To get to a 'strategic third position' existing practice must be improved, matched by unconventional thinking that will lead to new products. Attitudes towards and stigma attached to bankruptcy in Europe are a challenge.
34. In the UK, innovation is focused in London, whereas Germany has created innovation hubs or clusters which have higher associated costs but may be more conducive to innovation and a fair distribution of wealth. In promoting innovation, direct interventions by government (eg state champions) are less likely to work than an incentives approach although more evidence as to what the innovation business model looks like, including a clusters/hub v. centralised approach, is needed.

“Europe needs an intelligent and realistic foreign policy to adapt to co-living with Russia”

Ideological and institutional cooperation and competitiveness: how can Europe become smarter?

Europe's regional strategy

35. A decade ago the perception of it being 'Europe's world' was strong. The Lisbon Strategy outlined Europe's ambition to be an international norm setter in governance and economics. Enlargement and European Neighbourhood Policy (ENP) further positioned the EU as a regional actor, particularly through the creation of the European External Action Service (EEAS) and High Representative (HR). The overall objective of this strategy has been to mobilise member states into acting with one voice.
36. The EU's current context - the Ukraine crisis and a breakdown in relations with Russia - highlights a faltering of this ambition. The financial crisis had already raised doubts about the European project, particularly as regards economic standards and regulation. Climate policy is largely regarded as unaffordable and the Neighbourhood Policy has collapsed.
37. Events in Ukraine have placed a spotlight on member state's failure to respond with a unified voice, highlighted in the different approaches to sanctions. The EU *must* work out how it envisages a future working relationship with Russia. Potentially this the biggest threat to EU security since the Cold War, a 'business as usual' approach is no longer possible.
38. A new balance and order is required in Europe. How can Europe dealing with Russia in a way that might exert political, diplomatic and economic leverage. For instance, could stronger sanctions trigger an even stronger Russian re-action? Europe needs an intelligent and realistic foreign policy to adapt to co-living with Russia. The OSCE, for example, has proven its worth as a credible and effective leverage of European influence, highlighting the need for the EU to account for these dynamics.
39. One solution could be for Europe to shift from a normative to competitive regulatory model, creating federalism with genuine de-centralisation of power in order to encourage member state competition. The role of the EU is in creating a strong budget and regulatory framework to promote policy innovation at an international level; in preventing 'beggar thy neighbour' policies.
40. The EU is nothing if it is not a geopolitical actor and there are fears that it has lost sight of this. Geography is pre-determined and a number of member states do not want to antagonise Russia. However, politics is the creative exercise of choice. The EU could do more to give its members choices which will contribute to overcoming tensions better than has been the case historically.
41. The EU strategic agenda rests on relationships between the big three which form the core of the EU:
 - The efficiency package: Germany-UK
 - The fairness package: France-Germany
 - The foreign policy package: France-UK
42. Over past years, these relationships have broken down, in part a result of financial crisis and highlighted for example, in approaches to conflict in Syria. The High Representative could be tasked with managing these relationships.
43. However, as the EU sets its short and long term objectives, economic competitiveness is not the only important element - political issues remain crucial. From a political perspective, the UK-Germany relationship is the driving force behind the EU. The EU must remember that whilst trade is a key motivator for many members and prospective members, there is also a wider normative value in the perspective that membership means change for the better. This goes beyond the prosperity agenda and incorporates values, democracy, human rights and freedoms which also need to be acknowledged

in the formulation of foreign policy.

A Common Foreign and Security Policy

44. It is also unclear how much confidence the US puts in Europe as a foreign policy/strategic partner drawing questions around the appropriateness of the current strategic framework. The EU and its member states could draw lessons from other regional groupings such as the Pacific Alliance and the role of key members such as Australia in dealing with regional tensions.
45. The recent European parliament elections have shown that a section of public support has been lost. Political populism will continue to develop until the social environment improves. It is not clear whether this is a temporary phenomenon or the re-emergence of a historic nationalism. The EU must win back trust and this extends to foreign policy. EU policymakers must understand how they can deliver from a democratic and individual point of view. Diversity and Unity is a motto of the EU but today's geographical proximity does not translate into an ideological closeness. Foreign policy should continue to focus on enlargement and by extension, help countries to strengthen the rule of law.
46. EU foreign policy has often avoided dealing with geographical tensions, as has been the case with the Eastern Partnership further feeding into tensions between Paris, Munich and Warsaw. Strengthening France-Germany relations, greater burden sharing within the Eurozone, and interventionist policies have all alienated Warsaw. The UK-Poland relationship is a missing link and there is little to no effort on either side to balance the France-Germany relationship. Both countries agree on a number of issues but have been pushed apart by Germany under pressure to resolve EU problems. This relationship could, however, be critical to reform, especially in regards to fairness, efficiency and foreign policy. It would also break artificial attempts to balance eastern and southern partners.
47. Turkey is unique. It's difficult to generalise on its Europe position. There has been disappointment on both sides and the accession process has been long and arduous with many chapters remaining locked. Turkish people still believe in the Europe project though - both economic and political. The EU remains Turkey's main trade partner. Turkey and the EU are therefore so interdependent that the door to membership cannot be closed. It continues to underpin Turkey's reform programme.

“Europe’s companies need to generate a failure friendly atmosphere that accepts failure as a means of knowledge transfer and progress”

Innovation: private sector, third sector and public sector

Private sector

48. The UK and Germany both suffer from an innovation deficit. Both are known for great inventions (eg the computer) but fail to commercialise them. They must acknowledge the different business model needed, eg Google is a creative industry. The key for both countries will be to boost their science base. Germany is much further ahead; however many companies lack experience and expertise in cooperating and are prone to internalising innovations.
49. More generally, European industry has not fully adapted to the new globally competitive market. Europe's existing companies need to find a ways to innovate. Additionally, companies need to generate a failure friendly atmosphere that accepts failure as a means of knowledge transfer. Innovation is a chaotic and confusing process which requires a degree of guidance through the uncertainty. In this respect it is a good thing that not everyone is 'innovative' as a degree of reliability is necessary.
50. Europe's companies also need to empower employees through allowing greater freedom and resources for research. For example, Google employees are allowed to spend 20% of time on projects not directly related to their work. This resulted in a the

creation of Google Maps. This may come down to the vision of the Chief Executive and his or her willingness to engage every level of the company in the innovation agenda. Companies need to remain innovative should that person leave which can be encouraged through inter-departmental cooperation.

51. Innovation does not solely depend on the companies but is also dependent on the political framework. Governments could help organisations innovate through sharing data. The unpredictable nature of the regulatory environment, particularly at the EU level is clearly a hindrance to companies and innovation. On one hand, regulation underpins public interest, for instance in the banning of Class A drugs, on the other hand, it is often motivated by a desire to protect the status quo.
52. Diversity and empowerment are at the heart of private sector innovation. This is highlighted in companies such as Google and Amazon although less the case in traditional industries such as banking. Legislation in Germany now requires a certain amount of women on advisory boards. Whilst this was viewed as a step in the right direction, perceptions of diversity e.g gender/nationality, etc. may be too narrow.

Third sector

53. The impact of 'innovation' on the private sector is that many brands no longer exist. There are now signs of this within the third sector. The Berlin-based International Civil Society Centre lists three categories of organisation:
54. **Active disruptor:** "an organisation following the strategy that being a disruptor is the best defence against being disrupted. For newly-established organisations, being a disruptor is a more likely feature than for well-established ones"
55. **Opportunistic navigator:** "The opportunistic navigator monitors other organisations, carefully adopts their approaches where these are successful, and takes on board innovation developed by others"
56. **Conservative survivor:** "The organisation has successfully adapted to many changes in the past and is very confident that it will be able to do so in the future. However, the examples of Kodak, Encyclopaedia Britannica and many other companies that disappeared recently illustrate that having a long and successful history may not be an asset when disruptive change strikes"
57. The disintermediation process whereby third sector organisations which usually act as the connection between donors and communities become irrelevant has begun. As technological solutions such as Kiva Microfinance increasingly perform a similar role, the third sector needs to think innovatively around how to directly link donors to communities. Action Aid, for instance, recognised this change a decade ago, giving up its European and North American roots to become a global organisation.
58. This also relates to public engagement and the decline of public trust in established charities, connected in part to shifting global power balances and political dealignment. This shift is underpinned by data which shows promiscuity among donors, particularly under-35s. As highlighted by Action Aid's adaption over the past ten years, these changes in the global landscape require new business models and improved capacity in demonstrating social impact.
59. The push-pull factors for the UK and Germany in the third sector are very different. In the UK there is a strong emphasis on an extremely active and well-established third sector forced to innovate due to austerity and funding cuts. In Germany, the public sector is not necessarily perceived as the most appropriate respondent to societal problems and lacks its own identity.
60. Potential solutions for third sector organisations looking to innovate lie in a concerted emphasis on its added value in knowledge transfer, expert advocacy, effective campaigning and service delivery, all of which should not be lost in the disintermediation process. Particularly in a service delivery role, there is a great need

for UK and German third sector organisations to communicate their capacity to provide advice, eg to the NHS, challenging the public sector perception that private sector consultants are best placed to provide this type of service.

61. Lessons learned from other countries include Israeli civil society which is extremely well-organised, and New Zealand, where for example, the government supports youth sports through funding informal networks of children and parents who are able to use school facilities. This highlights the role of established institutions - schools, churches, etc. in providing a resilient base to innovative third sector approaches.

Public sector

62. The EU Commission is running several programmes to encourage innovation, for example, an open knowledge transfer initiative aimed at public-funded science. This sector has not historically been an active innovator. As of yet, it is unclear how well the Europe 2020 innovation hotspot strategy is doing and whether more is needed, for instance, to help local SMEs build smart networks. Most innovation is occurring in the private sector and whilst a lot of investment has gone into Horizon 2020 the challenge will be connecting it all together. This will rely on a sharing revolution, eg US data sharing is based on 'fair use' rather than Europe's 'exclusive use'.
63. Whilst European governments should clarify what its banks are required to do by way of regulation and responsible lending, this should in the most part be left to market forces. The role for government is to be proactive within parts of the economy upon which it has direct impact - energy, mobility, health, education, and the digitalisation of infrastructure. Often the public sector is a 'conservative survivor' due to its inherent risk adverse culture. The public sector has been a leader in some innovations though, for instance, flexible working hours, a positive development that should be looked upon as a success to be replicated across other policies.
64. Challenges for the public sector in both the UK and Germany include the fear of failure. Yet failure is an inherent element of innovation. The scale of social welfare, the conservative nature of public perceptions and a balance of needs makes it difficult to understand where and how innovation can develop.
65. Strategies could include driving innovation through management structures in which leaders commit to innovation. Alongside this, and as highlighted in the above sections on the private and third sectors, the promotion of diversity is also critical and is an area neither the UK nor Germany are particularly strong. Looking to other sectors and countries for best practice is especially important given the cost of change in the sector.

Synthesis between sectors: knowledge transfer, people and technology

66. The goal of synthesising between sectors is to transfer knowledge. This will involve improving the environment for knowledge transfer. The media has a role to play in this regard through balanced reporting which does not enforce risk-adverseness. Publics need to be more receptive to innovation which can also be emphasised through education. Otherwise, the free movement of people will also facilitate cross-fertilisation, as is done well in the US.
67. Cross-sector partnerships can also encourage synthesis although the potential for such relationships is currently undermined by a lack of clarity in agendas. This is also challenged by a lack of trust, for instance in data protection, copyright, and intellectual property rights, the willingness of partners to share action plans, a communication strategy, clarity around legal issues and the tackling of data access at the outset, both internally and publically.
68. Co-innovation and technology will be crucial to future competitiveness and economic success in the UK, Germany and the EU. The focus must be on people and how they can become co-innovators. As highlighted, it is unclear as to the extent to which policy-makers, governments and various private and third sector organisations 'get it.' Business models need to be re-thought and organisations must use the 'brains' that

exist within them although finding these brains is much easier than adapting organisations to foster innovation.

69. Digitalisation in households will complete the digital revolution, impacting all citizens. Organisations must therefore understand how to get closer to the user, reading between the lines to realise latest needs, an element that requires field research, eg DHL's pilot project to use populations to deliver parcels in mega-cities ('Bring Buddies'). Today, the challenges of the world - smart transport, carbon emissions, etc. present a complex picture within which the revolution in general purpose technology is occurring. All sectors will need to navigate these challenges whilst keeping the individual at the heart of its services.

Conclusion: what is needed for a smarter Europe?

United Kingdom

70. The UK faces challenges at the international, national and local levels. Internationally it is misunderstood by its partners, especially within the EU. As such it needs to be clearer in outlining its vision of its role in Europe. There is a gap in what is understood and felt *within* the UK to the view looking in which is not particularly positive.
71. In terms of economic policy, the UK remains vulnerable to economic shocks (eg house prices) and lacks applied science centres and expertise in low carbon in addition to a strong SME base. At a local level, poor intercultural understanding feeds into overall EU relations and regional expertise is present but under-utilised.
72. Change in the UK will come from individuals and can be achieved through a range of positive actions such as regulator-financial service dialogues; apprenticeships and the integration of academia into vocational training; media campaigns on UK democratic history and EU institutional reform; continued use of parliamentary committees for scrutiny; real economy investment; growth plans for cities other than London; and empowering local councils to invest.

Germany

73. The major area of improvement for Germany lies in its digital agenda. There is a lack of transparency, eg in hospital waiting lists, school grades, etc. which also relates to public perceptions of the need for this data to be open and what its specific use would be. Benchmarking, for instance, is not widely used although comparisons can be made on some aspects of the state, eg schools, at the Federal level. This could be improved through an approach whereby government focuses on parts of the economy to which it has the most access to and impact upon, eg infrastructure, health, education and climate change.
74. The challenge will be in deciding what to do with the data and deciding what type of data protection is needed. At the moment, legal restrictions on the release of data (eg. that used for the Transport of London app) prevent such innovations from occurring and undermine Germany's digital economy. This is related to policies set in the 1980s which allow individuals the right to own data meaning that, for instance, an app for smart metering would require household consent. Solutions could be found in re-thinking digital regulation, tapping into Germany's effective infrastructure, and continuing to sustain a strong education system.

European Union

75. The EU budget is central to its future success. Focus needs to shift from spending on agriculture and structural funds to research and development and education to underpin the innovation agenda. Whilst Horizon 2020 is a good start, only 5% of the overall budget is dedicated to R and D. The EU budget (and those of its institutions) needs to be forward-looking to complement but not replace its history and infrastructure. This relates to the EU narrative in addition to the perception of outdated

regulation and red-tape that frames it as old and inefficient.

76. In applying the subsidiarity principle to a greater degree, the EU can ensure decisions are made at the correct level and this will have a knock on effect on the democratic deficit. The EU's citizens need to be engaged for the Europe project to be sustained and whilst the goal is not a European demos, Europe needs democracy. MEPs and Commissioners must be held to account through public scrutiny which requires greater accessibility to information. "As Europe has inherited peace, it in turn must leave a Europe fit for the future."

Jennifer Lang

Wilton Park | August 2014

Wilton Park reports are brief summaries of the main points and conclusions of a conference. The reports reflect rapporteurs' personal interpretations of the proceedings – as such they do not constitute any institutional policy of Wilton Park nor do they necessarily represent the views of the rapporteur.

Should you wish to read other Wilton Park reports, or participate in upcoming Wilton Park conferences, please consult our website www.wiltonpark.org.uk

To receive our e-newsletter and latest updates on conferences subscribe to <https://www.wiltonpark.org.uk/newsletter/>