

# FIFTEENTH ANNUAL ECONOMIC KÖNIGSWINTER CONFERENCE

Friday 13<sup>th</sup> November – Saturday 14<sup>th</sup> November, 2015.

Brocket Hall.

Winding – Up summaries.

John Kay:

## Königswinter - Five Points

### 1. *Uncertainty*

Participants deplored uncertainty, and complained that without stability it was impossible to make long term investment decisions, some of which had to cover a period of twenty years or more. Get over it! Geopolitical uncertainty is unavoidable and the next twenty years will see transformative innovations we can barely imagine. The right response is not to demand unattainable certainties (or to predict the future) but create options for dealing with a world that is inevitably uncertain.

### 2. *Corporatism*

One of the obstacles to securing the benefits of that technological change is Europe's long established corporatism. Historically, many of Europe's large corporations have been at the forefront of innovation, moving nimbly into new activities. Today, a focus on short term shareholder value and the opportunities for political lobbying to protect incumbents have made many established companies contributors to European sclerosis. For disruptive innovation, we must look increasingly to the SME sector.

### 3. *Infrastructure and investment*

We should not make the mistake of regarding all infrastructure and other long term investment as good things. We are obsessed with grand projects, and have mismanaged energy and transport, the two largest infrastructure areas, in part by pretending to rely on markets while constantly interfering with them, a strategy which has often generated the worst of all worlds.

### 4. *Regional issues*

Germany seems to have established stable, harmonious relations within a Federal system. The UK has major problems: the Scottish issue looms large and both Wales and Northern Ireland pose their own distinctive problems. The 'Northern Powerhouse' is an attractive soundbite, but what practical economic or political meaning does it have? And the size and affluence of London within the UK has no parallel in Germany.

### 5. *Brexit and migration*

Although much time will be spent in the next few months on 'renegotiation', the outcome of these discussions is very marginal to the outcome of the forthcoming referendum. That largely depends on events which are outside any political control.

Siegmar Mosdorf:

I would like to start with an observation: I have the feeling that there is a negative perception of the European Union in the UK. There is a lack of confidence in its institutions and its impact.

This year's Königswinter Conference can be summarised through the following five points to take away:

## 1. The UK is looking for a new growth-model.

The UK is looking for new partners and particularly identifies potential partners for new growth opportunities in the silicon-valley-industry. It also sees opportunities in new partnerships, especially with China and India.

**2. In the eyes of the UK, Europe is a stagnating continent with no real perspectives in terms of leadership, a confusing order, and a monotone everyday life.**

This perception makes it difficult for the political elites to maintain the country in the EU.

**3. An old question continues to pop up: do we need a deeper integration or enlargement on EU level?**

In this regard, the UK and Germany have different approaches. In my opinion, the main issue is that the integration of the members of the Eurozone gets deeper and deeper, whereas other countries that are not members of the Eurozone (such as the UK, Sweden, Denmark etc.) do not benefit from the same conditions. In addition, there is of course the question: what can we do for more subsidiarity - what we Germans do also want.

**4. The UK claims more outward focus.**

This is not a problem for us, as it is an essential and unavoidable point for Germany due to its export industry. However, it was very surprising for Germans that UK hold on to an old energy source - nuclear power – and even develops new partnerships around it. E.g. the Hinkley Point power plant construction, financed by the Chinese and produced by a French company. This approach is quite opposite to the current German approach of the energy transition, aiming at finding a new vision with renewables. Paradoxically, the same French energy company is thinking about a new strategy with more renewables in its portfolio. In the energy field, there are significant differences between both countries.

**5. There are also big differences in our approaches of the refugees issue of and border control.**

The UK has much more experience in that field than Germany. On the German side, we sometimes still have naive positions. On the other hand, we have different demographics in both countries, so that Germany has more important needs in terms of immigration than the UK does.

To sum it up: we wish that you ask yourselves more often what the UK can do for the EU and not only what the EU can do for the UK. The diversity on European level needs the British pragmatism and creativity.

For the common discussion the book "The European identity" by Stephen Green might be a good fundament.

So, as a conclusion, I would ask the UK to not let us alone.

And last but not least, thank you very much Jackie for organising this very important debate. We will hope that we will have the occasion to participate in an equally enlightening debate next to the UK in Germany.

November 2015.

