

# EUROPE REIMAGINED: INVESTMENT, INNOVATION, AND COMPETITION FOR MARKETS OF THE FUTURE

## Daniel Finkelstein

Please welcome the panel on Europe Reimagined Investment, Innovation and Competition for Markets of the Future, moderated by Daniel Finkelstein, Associate Editor of The Times. Well, welcome everybody. Welcome to Europe Reimagined Investment, Innovation and Competition for Markets of the Future. I'm Daniel Finkelstein. I work for what we correctly call The Times and Americans annoyingly call the Times of London, and I've been given an opportunity to share a really stellar panel today, so I'm really happy to have them all here. Sia founder, the French entrepreneur, Matthieu Courtecuisse; Axel Springer CEO, Matthias Dopfner; Rheinmetall's Chief Digital Officer, Timo Haas; British entrepreneur, Martha Lane Fox, and Heiko Thoms of the German finance ministry. I'm going to divide this session into three parts. We're going to start with the European technology challenge. Then we're going to talk about the European productivity challenge, and the last segment is going to be the European security challenge, and let's talk about the technology challenge first. And Matthieu, you worry we are regulating AI and biotech as a threat rather than perhaps seizing the opportunity, and that's a mistake.

## Matthieu Courtecuisse

Yeah. Basically, we have seen, like a couple of weeks ago, more than 30 pharmaceutical companies sending a letter to the EU Commission to say, like, it's time for removing regulation, because otherwise we're going to deploy 100 billion of capital outside of the US, outside of Europe, and to invest in the US. So it's a clear signal and—there's a lot of anxiety in the tech world in Europe. Because of that, there is a lot of uncertainty also related to energy price. We need better energy infrastructure. What happened in Spain last week is a clear signal that we have a big issue in terms of the way we have been designing the energy system in Europe over the last two decades, basically, to have 70 percent of renewable energies. It's too much, and it's not possible to foresee some kind of energy infrastructure to support AI and AI development with so much uncertainty in the mix. If you go to new schools, typically in France, most of them, I don't know, like, what is going to be the energy price in January of next year. So

it's not possible. It's not sustainable. And we are at the moment where we need really to consider to put on hold some regulations or even to remove some regulation. The thing is, we don't have any game plan for it. We have now the Draghi report but we have some uncertainty in the way we can implement it.

### **Daniel Finkelstein**

Matthieu your concern is that you think Europe could just be flattened by the US and China.

### **Matthieu Courtecuisse**

It's one of my concerns. The fact is—the reality is, we don't have any AI stack in Europe which is natively crafted in Europe. We have also issues in terms of AI adoption because of all the regulations it comes to through GDPR AI Act, which is impossible to implement, and we are trying to regulate before to innovate. So that's not sustainable again. And we have also one other topic which is a problem in Europe. It's the flexibility in the labor market. When you are deploying AI at scale, you can generate a lot of productivity gains, and if the labor market is very rigid, it's not possible to do that. As an AI consulting firm, we can see that some business cases, some use cases, cannot be deployed in Europe because of the difficulty to adopt and to generate the right level of ROI. If I compare with the US, there is a gap of 30 percent.

### **Daniel Finkelstein**

Martha, in Britain, we've had Rishi Sunak come and regulate AI a little bit as a threat. That was the first thing that's started. Do you think that was the right place to start? Or do you actually, you're more sympathetic to what we've just heard that really the issue is, how do we take advantage of this industrially?

### **Martha Lane-Fox**

My natural inclination is not to tilt towards the risk in the first instance of a new technology. I would argue we have been pretty light touch in the UK and listening to Matthieu makes me feel as though I'm living in a slightly different universe of Europe. Because I actually—when I think back to the trajectory of the last 25 years, you know, we started my business lastminute.com at the time when nobody believed that the internet was going to survive. People thought it was madness to suggest people were going to put their credit card details into a website. And yet now I look around the energy that exists in the tech ecosystem 20 years on, it's quite extraordinary. We've got many, many more investors coming in from all over the world. I completely accept we have a whole set of challenges in relation to the market we're sitting in here right now, but I see energy and I see incredible AI skills coming out of universities and very surprising things happening—interesting businesses being built. We do have Google DeepMind, even though, obviously, it was bought by a US company. So I don't want to be too downbeat about the opportunities in Europe. I see—I don't see the regulations, certainly from a UK perspective, as too onerous. I think from a European perspective, it looks a bit different.

**Daniel Finkelstein**

Mathias, you're worried that we could even be flattened by the US and Japan and, sorry, in China, as I just asked Matthew, do you think you've been worried about that? Do you think Martha's being a bit too optimistic?

**Mathias Dopfner**

Optimism is always good, but let's look at the room. It's half empty. We have to work hard, that is next year, not totally empty. Yeah. So that is symbolizing the interest and the confidence in the ability of Europe to reimagine itself, to reinvent itself. And of course, since AI is the decisive factor, the arms race between China and America will be decisive. With regard to the world order, Europe so far, doesn't play a role, and it has to do as we, as we have heard very much with over regulation, wrong regulation. I still remember this wonderful description from Ronald Reagan of European business policy. He said, if a business moves, tax it, if it still moves, regulate it, if it's dead, subsidize it. That's European regulation. If we have to be very careful that we are not living up to these ironic descriptions. And I think that factor is absolutely mission critical. And it is sad that although there is so much academic excellence and a lot of important developments in the context of AI have happened in Europe, but so far, we are not taking advantage of it. It is developed here, in Europe, but it is monetized elsewhere. And I think that needs to that needs to be changed. And it is almost symbolic for me that now the whole discussion about a Stargate Europe, a real kind of visionary project that would perhaps achieve a kind of leapfrog for European AI Innovation and Excellence, that this is initiated and most likely financed by Americans, by Sam Altman, and I'm very happy and grateful that he does it, but it would be really good if we Europeans would lean in a little more.

**Daniel Finkelstein**

Well, Heiko, if this is going to happen, presumably you'll be one of the people playing a role in that. So how do you see this unfolding?

**Heiko Thoms**

Well, first, I can tell you that we take that all very seriously. Everything I'm hearing here, I'm not hearing for the first time, someone has said that the EU has become the new Silicon Valley of regulation. And there is some truth in this, of course. I think it's cultural in many ways also. I mean, demography may play a role in this, but it starts with language, even when you look at the German word for venture capital, Wagniskapital. So venture is something exciting, something where you go to get to go places. Wagnis is something in German, something a responsible person wouldn't really do, right? And so that's a translation of venture capital into German. Also, it was said before, I believe that the approaches are different. In Europe, you invent, innovate, then you regulate, and then you see what happens. Sometimes you regulate, and then you innovate, and nothing happens. Here in the US, of course, it's different. You innovate, you invent, then you see what happens, and then you see if you may have to regulate. And of course, that's the approach we should be taking. There is a realization, a growing realization, now in Europe, that we have clearly overdone it, the regulatory tsunami that we have seen in the last years of the last

parliamentary period in the European Parliament, that was just simply too much. But the good news is we are starting to work on it. You may have heard about the Omnibus I, which is the first package of scrapping red tape, especially when it comes to ESG regulations, so on the CS Triple D, CSRD, where you have lots of duplication, lots of simply contradictory regulation, or just simply too much reporting that we put on our companies that will be corrected. Now that's still not enough, but after this Omnibus I, there will be two, there'll be three, and this will all be happening this year. This is a different commission. I can tell you. The last commission had the headline Green Deal. This commission has the headline 'competitiveness', and this starts with cutting red tape and working on it.

### **Mathias Dopfner**

Perhaps, if I may, there is—apart from the obvious regulation issue—and if we don't fix it, everything is bust, because everybody deregulates, we cannot continue to regulate. But apart from that, I think there is another aspect, and that is deeply cultural. It's a lack of risk culture in Europe. And I think we definitely have to work on that. We avoid risks. We punish people who took risks and failed. And in the United States and elsewhere, risk is rewarded; people who take risks, and even if they fail, people are saying, 'try it again.' Yeah, nice try. They encourage people to try again. And perhaps even people who failed get another chance because people say they made already bad experiences. So risk is a positive and in Europe it is very often not. And perhaps we should not only blame everything on the politicians and on regulation, we should also basically work on our cultural genetic code.

### **Daniel Finkelstein**

So, Timo, everyone's been quite gung ho so far, but there is a real risk of people printing viruses in their garage and new technology has real risks, and maybe we don't even know what we're unleashing. So, is this sort of gung ho, so of, the only thing that we need to do is make sure that we're not left behind in the competition, actually right?

### **Timo Haas**

So I would say for Europe at the moment, this this race is going on, and we need to be prepared to not lose completely. We just had a discussion before we entered that if we don't take the chance right now to change culturally in Europe, we might end up in a messy situation, which would be the diplomatic description, I would say. Now, as I just wanted to underline a few things with AI regulations. Rheinmetall. we're working in the defense sector, so we are only producing defense goods out of Germany. So, we used, for the last 30 years, to be over regulated by the government. We're not allowed to build anything without the permission of the government to export anything. So, in Germany, we're the kings of the regulation. That's why, for me, AI regulation that's not new, actually. That's like, we're used to this. That's like, how we do it. That's why the adoption also into technology is very slow. Taking risks, like you mentioned, I could not agree more. It's in our it's into our mindset totally. In Ukraine right now, we're delivering stuff with 95 percent good is more than good enough, if we're delivering to European governments, not just German, if it's French, it's all over—it has to be more than five-ninths good. If there's a failure, they won't accept it. So, there's no darkness, there's no risk for entrepreneurs, for small companies who just live on promises, to get a capture together to get an innovation forward in our space, in the security and defense space—nightmare. So AI in that area, it's hard. What we try to do is actually take advantage of technology

from the US, especially, to get into it. Because at the moment, I don't see for the next few years that Europe is really able to be competitive in that race.

### **Daniel Finkelstein**

Obviously, we've talked a little bit about how Europe can succeed itself, in generating AI products and using them properly, but that's only one part of it. One another thing is it's going to happen anyway, and it's going to very much affect European community spirit and all the things that happen in everybody's lives. So, to you Matthias, do you think that what's going to happen will challenge our you know, an idea that I was we were discussing before we generally hold about people competing in markets, because as individuals, quite a lot of people simply won't be able to add anything to the economy, because they can't add anything that AI isn't better at doing. Do you worry about that?

### **Mathias Dopfner**

I'm not sure if I understand the question correctly. You mean that that we are out performed by machines? Well, that is, for me, a too either/or picture and too much of a negative attitude towards the new forms of machine-made intelligence. I rather see it as if we govern it correctly, as a incredible booster for intelligence as a whole, for the society, human beings will be able to do much more. And in some areas, machines will be better. And we see it in our company that you could say, I mean a digital publisher, all elements with regard to error correction, language translation, layout, photo selection, production, but even to a certain degree, fact checking and editing is done by machines better than by human beings. So why not taking advantage of that, and at the same time focus on what has made journalism, for example, always fascinating, and that is investigating news being at places where nobody else is, do research that nobody else does, and with that, find something out there was not supposed to be found out. That was always the core of journalism, and now we can focus on that way more we have, because we have the machines that help us to do, let's say, the boring stuff. So for me, it's not machines are overruling, overtaking mankind. It's more they can help us to excel at a new level. The only scenario in which that would go wrong is if there's not enough competition and diversity. If too much power is concentrated in too few hands, if there is one kind of global monopoly or national monopoly of artificial intelligence that defines what is true, what is not true, and so on, then we are in a very dangerous place. But as soon, as long as there is competition and diversity, I'm not at all worried.

### **Daniel Finkelstein**

What about you Matthieu—do you not worry that one day AI will be better at being a panel than us and better at being an audience than them, like the two machines can talk to each other, then at that point? Do you worry about any of those already?

### **Matthieu Courtecuisse**

I don't worry at all. I think also the globalization of technologies is still there and will last. Meaning like, if you are reducing because of the trade war, the exchanges of good, the globalization of technologies will happen. So it means like, if we are having different regulation stack in Europe, as opposed to the US as an example, in the end, in Europe, we will be consumers of these technologies that will be crafted in the US. So we can have some concerns about the regulation in Europe, but in the end, and I have multiple examples of that, we're going to use these technologies that will be done here. And even European companies are developing their own labs and R&D policies here in the US to avoid any kind of Europe regulation. So, I think it's some kind of, it's some kind of imagination, and it's no realistic to consider that you can build up this type of barriers, because it won't resist the reality of this globalization.

### **Daniel Finkelstein**

So we've had a question come in, because, as you can see from the boards, and you'll know from other sessions, you can use the QR code to send questions. And this question, I'm going to put this to you, Martha, because I think it's in your area. Europe has some of the world's best universities, like Cambridge, Technical University, Munich, Sorbonne, etc. How do we keep and attract our best researchers so they innovate and create companies in the UK and EU?

### **Martha Lane-Fox**

Huge, important question can I, just before I attempt at answering it, just double click on something that couple of people in the panel have said. You know, when I'm optimistic, it's because I feel as though the trajectory of and being an entrepreneur in Europe, the trend is towards more risk taking and more entrepreneurialism, not less. And that's something I feel very strongly about, that we can build on in Europe. I'm not for one minute suggesting, and as you quite rightly say, this room should be completely teeming with people wanting to invest in those entrepreneurs. I realize the barriers, but one of the blockages, I think, is that we don't tell a good story about ourselves, as I've been walking around here, and people say, where'd you come from? Because, though I've come from London, oh, you must be so depressed about Brexit. Yes, you must be so depressed about what's happening in Europe. Well, sort of, except arguably, I'm not depressed, because I'd have to live in this country with a whole load of other terrible things happening. And I feel as though we don't tell a good story about ourselves in Europe, and we have got a good one to tell, if we can just make a few of the pieces a bit more effective. And so one of those stories is absolutely about universities. I'm chancellor of something called the Open University, or a Virtual University. So we don't have quite the same opportunities as other universities, because we're not, we're not slightly different structure. But just in the UK alone, as people know, we've got two of the, sorry, three at the top universities globally. The bit that missing, as always, is we have amazing research, we have people developing things that don't then get on to be commercialized. Coming back to the same funding challenges that I think everyone on this panel has mentioned and the risk taking. But I think that it's interesting in this global context to think about how we can attract more people to Europe when we know that research grants here in the US are drying up, we know that people want to come to Europe to do the projects and products that maybe here they're not being able to do any more, because things have changed politically. So there's a huge opportunity. We don't fund enough people who are based in universities. We know that's a huge gap. I believe that's a huge opportunity, not just for the UK, but across Europe. And I think it's something that could be a really easy plank of any big industrial policy.

## **Daniel Finkelstein**

Well, this moves us on neatly into the second area where I want to discuss, which is the European productivity challenge, which affects everything. So we're discussing, at the moment, the rise of populist movements in Europe, and an obvious reason for that is a lot of people feel their incomes are pressed, and they turn to some sort of change, whoever it should be. But I want to be a bit focused with the first question, and I'm going to ask the same one, same question to everybody, which is whether they see a role for an active state. Matthias was quite skeptical, giving that Ronald Reagan quote a moment ago. So, I've got an idea where you come from on this, although, obviously you should add to the conversation in a second. But Matthieu, what do you think of the productivity challenge? Is one of your thoughts, "there are things for the state to do," or is it more there are things the state should stop doing?

## **Matthieu Courtecuisse**

First of all, I was mentioning just before, we need to revisit the way we have been designing the labor system rules. So that's very, very, important for us to give more flexibility for the companies to really take advantage of the AI revolution. And I think there is something which is positive for us right now is the fact that we are increasing the military spending in Europe, and we know that there is a correlation between military spending and the way we can spread technologies and productivity in the end, across economies. There is tons of documentation around this topic, so I think the role of the state, in that case is to really accelerate the military spending, to promote technologies and to use that for civil applications as well.

## **Daniel Finkelstein**

So I'm going to come to you at the end of this segment, Mathias, I just want to—let's have you, Heiko, next.

## **Heiko Thoms**

Well, first, I will start by saying we have a new government tomorrow. Chancellor has just been given his farewell. This government has come to an end, and I'm not really sure that what we've seen, at least in Germany, in terms of active industrial policy has worked out so well, the state is simply not the better entrepreneur. The things that we have tried, most of them, have not worked, clearly. So what we need to work on is framework conditions. We are talking a lot about the differences between the EU, Germany and the US in particular, when it comes to growth and when it comes to especially productivity growth, we have been asking ourselves, why are we doing so relatively badly in comparison to the US? And when you look at it, the answer is that's the tech sector. If you compare European stocks and US stocks, and you take out tech in the US, they have performed similarly. But with tech, suddenly you see this growth in stock price, stock prices, and you see this enormous productivity growth that we haven't had in Europe. So you wonder, just in brackets, why, suddenly this tech sector, which was probably the biggest beneficiary of globalization and the global order, is now, almost actively—being dismantled by the current US government? But that's a different story. We need to get our act together in order to enable the same

environment when it comes to innovation and technology. We have started that you may have seen that we had our AI summit where 150 billion euros were pledged, the European Commission is going to add another 50 billion to that. And in Germany, we are also trying, and we actually are getting our house in order. If you have seen in particular the area of defense, we have exempted defense spending from our debt break effectively. So this will enable us to meet whatever goal the NATO summit in June will come up with. And in addition to that, we have created a 500 billion infrastructure fund, which will also enable us to go into innovative sectors. And this is, I believe, going to be a real game changer in under the next government.

### **Daniel Finkelstein**

Timo, what's your view. A bigger or smaller state?

### **Timo Haas**

So for us in the defense sector, we would appreciate heavily if, if the market would open for us. So like [inaudible] mentioned, the orders will come. So we will have the orders, the defense spending will be there. What we now need to take care is that we just allow the market to grow by itself. Like don't over regulate the market, the market will go there. And I'm personally fan of a very small state influence. So keep the state out of the markets. Like you mentioned, the entrepreneurial areas, especially in defense research, is when I look into into the different projects funded from the state and managed by the state, they were all glorious in the museum, in the German Museum in Munich, because they never worked out, because political guys don't know how to run industry. So, if it's helicopters, if it's tanks, whatever defense, good things in defense will not come out of that. Orders, of course, are very important, because for defense good we need, of course, governmental spendings.

### **Daniel Finkelstein**

Martha, one of the questions I've got here, and maybe you could put that together with your answer on the sort of size of the state, is from attendee number 24—what can be done to unlock private capital in Europe? Is that something that you think the state could try to do?

### **Martha Lane-Fox**

Absolutely, I was going to make two points, both of which I think are quite counter-cultural right now. Firstly, think government can be a huge lever in the market and in how we can construct businesses, and particularly through procurement. And one of the things that I think has been very slow, certainly in the UK and I'm sure in other markets in Europe, is the enormous opportunity to do a better job at procuring from a wider selection of smaller and medium sized businesses that can do things more effectively for government, something that has been working on on the edges in the UK. And I think that government has a huge role to play, not just in procurement, but in trying to make sure that there is the basic infrastructure for businesses to build upon. So, you know, for example, one of the things that I think is phenomenally important and just such a no brainer, is for a government to

make sure that every single person has access to high quality connectivity. And by that, I really do mean every single person in every single community not satisfied with like a 90 percent reach. And then I think that becomes transformative, because you have changed how you can assume to both run services and what products could be offered. So I think government has can have a very active role. I also think that something we haven't mentioned, another thing that's going to make me unpopular, is about diversity. And if you look at who is starting businesses right now and where capital goes, as we know, only 2 percent of venture capital goes to female founded businesses—2 percent, I mean, that is just dumb. That is a huge missed opportunity. And so I believe we've now had so many years trying to solve this problem, that government should be more active in trying to work out how to build more diverse businesses and encourage both soci-demographic, ethnic and also female-founded businesses. So I think there are areas where governments can be active and play an important role, as well as providing that kind of base infrastructure, which obviously digital is a huge part. I think I forgot the question, Did I answer it?

**Daniel Finkelstein**

Mathias, what do you make of that?

**Mathias Dopfner**

Well, first of all, I'm very clear that only a slim state can be a good state, and a state has to be muscular and fit and efficient and not fat. And definitely there is need for reform. It will be seen in Germany now what the new government is going to do in order to reduce that dimension, if ministries are merged, if laws are reduced, and so on, there is a lot to do, and we desperately need a dose. The second point is we also have to be very careful that we do not tap into the trap of stereotypes. And this stereotype Europe is always bureaucratic and inefficient and fed state. In the United States of America, that's the land of glory. It's just not true. In Brussels, there are 21,000 civil servants working, in Washington, 48,000. although America has 300 million people with the same language, and Europe is 500 million people with very different languages, so way more complex also with regard to the legal systems. And it's also true for the number of laws. Germany has 1800 federal laws. America, more than 30,000 the EU, 24,000 so if we look to the facts, it looks a little different. So there is room for improvement on both sides of the Atlantic. And being here in Los Angeles, the city of Hollywood, we I'm still under the impression of a conversation that I had three days ago. Movie production in Hollywood is in a deep crisis. Some people are saying it's almost collapsing. And why is that? Because unions and over regulation in the context of artificial intelligence, because the fear of progress, of technological progress, is destroying the production landscape in Hollywood, and leads to the fact that, because of the unions, because of that over regulation, the big majors and studios are shifting TV production to Europe, most importantly, to France, because France is seen as the paradise of modern technology and the paradise of deregulated movie production, pretty much the anti-stereotype. I'm not glorifying France, but if France is the role model for deregulated production in America, that tells us something, then it must be really bad. So, I'm just trying. I'm just trying to avoid a bit the stereotypes.

**Daniel Finkelstein**

Is there a role for European sovereign wealth funds? So this is an area that you've taken an interest in.

### **Matthieu Courtecuisse**

I would say potentially, France is the California without the Silicon Valley. The same level of regulation. I would say that in California, which is a bit insane. The sovereign funds you mean—so more globally, we need to think about Europe is producing a lot of savings, and we have difficulties to transform savings into investment in companies in Europe. So the thing is, we don't have a lot of mineral resources and so forth. So, we cannot copy some kind of sovereign fund coming up from other countries. But still, we need to make sure that all the savings, and to refer to what Matthias was saying, like, we have so large states that we are absorbing most of our savings in Europe. So it's not possible to continue like this. And whatever the channel is, we need to make sure that you are capable to invest more with a deeper control of risk within European countries, and to really leverage the savings coming from Europe, which is a true asset, and we are not capable to transform that into our reality, whatever the design of the way we do that.

### **Daniel Finkelstein**

Heiko, is this something that's a long way outside the orthodoxy of the German finance ministry or...

### **Heiko Thoms**

Sovereign wealth fund? Yes, well, we were very close to creating one, and then the government just collapsed weeks before we built one, because what we called our generational capital actually to supplement first pillar pension system. We were actually we had law in place to set aside 12 billion euros per year for a sovereign wealth fund to supplement our first pillar pension. That didn't happen in the end, and I'm not very optimistic that it's going to happen under the next government.

### **Daniel Finkelstein**

Why is that?

### **Heiko Thoms**

Well, because it was basically the idea of a party that is not in the next government, to say. But what's more important, in my view, is that we will very much follow up on another idea that we were very close to implementing, and that is a third pillar of our pension system. So we know that we have a pay as you go pension system in Germany, what we don't have, really, is private savings for old age, same way that you do in the US. There is no 401(k), there's no big private asset managers, which people use to save for their own pensions. We have our pay-as-you-go pension system, but we, we were close to creating tax incentives and other forms of subsidizing a little bit private savings for your old age, for your pension. And this is indeed going to be

implemented. It's in the coalition agreement now. So we will create additional incentives to invest in capital markets for the time when you will be receiving your pension. And that is actually going to happen. That's the biggest difference. Biggest difference. We talk about the Capital Markets Union in Europe a lot that we need to get rid of this or that, that we need to improve securitization. I don't believe that this is the game changer. The big difference between Europe and the US when it comes to the depth of the capital markets really is a pension system. You see that in Europe, for instance, in Sweden, where they do have a very strong third pillar, their investment and capital markets are actually exemplary, and this is something that we need to emulate in all of the EU.

### **Daniel Finkelstein**

Martha, you and I were having a discussion before about the kind of disjunction between the view that a lot of American businessmen and business women say about Donald Trump and the dynamism of its early days and the coverage in Europe, where it's seen as erratic and a little bit threatening for various reasons, which will come on to about security, but also economically. So some American investors have said to me, this is actually the moment for Europe, a one off chance to get some of the best talents in the United States to come and relocate in European countries. Do you, first of all, maybe reflect on that disjunction and then whether you agree with that suggestion.

### **Martha Lane-Fox**

I mean, I think two things. I think it goes back to the storytelling about Europe, and everyone has hinted at it from different angles I think on the panel that we're not very good at telling our own story, partly because we are a hodgepodge of different countries, of which I still have to hold my breath and say that UK is not part in a formal sense, and telling that story can be complicated. I don't think we've done a very good job at it. We haven't done a good job about the regulation, even though we would all probably agree it needs to become more, become leaner and less regulated. In many areas, we haven't necessarily done a good job about our incredible talent pool, our universities and all the other things we're describing. So yes, I believe very deeply we have an opportunity, and the moment is now to do that, and I feel as though there is energy and momentum. Certainly, I see it among some of the entrepreneurship entrepreneurial, sorry, community. They want to build that story about Europe and get more both of US dollars that maybe publicly are saying everything's great with Trump, but privately are feeling much more anxious, because we know this little lack of moral courage right now in corporate America, and also because there's just a huge opportunity if we can get some of the things right that we've all been discussing. So yes, I do believe that, but I was, you know, but I do come back to what I hear again and again and have done for 20 years, which is US investors always say, live in Europe and invest in the US. We've got to flip that to make it. Live in Europe. Invest in Europe. That's much better and more fun.

### **Mathias Dopfner**

I mean, particularly we Germans are world champions in pessimism, so perhaps we need some American positive energy to believe in ourselves. And I was surprised this morning to listen to Henry Kravis at the panel how bullish and positive he was on Europe. He really sees the opportunity, and I share that. That is true for the academia and universities and research excellence that may see opportunities in Europe. But it can also be true for various areas

of the economy and investments, but I think there is one very important precondition for that. We need to create reasons for that, apart from fear of Trump or badmouthing America. I think that's not going to be enough. We need to shape a positive story why Europe is a great place. And I have many reasons that come to my mind why it is a beautiful place to work with so many advantages compared to other societies, but also the hard facts need to work, and we need to improve that and this degree of complacency, because we are European, because we are so intellectual, because we are so traditional, everybody wants to live here. That's not going to work.

### **Daniel Finkelstein**

One of the questions that was sent in was about cultural aversion to risk in Europe. The question that says they totally agree and how can that be changed, really, given how deep seated that is, in other words, you're talking about cultural factors, but isn't the truth—isn't—aren't cultural factors very well embedded? It's very difficult to overturn them.

### **Mathias Dopfner**

No. In any case, I think cultural factors are not enough. And if it is about the allocation of capital, if it is about I mean, we have to come back, unfortunately, through the topic of regulation over regulation. I mean, compare how much a startup has to prepare and to work, and how many approvals they need, because they are finally capable to launch their company in Europe, and compare that to America, not to speak about UAE or other paradises. It's just very asymmetrical and I think these—culture is a wonderful and important fundament and sometimes a very underrated factor. But in order to write a European success story, in order to reimagine Europe, I think it's not going to be enough.

### **Daniel Finkelstein**

Do you agree with that?

### **Matthieu Courtecuisse**

Yeah and what I can see at the ground, because every week we can see a major European company announcing, like big investments in the US, because of the context of [inaudible], for sure, but like when Novartis announced 20 billion of investment in the US, there was no reaction in Europe, no reaction. And the reality is, most of the European companies are feeling alone right now in this context and they have to act and they have to do something. And when we have to make decisions on where we need to deploy their capital, they are looking at the potential of the market. The reality is, we have not been very successful in integrating the markets across Europe and so as a reality for many businesses, I was just chatting this morning with another pharmaceutical company here, they are anticipating a European one. 60 percent of their revenue will be in the US. 60 percent—so it's fair to say that in the context of leveraging the tariffs, most of the European firms have to think about like having need to

deploy their capital. So, I'm also surprised to hear that Henry Kravis is very optimistic about Europe right now because that's not what we see at least across all major blue chip firms in Europe.

**Daniel Finkelstein 39:52**

Thank you. Let's move on to the security challenge. Obviously, it's a big moment in European security what we've taken for granted. Since the war, the America, the Pax Americana, the relationship with NATO, all those things are coming into question in a way that even two or three years ago we could completely not have imagined. I suppose now we're looking back, we can see that the seeds of it have been, you know, planted quite a long time ago, but nevertheless, it's a big political moment. So Tim, let me start with you, because—give us your view of how, in this new environment, Europe can make itself more secure and more resilient.

**Timo Haas 40:32**

First of all, I think Europe, all the governments in Europe, have got the signal that we need to change something in our security architecture to be able to raise the deterrence level, that we're able to have something there, forces, equipment, whatever—the idea of that have everything that we define sovereignty as a fact that we need to build everything, reinvent everything, by our own for Europe that will not work in our globalized picture. So I think we need to come to the point that we have—we have to have our focus areas where we can work on and to really get to the sovereignty point. I don't think that with some kind of political actions that are not allowed to use Chinese tech or whatever, or US tech, because it's not sovereignty at all, or cloud from the US, or whatever, I believe the—the security challenge in Europe. We need to be in control of what we do, like Matthias mentioned before on the AI, if we just would have one AI, that would be a nightmare. If it just that's one stack, one defining the argument. It's the same with all the technology. We need to be controlling our architecture. We need to have the overview of security architecture. We need to integrate all the technologies, if we want to. And one more point, very importantly for Europe, especially for the security architecture, we need to come to a European security architecture. At the moment, security in Europe is still something nationalism - France, UK, Germany, Poland - everybody's doing their own thing and not very well harmonized.

**Daniel Finkelstein 42:09**

Heiko, did Donald Trump have a point? Have we for years, and Germany for historical reasons, but perhaps more recently for political reasons, has just been underspending on its own defense. Would you set—is that a charge you accept and do you think you'll be able to do enough about it, within your budgetary constraints, to make any difference?

**Heiko Thoms 42:32**

Well clearly yes and this has started under Trump one already at that point in time—I was at NATO at the time, and Trump came in the first time, we were spending around about, I think, 1.3 percent of GDP on defense, which was

clearly not living up to the challenge. Good news is we have stepped up. We have stepped up a little bit already under Trump I. The real game changer then, of course, was the Russian war of aggression against Ukraine, when we announced our special fund, *Zeitenwende* [historic turning point], when we moved up very quickly, something I would not have been able to imagine in 2018-19, from 1.4 to 2.1 percent which we reached last year already, and we are stepping up further. I mentioned earlier that we have now removed the constraints of the debt break of our fiscal rules for everything that relates to defense. I can share now that from we need to, of course, we have had the special fund, we need to integrate what we spent through the special fund until the end of '26 into the regular budget, and we will be increasing our defense spending in the regular budget by 0.2 percentage points every year from now till year 2029 we still have to wait—what the NATO Summit in the Hague on the 24th-25th of June will bring exactly. I expect something like a number of 3 to 3.5 percent of hard defense spending for NATO countries. We in Germany will be able to meet that challenge with the new rules we have given ourselves. My concern now is that we may be lacking company on the European continent—continent of countries—you'll also be able to do the same. And of course, I agree that we need to pool resources more that we need to do more procurement together. The—in the end, the biggest challenge we are facing now is that there's no long term contracts. What the defense industry now needs most is certainty about the orders that will be coming in. And I'm a little bit - and that's my last remark now—a bit concerned about just a narrative that will come out in the course of this year, because I think there is a good chance that the war, the hot war in Ukraine, will come to some kind of an end for at least a limited period of time. At the same time we hear from the US president that Putin needs a seat at the table. It will be very difficult to convince our publics that we need to spend a lot more of taxpayers money for defense, while the person we—the person that is actually behind our need to spend more will have a seat at the table.

**Daniel Finkelstein 45:20**

Mathias, you have expressed a view that it's not just about military hardware, but there are other ways in which we can ally with each other in order to create an unfavorable terrain for for for autocracies. Particularly trade for example.

**Mathias Dopfner 45:38**

Well, we—I think we have the three biggest challenges at the moment are war of democracies with Russia. War of America and Europe and other democracies. Trade war with China and arms race in AI. Those are the three biggest challenges that I see these days. And in all three cases, it is not about winning a war or winning a trade war or excelling in AI. It is about kind of either destroying or strengthening democracy in the Open Society model versus autocracies, that's what it is all about. And I'm deeply convinced that the biggest threat in that context is China, and I'm deeply convinced that that problem cannot be solved by America alone. It cannot be solved by Europe alone. It can only be solved in alliances. And the Alliance that is about to be weakened, if not destroyed, is the Transatlantic Alliance. That is true for security issues and that is also true potentially for trade issues. And I see particularly in the case of trade, in that very critical moment, a tremendous opportunity. Because if China is the bad actor, and it's obvious how they have abused the WTO and have strengthened their own economy and autocratic system and weakened others by very unfair, asymmetrical rules and so on, if we want to stop that, I think we will not stop it by imposing tariffs to everybody, and with that, basically pushing Europe closer to China. And with that strengthening China. We would achieve that by, in the first step, agree on a free, no trade, no tariff or very low tariff alliance between Europe and America, which would stimulate the two economies big times. Others could be

easily invited, from Japan to Australia to parts of Latin America, Africa, all around the world, and most importantly, India, and then either in the core of Europe, America, or even in a bigger group, sit at the negotiation table and negotiate with China fair and symmetrical trade rules, then we would have leverage. Then we would represent 800 million people or more. We would represent the biggest and the third biggest economy in the world, and potentially others, and we would have a real leverage, and we would really achieve something, versus the scenario where America tries to do it alone, Europe tries to make its kind of quick deals with China in order to benefit from that. That is creating a different world order that has to be avoided. And that's why I'm still optimistic and I think it's not too late. Maybe that that is going to happen. Maybe that's the outcome we see, that all these exceptions and all that doesn't work, it's destructive. So perhaps sometimes it's needed. It needs a crisis like with NATO. I mean, NATO has benefited so much from this Trump push to come up with more defense spendings. Talk to the former NATO chief into the current NATO chief—they both confirm it. So the crisis was helpful for NATO. Perhaps here also the crisis is helpful for a better trade concept.

**Daniel Finkelstein 49:12**

Matthew, one of the questions that I've has been asked here, but I think relates to this, is also anonymous—Dare I ask about a possible UK EU rapprochement. Would seem to be a win win if we want higher growth and more robust defense. And actually I was going to ask you that question, Martha, but then I actually realized that really, that's a question for people inside the EU as much as is for us. It's a choice, really, and obviously, if you're going to have a security alliance and play on the trade front, having a rapprochement with the UK would really help.

**Matthieu Courtecuisse 49:46**

Yes we have seen that this—this crisis is helping to rebuild the ties in the post Brexit environment between Europe and the UK. It's a good occasion for doing so because I think across Europe, we are all aware of the fact that we are—we are not capable to rebuild some kind of military industry and defense industry without the UK. So that's very clear, in terms of technologies, in terms of spending, in terms of size. So, that's very good occasion to rebuild the ties and to potentially bridge the gap between the fragmentation we have seen over the last 10 years or so—and I would say it's also a good occasion for Europe to catch up with the US in terms of technology because when you are spending in the defense industry, you are spending in AI, you are spending in life science, you are spending in multiple technologies, but we need also for civil applications. So if we get this stimulus package across Europe integrating the UK, it's clearly a good occasion, and it's—I don't think it's what the US administration is targeting, but it's a good occasion for us in Europe to catch up in terms of technology.

**Daniel Finkelstein 50:58**

Martha, we were talking earlier about what the right approach for European nations is to Donald Trump. So you've seen Mark Carney's approach, literally to say he doesn't think America is Canada's friend anymore. At the other end of the spectrum, our prime minister has chosen, let's have a state visit, he can address both Houses of Parliament. So I don't know. I'll ask you this question, because it's one I'm wondering about myself, if he comes and addresses both Houses of Parliament, are you going to go?

**Martha Lane-Fox 51:33**

I've been thinking about that too. TBD, I'm not sure if I can bear it. I'm not sure I can bear it. I think it's really hard. I mean, you would not wish this set of cards on any prime minister, particularly where the UK is in relation to our European complexity and to have the US behaving as it is as well. So I did think it was a kind of master stroke when he pulled out that letter from the King, much as a little bit of me died inside, it did seem like a brilliant piece of realpolitik and playing exactly into Trump's hand. So I was—I was sort of impressed that he'd managed to pull that off. But I really hope that Keir Starmer does not underestimate, which I'm sure he doesn't, the importance of close European relationships and sacrifice of everything for the US. You know, I feel as there is a window here to build on what we all I think believe is a really important both security partnership, but I would argue also economic partnership. And I hope that he pushes that as far as he can.

**Daniel Finkelstein 52:33**

Heiko, there have been moments, and there certainly was with Angela Merkel, and there have been moments again, where both Trump and JD Vance appeared to be more sympathetic to Putin than to German democratic politicians. What's the right response to that? Is it to try to persuade him that's not right? Or is it to respond a bit more forcibly? What's—what do you think was the right balance to strike?

**Heiko Thoms 53:05**

Well, let me just first say a word on EU UK rapprochement. It's actually happening. That's really good news. You may know that there will be an EU-UK summit later this month, just two weeks from now, and I'm sure that some very good results will come out of this. We are currently working on a number of projects where, especially in the area of defense, where we will be creating a new fund, or maybe several funds, which will enable cross border cooperation in the defense area, for certain things, we will be creating a 150 billion euro fund which will then make it possible for a minimum of three countries cross border to cooperate on concrete defense projects and of course this needs to bring in still—open for debate. I actually found quite impressive how Prime Minister Starmer has dealt with the situation. I also want to acknowledge that Mark Carney was in the election campaign and this will also develop further and how the new German chancellor will play it—I will—I'm not able to tell yet.

**Mathias Dopfner 54:20**

But I think you asked forceful—or what was the alternative?

**Daniel Finkelstein 54:26**

More conciliator, I suppose

**Mathias Dopfner 54:28**

Yes - now, I mean, it should be forceful and polite or forceful and outreaching. What I think we cannot afford is—I mean, first of all, everybody, and particularly this administration, takes only players seriously that are powerful, forceful, successful; the weak ones you don't take seriously. Nobody should be blamed for that. So that is the fundamental of everything. Be self confident, not arrogant. Be forceful, powerful, successful, but then reach out and stick to the rules of diplomacy. I mean, to make domestic policy points by bad mouthing or screaming at other governments or politicians—I think that's probably not a very successful tool in improving the situation and defending our interests.

**Daniel Finkelstein 55:24**

Let me just finish with one thing, because a couple of people have asked this question about whether to see the defense measures that we now have to take—the spending that we're going to do is primarily just about defense itself, or partly a strategic and economic development, in other words, something that will help to promote growth. I wonder what you thought of that, Matthieu?

**Speaker 1 55:50**

Well, I think that's already what I mentioned about like the infusion of technologies that are behind—the fact is also this—these plants are full of robotics, right? So it's going to be helpful so for us to to move forward to more robotics in the—in Europe and plan so again, the benefits of such a policy are coming up at the right moment when we are seeing some kind of a shift in the AI revolution.

**Daniel Finkelstein 56:25**

Timo, well, I wanted to ask you the same question, which was just whether you saw the defense measures as being simply necessary in themselves for our security, or do you think actually defense could be the kind of root of European resurgent growth and productivity.

**Timo Haas 56:42**

I do believe that—we had the discussion before we entered here - that for the next four or five years, and I do not believe that the spendings will stop, even if there's a cease fire or whatever coming up, because I do hope that our citizens know that we have to deter—we have to be able to have the deterrence there. So there will be massive spending in production lines, in research, in AI, I'm not sure if you just need to catch up with us tech. I think we should go one step further. Like you mentioned, take AI really serious. Not just be on the same level. Be one step ahead, go forward and with this—but all the research, all the entrepreneurs, all the fundings only happen if there's a

market; without a market, with just fake money, nothing will happen. And so if we now see what is coming up, this dual use out of defense technology should be really focused on, take the governments and tell them like, it's okay if this is usable in civilian and defense and then we can use that massive spending not just to develop stuff that is really only usable for very nitty gritty defense use cases. There's—a rocket, will only be a rocket.

**Daniel Finkelstein 57:55**

So we've only got two minutes and I'm going to ask a question to everybody to answer very briefly—in 10 years time, will we still have the American led NATO as the centerpiece of our European defense, or will something very different have happened by then? So let's start go this way. Matthieu, you can start.

**Speaker 1 58:16**

I hope so. We cannot assume—I think it would be a such a major threat for us to have a fragmentation of the Western world. By the way, it's also including other countries like Japan, Australia, and some of others, like we did, to strengthen this, this audience, between democracies and and so that's what we need to advocate for.

**Daniel Finkelstein 58:44**

NATO in 10 years?

**Mathias Dopfner 58:45**

My answer is yes, we will, and we will have it with a stronger Europe, because Europe, thanks to Putin and on a not comparable level, thanks to Donald Trump, Europe is kind of coming up of age. It seems to me, we—the kind of immature, childish, naive attitude with regard to defense, with regard to the fundamentals of business, success and growth, prosperity, innovation and excellence—this period is coming to an end. So my outlook is optimistic.

**Timo Haas 59:22**

I hope. I do hope that we will have a NATO, and I believe that we will have it, and I'm looking forward that we have two strong, really strong eye level partners like Matthias mentioned. Europe needs to come up to the same level and bring the same burden into NATO as was done by the US, but I believe we without the US without the—transatlantic NATO, it wouldn't be good. So yes, I believe it will be there.

**Martha Lane-Fox 59:47**

Yes, I'm also optimistic, but I hope it looks and feels very different. A head of [a] security agency in the UK said to me, we have to reinvent completely. We are going to be taken down by a 17 year old female Chinese programmer. And we have to imagine the world where that happens and not designed for the world where we know, where the threats we have—because that we haven't seen already.

**Daniel Finkelstein 1:00:07**

Heiko—

**Heiko Thoms 1:00:07**

Yeah, I do think we will have a strong NATO 10 years from now, a strong NATO with the US, but in order to achieve that objective, of course, and to step up our own game, because when we are strong, then we're an attractive partner, the US knows a good thing when they see it. If we are a strong, attractive partner, then the US has every interest to stay in, and then we will be united.

**Daniel Finkelstein 1:00:29**

Heiko Thoms, Martha Lane-Fox, Timo Haas, Mathias Dopfner, Matthieu Courtecuisse - thank you very much indeed.

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