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Europe's Geoeconomic Future

Professor Michael A Witt & Dr Michael Martin Richter

Forewords by Dr Dave Smith & Dr Yannick Bury

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Roundtable on Europe's Geoeconomic Future

Session Recap: "Build at home, stand abroad"

About this publication

This publication derives from Europe's Geoeconomic Future, a closed-door roundtable convened jointly by King's College London and the Hanns Seidel Foundation UK, and held at King's College London on 26 May 2026.

The roundtable brought together senior figures from politics, business, finance and academia in the United Kingdom and Germany. Across three sessions, participants examined the emerging geoeconomic order and stress-tested two near-term scenarios: an adversarial United States and a disintegrating European Union.

The discussion was conducted under the Chatham House Rule. This publication is an interpretive session recap rather than a verbatim transcript and is written on a non-attributable basis. Where helpful, publicly available data has been added as context and attributed to its source.

The views expressed in this publication do not necessarily represent those of King's College London, King's Business School or the Hanns Seidel Foundation.

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Foreword

Engineers stress test products or materials at extremes, beyond a reasonable everyday situation, to identify weak points and failure mechanisms. The day recorded in these pages was such a stress test, convened to explore extreme scenarios. It was to understand if countries of Europe, in this case the UK and Germany, can develop strategies to provide a great future for their citizens even amidst exceptional geopolitics.

One aspect of the fabulous discussion in this paper is technology, my subject area. Technology has always been a driver of economic growth and enhanced standards of living and health, but now it is more than that: it is a strategic asset.

The United States says it has won at technology. China could make the same claim, just as convincingly. The interesting question is why. The answer is capacity. They have the two largest home markets. They spend more. They have more researchers and more companies and they draw talent from everywhere else. Two political systems with ostensibly little in common produced a very similar result.

Is everyone else doomed? No. The world outside those two countries is large, wealthy and technically formidable, with superb researchers and serious markets. What we lack is not talent and it is not money. It is scale. And scale is a decision, not an inheritance.

Three things follow: middle power coordination, using our financial might, ambition.

Coordination first, because it creates a home market of consequence and the critical mass to place several large bets at once rather than one careful one. A middle-power club defined only by what it is against will not last a decade. One built on real mutual dependence might win. We are not short of treaties and partnerships; mechanisms exist; for example, Horizon might be a key one.

On investment, we are further ahead than we admit. The cluster now called New Palo Alto, running from London and Paris to Amsterdam, Cambridge and Oxford, holds around half of Europe's startup value, stands second in the world only to the Bay Area and has been growing at nearly twice its rate. At seed stage it has already overtaken it. This is not a plan. It exists. But crucially the might of our financial markets remains untapped.

That is the argument for technology. There are analogues for the possible futures of other dimensions of our societies.

For coordination and for investment, do we have the ambition?

Dr Dave Smith

National Technology Adviser

Foreword

Europe and the United Kingdom are no longer managing a transition. They are confronted by abrupt economic, geopolitical, and social rupture. The multifaceted nature of these abrupt and profound transformations arises from the diversity of their underlying causes, which can broadly be distinguished as either internal or external. Given the scale and novelty of these structural breaks, established policy approaches alone are no longer sufficient. This publication therefore develops two scenario analyses that capture distinct internal and external challenges: an adversarial United States and a disintegrating European Union.

Irrespective of the specific characteristics of the structural break that leaders are confronted with, public expectations remain the same: problems are to be resolved and challenges transformed into new opportunities. Put simply, in times of uncertainty, stability becomes the most sought-after political good. When political, economic, and social leaders fail to provide stability during periods of uncertainty, they create fertile ground for demagogues and populist movements.

Populist movements and autocratic regimes are often better equipped to enforce rapid change or maintain the status quo against a changing environment. When they lack the power to realise their goals, they can at least create the impression that simple solutions may resolve complex problems. Democracies and pluralistic societies, on the other hand, are unable to provide quick and final solutions to complex and evolving problems because they must take diverse perspectives into account and seek common ground.

These characteristics of democratic and pluralistic societies are, however, not weaknesses but, on the contrary, constitute their greatest advantage. The multifaceted nature of crises and social change precludes one-dimensional answers and instead demands multifaceted considerations in the pursuit of sustainable solutions. No individual or single organisation is capable of combining all the information and knowledge necessary to devise centrally planned, implemented, and enduring solutions to highly complex social problems and processes of change.

The pretence of knowledge, however, is a defining characteristic of populist movements and autocratic regimes. Democracies and pluralistic societies, on the other hand, address this knowledge problem by establishing reliable and institutionalised processes designed to take into account diverse perspectives, interests, and preconditions when addressing social problems. These processes require more time and a complex yet transparent system of checks and balances to ensure that decisions are properly scrutinised. They are, however, the only viable means of identifying deficiencies in proposed solutions, safeguarding minority rights, and balancing competing interests in ways that minimise incentives to overturn collectively agreed solutions at the next opportunity. Political, social, and economic leaders are therefore not only challenged to address contemporary, multifaceted problems. They are equally responsible for making the advantages of these lengthy, complex, and deliberative processes salient to their constituents and stakeholders.

Establishing a rule-based and institutionalised framework for identifying suitable solutions to social challenges is a necessary, yet not sufficient, precondition for providing stability. Delivering stability

requires governments to possess the capacity to act across multiple domains. Military capacity underpins geopolitical relevance and credible diplomacy. Political capacity depends on stable and democratically legitimate parliamentary majorities capable of sustaining government decisions. Economic capacity rests on a reliable rule-based legal order, monetary stability, resilient supply chains, and, ideally, open trade with like-minded partners.

Fiscal capacity constitutes another, often overlooked, prerequisite for providing stability. Fiscal policy is the numerical expression of political priorities. Retrospectively, public budgets reveal which objectives governments considered most important. Prospectively, fiscal sustainability preserves governments' ability to respond to future crises. Without adequate fiscal capacity, no government can provide lasting stability.

For this reason, fiscal policy provides an important analytical lens throughout this publication. Historical budgets offer the clearest record of political priorities and therefore complement the diagnostic analysis presented here. National and EU budget accounts over the past two decades reveal insufficient European public expenditure on defence and deterrence, centrally planned energy and industrial policies that ultimately resulted in uncompetitive energy prices, as well as the successful and internationally competitive financing of public education, research, and innovation that has positively affected Europe's international standing.

Many of the recommendations advanced in this publication will also require adequate public funding. Their implementation should therefore be accompanied by a rigorous assessment of fiscal costs and expected benefits. Some proposals, including completing the Savings and Investment Union, reducing regulatory burdens, and normalising UK–EU trade relations, would yield substantial improvements with comparatively limited fiscal costs. Others, including the modernisation of energy networks and critical infrastructure, the achievement of navigation sovereignty, and the development of a credible European defence-industrial base, require substantial public investment and corresponding shifts in budgetary priorities. At present, neither national nor EU budgets are adequately aligned with these emerging requirements.

To alter budgetary priorities and, more broadly, to implement solutions to internal and external challenges, democratic and institutionalised processes require parliamentary and, in the long run, societal majorities. Such majorities can only be secured through a compelling vision, translated into coherent statements of objectives. The democratic and institutionalised process outlined above necessarily strives for improvement. This does not mean that change cannot result in temporary deterioration for particular interests, for example through the removal of privileges or subsidies. Since such unpopular but necessary policies are likely to provoke resistance from affected groups, it is crucial to embed these measures within a broader and long-term vision that ultimately delivers an overall improvement.

This publication contributes to the development of such a long-term vision and of coherent, more detailed statements of objectives in two ways. First, it describes the internal and external challenges facing Europe and the United Kingdom in direct and unambiguous terms. Second, it proposes specific solutions designed either to improve upon the status quo or to prevent the most catastrophic scenarios from materialising altogether.

Dr Yannick Bury

Member of the German Bundestag

Executive Summary

Europe and the United Kingdom are no longer managing a transition. They are confronting an ongoing geoeconomic rupture. A closed-door roundtable convened by King's College London and the Hanns Seidel Foundation tested two near-term shock-scenarios against today's reality of fragmentation, technological dependence and lost competitiveness: an adversarial United States, and a disintegrating European Union.

Its central finding is that Europe's internal and external challenges are largely one agenda. The most catastrophic scenario, EU disintegration, is also the most preventable, because its root cause is domestic: stagnant living standards, lost competitiveness, and governments seen as unable to deliver. The reform agenda that makes Europe stronger and more cohesive at home is, point for point, the agenda that makes it more resilient abroad. Build at home, stand abroad.

The agenda has two halves.

Internal renewal: the agenda only Europe and the UK can pursue for themselves.

Energy. Bring down the cost of power on both sides of the Channel, and treat building the generation and grid capacity to do it as a national priority. EU industrial electricity runs at two to three times US prices and gas at four to five times higher than in the US. The UK, once home to Europe's cheapest energy, has lost that advantage. Closing the gap means a radical prioritisation of energy infrastructure and generation: fast-tracking grids, interconnectors and new supply, and clearing the planning and permitting bottlenecks that hold them up. Cheap, secure energy is the precondition for everything else.

Finance. Put Europe's own capital to work. Europeans save more than Americans, around €1.4 trillion a year against roughly €800 billion, but they park it unproductively: about €10 trillion, some 70 per cent of household savings, sits in low-yield deposits, and households hold just 17 per cent of their wealth in securities against 43 per cent in the US. Too little reaches European companies, and roughly €300 billion a year drifts abroad, mostly to the US. For the EU, the lever is completing the Savings and Investments Union. For the UK, it is drawing on London's depth while removing the frictions that make establishing a fund there about five times costlier than in the US. The constraint is allocation, not scarcity.

De-bureaucratisation: cut red tape and build. The EU and the UK share one disease: too much process and too little delivery. The EU's Omnibus simplification is a welcome start, but it is largely confined to sustainability reporting, with a target of cutting reporting burdens by 25 to 35 per cent. In the UK the same problem shows up most in the planning and infrastructure consenting that makes it hard to build anything. The aim on both sides is a leaner rulebook and a state that can actually get things built.

External strength: a Middle Power Club.

Rather than face the United States and China alone, Europe and the UK could convene like-minded middle powers, among them Canada, Japan and Australia, into a coalition with real rules for cohesion. While questions remain about the practical feasibility of such a coalition, done well, it could turn the scale of the single market into standard-setting influence, a "Middle Power effect," and secure critical inputs through shared-prosperity partnerships.

Two qualifications keep this honest. First, the agenda runs on two clocks. The competitiveness programme is multi-year, but several external dependencies are immediate and have to be acted on in parallel now: navigation, critical

minerals, and the deterrent question. Second, the agenda involves real choices, not only happy synergies. How far to decouple from China, whether to accept Chinese capital, and how to hold a coalition together against backsliding members are all decisions to be taken deliberately.

The means are largely in hand. What is missing is execution: coordination, investment, and the political will to deploy what Europe already has. The full set of proposals, prioritised by feasibility, impact and time horizon, is set out in the appendices.

A single agenda

The reforms that make Europe stronger at home are the reforms that make it more resilient abroad.

Figure 1. The one-agenda loop: internal renewal and external resilience reinforce each other.

This note derives from "Europe's Geoeconomic Future", a closed-door roundtable convened jointly by King's College London and the Hanns Seidel Foundation UK, and held at King's College London on 26 May 2026. It brought together senior figures from politics, business, finance and academia in the United Kingdom and Germany across three sessions: a diagnosis of the emerging geoeconomic order, followed by two scenario exercises testing an adversarial United States and a disintegrating European Union. The discussion was conducted under the Chatham House Rule, and the day closed with a dinner keynote. This note recaps each roundtable session and then steps back to the "so what": what Europe and the UK should do. It is interpretive, not a neutral transcript, and is written non-attributably, consistent with the Chatham House framing. Where helpful, public data has been added as context and attributed to its source, so figures discussed in the room can be checked against the published record, a short source list appears at the end. The reading is simple: the internal and external challenges identified are largely a single agenda, though one that runs on two clocks and contains real choices.

Part I: Session Recaps

Session I: A World Reordered

The opening session was diagnostic. It produced a firm shared premise (that the post-Cold War settlement of open trade, American security guarantees and rules-based interdependence can no longer be assumed) but no shared model of what replaces it. The discussion was organised around the following themes.

A rupture, not a transition. Participants agreed that peak globalisation is over and that the present moment is a structural break, not a managed transition. There was no consensus on the successor order: arguably bipolar on economics alone, but multipolar, and in one framing an unstable "unbalanced multipolarity", once technology, military capability, and demography are added. Three broad outcomes were sketched: regionalisation around competing blocs, more anarchic conflict, or, for Europe, serious trouble if the American security guarantee and open trade disappear at once.

Not everyone accepts the frame. One participant challenged the multipolar reading directly, questioning how multipolarity is measured and arguing that the world still contains strong unipolar elements: in important respects, "a lot of US." This was the principal dissent within an otherwise broadly shared diagnosis.

Fragmentation is already material. Energy shocks were traced to physical choke points (the Strait of Malacca, the Strait of Hormuz, the Taiwan Strait and the Red Sea), alongside the weaponisation of trade and Europe's mineral dependence on China. Financial markets were judged to be absorbing these shocks better than manufacturing, households, or energy markets, with real concern that markets are not pricing the risks properly. On payments, dollar-linked stablecoins were seen as quietly re-anchoring de-dollarising economies to the US dollar. One participant added that China may respond with its own payment architecture.

Technology has become the decisive strategic asset. The United States and China were seen as dominant because of scale, talent, ecosystems, and early recognition that technology is strategic, not merely commercial. Participants put the combined US–China research lead at all but one of the fields discussed, and the most-cited public benchmark is sharper on China specifically. ASPI's Critical Technology Tracker (2025 update) places China ahead in high-impact research in 66 of 74 critical technologies, with the US leading the remaining eight, a near-complete reversal of the early 2000s, when the US led in over 90 per cent. The Draghi competitiveness report records Europe's share of global technology revenues falling from 22 per cent to 18 per cent between 2013 and 2023, while the US share rose from 30 per cent to 38 per cent. The sharper question was whether Europe aims merely to adopt technology or to shape it. One contribution highlighted an emerging European technology cluster, described as a "New Palo Alto," that is already outperforming many established hubs.

Europe's vulnerability is as much internal as external. The most consequential shift in the discussion was inward. Europe has lost competitiveness because of high energy costs and regulation, capital remains difficult to deploy at scale, and there was a candid acknowledgement that Europe cannot currently compete with China on cost. The Draghi report quantifies the gap. EU industrial electricity prices are two to three times higher than in the United States, while gas prices are four to five times

higher. In 2023, around 60 per cent of EU firms identified high energy costs as an obstacle to investment, and roughly 30 per cent of Europe's most successful scale-ups relocated to the United States. The roundtable added several vivid examples. Producing one specific good in the UK was said to involve energy costs around five times higher than in the United States and 25 times higher than in China. Establishing an investment fund in the UK was estimated to cost about five times as much as in the United States. African states seeking minerals partnerships with Germany and the UK were reportedly offered consultants rather than investment. One participant reframed this last point: the consultants were a symptom rather than the cause. The deeper failure is that Europe funds innovation generously but struggles to convert it into commercial value. Even so, the session emphasised that Europe still holds a strong hand through its deep tech, high-value brands, talent, rule of law, and substantial endowments of energy, water, and a favourable climate. The closing judgment was that Europe fails to capitalize on the advantages it already possesses.

The UK–EU trade relationship is itself a competitiveness variable. An industry contribution made the point concrete: roughly 80 per cent of the company's production inputs are sourced outside the UK, making frictionless EU trade a precondition of manufacturing competitiveness, not a political preference. Repairing the trade relationship is therefore among the most direct levers available, largely within UK and European control.

Standards and scale as leverage: a "Middle Power effect." Many states once reliant on the United States are seeking alternative partners, and the room argued that Europe and the UK could act as facilitators among these middle powers, not necessarily through new transnational institutions, but as convenors of a "Middle Power Club" of like-minded partners. On this view, the competitiveness imperative could generate a standard-setting pull analogous to the regulatory "Brussels effect": a "Middle Power effect" in which scale and shared rules become sources of influence, not merely a defensive posture. Participants cautioned, however, that such a club might be difficult to organize and sustain.

Session II: America Gone Rogue

The first scenario assumed a United States that has crossed from unreliable ally to active adversary, with NATO hollowed out and Ukraine lost. The breakout groups moved quickly from shock management to dependency reduction, across these themes.

The most dangerous dependencies. The discussion identified these as defence technology and battlefield enablers, satellite and navigation infrastructure, critical raw materials, digital and payment infrastructure, and finance. The raw-materials exposure is acute and well documented: Europe sources roughly 98 per cent of its rare-earth magnets from China, which controls about 60 per cent of global rare-earth production and some 90 per cent of refining. When Beijing tightened export licences in 2025, magnet exports fell by around three-quarters and several European carmakers had to halt production, a live demonstration of how a single dependency becomes coercive leverage. On the digital side, the concern was being leapfrogged in AI.

European capital is itself an exposure. Beyond inbound dependencies, European businesses' direct investments in the United

States and China were named as exposures in their own right: large stocks of European capital and operations inside the two systems most likely to apply pressure. Reducing fragility therefore means attending not only to what Europe imports but where its firms have committed themselves.

Read the other powers' incentives. One group made a sharp point about adversaries' preferences: China would prefer a strong, capable EU that acts independently, whereas Russia's interest lies in a weak, fragmented one, with the United States, in this scenario, coming at Europe "with economic guns blazing." The strategic implication is that Europe's strength is itself a constraint on at least one adversary.

Mitigation through capability and coalitions. Suggestions included channelling more private capital towards public purposes, working with partners to strengthen energy supply, securing critical inputs through broader alliances, pursuing a serious defence-industrial build-up informed by Ukraine and focused on frontier areas such as fusion, and pooling digital capacity through a "pan-European technological Airbus." North Africa, Canada, and Australia were named as potential energy partners, while Latin America and West Africa were also raised. Australia was highlighted in particular as a source of critical minerals.

Leverage and supply chains. Proposals in this category focused on maximising Europe's own offerings and cooperation, minimising dependencies, using its position between the US and China rather than being squeezed by it, opening financial markets and drawing on UK expertise, and diversifying suppliers and markets, with India and Africa repeatedly named. Resilience ultimately comes down to supply chains and Europe's position within them.

The China dilemma. Cutting against the dependency-reduction logic was an awkward but repeated observation: European firms must remain present in China to learn and stay at the technological frontier, just as they must in the United States. De-risking and decoupling are therefore not free. The same exposure that creates vulnerability is also a channel for the capability Europe wants to build. The room treated this as a genuine trade-off, not a problem with a clean answer.

Coalitions need governance, not just members. A value-based alliance of middle powers raises an immediate governance question: how to organize collective action, set priorities, coordinate contributions, and sustain commitment when interests diverge. Europe and the UK can serve as convenors and facilitators. The coalition also needs rules for handling members whose governments backslide, drift, or defect.

From defence to design. The plenary challenged its own reactivity: much of the group-based discussion had been almost entirely defensive, when the deeper question is what kind of world Europe wants to build. A recurring argument was that Europe's Brussels-centred worldview places too much faith in the liberal order and too little emphasis on power. That reflex, contributors argued, must be abandoned. A major war in Europe is once again possible, and values can be upheld only if they can be defended. The rule of law should be treated as a source of leverage, while Europe should at minimum be capable of defending its interests on its own continent. Without a credible nuclear deterrent, it also remains vulnerable to blackmail. The scale of this dependency was illustrated by one concrete example: if the United States switched off GPS, UK systems could begin to degrade within days not weeks.

Prioritise by systemic relevance. Rather than cataloguing wishes, the room urged a method: look from the outside in, ask where Europe is genuinely systemically relevant, where others depend on it, and concentrate leverage there. This "outside-in" mapping turns a long list of mitigations into a short list of moves that bite.

Implementation, not ideas, is the binding constraint. Governments need to plan more strategically and prepare better. The gap is execution, not insight.

Lack of objective benchmarking. Europe's delivery problem is also a benchmarking problem: it too often measures itself against its own past, or against weaker European comparators, rather than against the best global performers. That breeds complacency. A weapons programme or infrastructure project that looks fast by German or EU standards may still show how far Europe lags Korean defence-industrial speed or Japanese and Chinese infrastructure delivery. The public record bears this out. HS2 is now widely reckoned the most expensive high-speed railway per kilometre ever built, while the World Bank has put Chinese high-speed rail construction at roughly US$17–21 million per kilometre against US$25–39 million in Europe. Chinese contractors drove the Jakarta–Bandung line through dense and difficult terrain at a fraction of British costs. In defence, when Poland moved to rebuild its armour in 2022, Germany's Leopard line could not deliver at the pace required. Warsaw contracted with Hyundai Rotem in August of that year and the first K2 tanks arrived in December, with orders since extended towards 1,000 units. Europe need not imitate Asia. It does need to measure itself against the best performers, and to ask why the gap is so wide.

Turn assets into value. Dresden, Grenoble, and London were cited as credible centres of deep tech. The challenge is not simply to possess these capabilities, but to convert them into tangible economic and social value. One framing captured the ambition: Europe could become the world's Mittelstand, a reliable integrator that turns technological strength into real products and broadly shared prosperity.

Session III: A Disintegrating EU

The second scenario assumed a French exit under a National Rally (NR) presidency, the reintroduction of the franc, and copycat moves by populist governments elsewhere. The discussion produced two linked conclusions: that the damage would be immediate and severe, and that Germany and the UK would need fallback structures beforehand. It then turned to why the scenario is becoming plausible.

Catastrophe, regardless of how it unfolds. Financial markets would close the moment France signalled departure, potentially for months. A newly introduced French franc would likely depreciate sharply, and the redenomination of French debt could be treated as a default. While the UK might serve as a relative safe haven, it could also be pulled into the maelstrom. The damage was judged large enough to call into question the populist programme itself: the crisis triggered by collapse could make a return to the French franc unlikely. Through the euro crisis fifteen years ago, the question could not even be asked. Now authorities should at least think it through.

Paralysis before settlement. European institutions could be consumed by withdrawal negotiations and unable to act for an extended period. The counsel was to build resilience against that inertia: make UK–EU arrangements capable of ticking over independently of future negotiations, and have businesses prepare for prolonged goods

disruption through stockpiling and contingency relocation. One fallback floated was an alternative Nordic Union.

The fallback architecture. A Germany–UK core, widened to Poland and Canada (a "Northern European Powerhouse" framed explicitly as a way to overcome French and Italian dependencies), might retain a customs union without free movement and move towards tiered or à-la-carte membership, with a wider new bloc leading a coalition of the willing. A strategic choice surfaced beneath this: whether to lean towards the United States on shared values or accept Chinese capital flowing into the UK and Germany.

A strategic gift to adversaries. The scenario was named, without euphemism, as Putin's dream, making deepened UK–German defence collaboration the natural first response.

The flashpoint may be debt, not exit. A sharper trigger was offered: an NR presidency could threaten to block EU business unless the Union issues common debt, so rupture might arrive as a debt ultimatum rather than a clean exit. A gradual withdrawal is also possible, changing the market dynamics considerably.

The closing plenary then turned to the question underneath the scenario. Why are populists so successful now? The answers pointed inward, not at Brussels' institutional design:

- politics is not delivering;
- living standards have fallen for many, and the privileged do not see it;
- there is a pervasive lack of opportunity;
- and, most bluntly, governments can no longer solve problems, which is what produces populism.

A sharper intervention argued that liberal democracy itself had been, in one participant's phrase, "hijacked." Institutions were not merely underperforming, but being turned against their own purposes. The proposed response had three parts. Europe should take disintegration scenarios seriously and war-game them. It should also make a clear affirmative case for what the Union delivers, above all peace and economic growth, because the public no longer recognises these benefits and political leaders have failed to explain them. That explanation should be treated as a permanent communication task rather than a one-off exercise.

One sceptical voice cautioned that integration is not an unqualified good. The euro is the real prize, and deeper integration carries costs when the infrastructure needed to sustain it is absent. This was the central conclusion of the day. Disintegration is being driven by domestic failure and is therefore, in principle, within Europe's power to prevent.

Part II: What It Means for Europe and the UK

The three sessions produced abundant diagnosis and a long list of mitigations. For decision-makers, the discussion comes down to a small number of central conclusions. The answer can be organised along two dimensions, external and internal, and the central finding is that they largely collapse into one agenda, with two qualifications.

The external dimension: resilience against shocks beyond Europe's control

The two scenarios stress-test Europe's exposure to forces largely outside its hands: an adversarial United States and a fragmenting neighbourhood. The external playbook is coherent: reduce critical dependencies in defence technology, navigation, payments, minerals, and energy; build defence-industrial capacity; reposition supply chains; explore the possibility of convening middle-power coalitions with rules to hold them together; and use market scale and the rule of law as leverage. All of this is necessary. But much of it is insurance: it limits damage from events Europe can influence only at the margin. Europe cannot make the United States reliable, it can only make itself less hostage to it. An external strategy alone is therefore a strategy for surviving the world, not shaping it, with one important exception, noted below, where the external clock runs fast and cannot wait for the internal one.

The internal dimension: the agenda only Europe and the UK can deliver

Beneath every session ran a quieter diagnosis: Europe's deepest vulnerability is self-inflicted. High energy costs, regulatory drag, fragmented markets, capital that will not deploy at scale, generously funded but poorly commercialised innovation and, for the UK, trade friction with its largest market. The Draghi report quantifies the core problem. Electricity prices are two to three times higher than in the United States, while gas prices are four to five times higher. Europe faces an estimated annual investment shortfall of around €800 billion, equivalent to roughly 4.7 per cent of EU GDP, and about a third of successful European scale-ups relocate to the United States. The roundtable's figures sharpened the point: an energy cost around 25 times China's for the same product, an investment fund reportedly five times costlier to establish in the UK than in the US, and manufacturing components roughly four-fifths sourced abroad.

Compounding this is the fact, already discussed, that Europe does not lack capital but misallocates it: about €10 trillion, some 70 per cent of household savings, sits in low-yield deposits, and households hold just 17 per cent of their wealth in securities against 43 per cent in the United States. The result is that Europe under-finances its own companies despite having the savings to do so, and the roughly €300 billion that drifts abroad each year is a symptom of that misallocation rather than its cause.

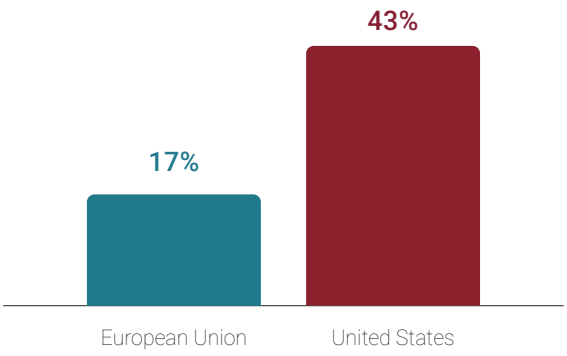
Jointly, these kinds of factors result in a competitiveness gap, and unlike geopolitical weather, it sits almost entirely within Europe's gift to close. Europe has the assets: world-class deep-tech ecosystems, high-value brands, exceptional talent, the rule of law, deep institutional

trust, the scale of the single market, and basic endowments of energy, water, and climate. The problem is not the hand Europe has been dealt. It is Europe's tendency to admire these assets rather than deploy them.

Europe's capital paradox

Households save more than in the US, but hold far more in low-yield deposits and far less in securities.

SHARE OF HOUSEHOLD WEALTH HELD IN SECURITIES



- About €10 trillion, some 70 per cent of household savings, sits in low-yield deposits.
- Only 0.02 per cent of pension assets goes to venture capital, against roughly 2 per cent in the US.
- Aligning with US savings patterns would mobilise an estimated €350 billion a year.
- The €300 billion that drifts abroad each year is a symptom of this, not its cause.

Europe does not lack capital. It misallocates it: the constraint is allocation, not scarcity.

Sources: Draghi report (2024); European Commission, Savings and Investments Union (2025).

Figure 2. Europe's capital paradox: households save more than in the US, but hold far more in low-yield deposits and far less in productive securities.

The synthesis: one agenda, with two qualifications

The claim worth putting in front of decision-makers is:

The most catastrophic scenario is also the most preventable, and prevention runs almost entirely through the internal agenda.

The American scenario can largely only be insured against. The disintegration scenario can be stopped, because its root cause is endogenous. The closing plenary was emphatic that populist disintegration is driven not by institutional design but by domestic failure, including ineffective politics, falling living standards, limited opportunity, and governments unable to solve problems. That is a competitiveness-and-delivery problem, not a constitutional one. The Union holds together when it makes its members prosperous and its citizens hopeful, and fragments when it does not. The most powerful thing Europe can do to avert disintegration is to restore its economic attractiveness.

The decisive point is that the agenda that makes Europe internally stronger also makes it externally resilient. The two lists overlap heavily:

- Cheap, secure energy lowers populist grievance and removes one of the most effective coercion levers against Europe.
- Deep, integrated capital markets put Europe's own savings to work: shifting the roughly €10 trillion parked in low-yield deposits towards productive investment, keeping European champions financed at home, and reducing both the scale-up flight the Draghi report quantifies and dependence on US financial infrastructure.

- Industrial scale and commercialised innovation restore growth and build the defence-industrial and technological capacity the American scenario demands.
- Critical-mineral and energy coalitions with middle powers might create shared-prosperity projects that bind partners to Europe while diversifying it away from US and Chinese chokeholds.
- Standards leadership, the "Middle Power effect", turns single-market scale into external influence, the constructive counterpart to defensive de-risking.
- Restored competitiveness pays for hard power, and the room was blunt that values are affordable only if Europe can afford to defend them.

For most of the agenda, then, there is no real trade-off between Europe fixing itself and defending itself: every euro and reform spent making Europe a place worth staying in also makes it better able to stand alone. The competitiveness agenda is largely the disintegration-prevention strategy and the US-resilience strategy at the same time. Two qualifications keep this from becoming a slogan.

First, the agenda runs on two clocks. The competitiveness programme is multi-year, but several external dependencies are not. GPS degradation within days, rare-earth coercion already demonstrated, the absence of a sovereign nuclear deterrent, and the judgment that a major war in Europe is again possible are immediate exposures that long-run reform will not touch in time. The internal agenda is first-order in causation, but it is not a reason to defer urgent security and dependency actions that must proceed in parallel now.

Second, the agenda contains real choices, not just synergies. The discussion surfaced dilemmas that the "one agenda" framing should not obscure. Europe must decide whether to remain engaged with China to support technological learning or decouple for security reasons. It must also decide whether to accept Chinese capital into the UK and Germany or align more closely with the United States on shared values. A further challenge is how to bring and hold a coalition of middle powers. These decisions should be taken deliberately and with a clear understanding of the costs on each side.

The implication for action

This reframing changes the order of priorities. The instinct after a session like the American scenario is to reach first for the external toolkit: defence, dependencies, coalitions. That toolkit is necessary, but most of it is second-order in sequence. The foundational move is internal, because restoring competitiveness and economic attractiveness both prevents the worse of the two scenarios and underwrites the response to the other. The practical agenda therefore runs on two parallel tracks.

An immediate security-and-dependency track, to be acted on now: reduce dependencies that can be weaponised at short notice (navigation and positioning sovereignty, rare-earth and magnet supply, payments), begin a serious defence-industrial build-up that learns from Ukraine, confront the deterrent question honestly, and explore the feasibility of convening middle-power coalitions with explicit rules for cohesion and for responding to backsliding. The outside-in mapping of where Europe is systemically relevant should set the priorities.

A foundational competitiveness track, to be driven with equal urgency over the longer run: cheap and secure energy, pursued through a radical prioritisation of energy infrastructure and generation; deep and integrated capital markets that redeploy Europe's own savings rather than exporting them; de-bureaucratisation that goes beyond the current Omnibus simplification (valuable, but largely confined to sustainability reporting and a 25–35 per cent burden-reduction target) towards the wider regulatory environment, and in the UK the planning and infrastructure consenting that slows building; normalised UK–EU trade; industrial scale and innovation commercialisation; and standards leadership that converts scale into influence.

A cross-cutting legitimacy track: a standing programme to make the affirmative case for the European Union and the peace and growth it delivers, because the room judged that the public no longer perceives it and that leaders have not explained it. Alongside this are the explicit strategic choices on China and capital, which should be decided rather than drifted into.

As Mario Draghi warned in presenting his competitiveness report, for the first time since the Cold War Europe genuinely has to worry about its survival, but the means to respond are largely in hand. The roundtable's diagnosis pointed the same way: the binding constraint is implementation, not analysis. The assets are real and already in Europe's possession. What is missing is execution: coordination, ambition, investment and political will. The honest conclusion was not that Europe lacks the means. It is that Europe has not yet decided to use them.

Part III: Implications by Stakeholder

The synthesis above is addressed to decision-makers in general, though the day's conclusions land differently on different actors. The following prescriptions translate the agenda into responsibilities, distinguishing where possible between immediate actions and the longer-run programme. They follow from the discussion rather than extending beyond it, and several touch on contested choices, notably common debt and the nuclear deterrent, set out as questions to be decided deliberately, not recommendations.

National governments (UK and EU member states)

Governments carry the first-order burden, because the foundational moves (competitiveness, delivery and legitimacy) are theirs.

- Treat the energy-cost base and regulatory drag as the central competitiveness problem. On energy, prioritise building generation and grid capacity and clear the permitting that delays it. On regulation, pursue de-bureaucratisation beyond the EU's Omnibus simplification. In the UK, reform the planning and infrastructure consenting that holds back building.
- For the UK, normalise trade with the EU. With high levels of manufacturing inputs sourced abroad, frictionless EU trade is a precondition of manufacturing competitiveness, not a political option.

- Close the execution gap. The key issue was judged to be implementation, not analysis, requiring more strategic planning, better preparation, and political will to deploy assets Europe already holds.
- War-game disintegration scenarios and pre-position fallback arrangements, so UK–EU cooperation can continue to tick over independently of any future withdrawal negotiations.
- Take up the legitimacy task directly: make, and keep making, the affirmative case for European cooperation and the peace and growth it delivers, which the room judged the public no longer perceives.

EU institutions and the European Central Bank

The institutions hold most of the levers for the foundational competitiveness programme.

- Prioritise deeper, more integrated capital markets and complete the Savings and Investments Union. As discussed, the constraint is allocation, not scarcity: Europeans save more than Americans but keep too much in low yield deposits. Matching American savings patterns would mobilise an estimated €350 billion a year.
- Drive down the energy-cost gap and the regulatory burden, with simplification that goes beyond the sustainability-reporting focus of the current Omnibus packages.
- Use the single market's scale for standards leadership, the "Middle Power effect", converting regulatory reach into external influence rather than only defensive de-risking.
- Build a critical-raw-materials strategy. The 2025 rare-earth episode, in which magnet exports fell by around three-quarters and forced production halts, showed how a single dependency becomes coercive leverage.
- Confront the common-debt question. A common debt ultimatum by France, rather than a clean exit, was judged a realistic crisis trigger. Whether to issue such debt is a defining and contested choice better resolved deliberately than under duress.

Central banks and financial-stability authorities

These actors own the shock-absorption role and the risks markets are not pricing.

- Address the concern that financial markets are not pricing geopolitical risk, and build that exposure into stress tests and supervisory dialogue.
- Plan for the disintegration tail. Markets were judged likely to close for months and a currency to depreciate or default; the UK might be a relative safe haven or be pulled into the maelstrom. Contingency planning should account for both.
- Track the payments dimension: dollar-linked stablecoins re-anchoring de-dollarising economies to the dollar, and the prospect of China building its own payment architecture, are structural shifts with monetary-sovereignty implications.

Business and industry leaders

Firms must manage their own exposure and commercialise what Europe invents.

- Decide the China question deliberately. Presence in China supports staying at the technological frontier, but it is also an exposure. This is a trade-off to manage, not avoid.
- Diversify suppliers and markets (India and Africa were repeatedly named), and ensure the firm sits in the right place within its supply chains.
- Prepare operational contingency plans for disintegration through stockpiling and relocation of capacity, given the prospect of prolonged goods disruption.
- Close the monetisation gap. Europe funds innovation generously but commercialises it poorly. The task is to make something real from the technology, deliver value across society, and bring people with you.

Investors and capital providers

Capital deployment was repeatedly named as the bottleneck, not capital itself, a point the savings figures make plainly.

- Channel more private capital towards public purposes and strategic capacity, a recurring mitigation across both scenarios.
- Use London's market depth and expertise to keep European champions financed at home rather than ceding them, and the €300 billion of annual savings outflow, to the United States.
- Treat the cost asymmetry the room flagged (establishing an investment fund reportedly costs around five times more in the UK than in the US) as a competitiveness target in its own right.

Defence, security and foreign-policy establishments

These actors own the immediate track, where the clock runs fastest.

- Begin a serious defence-industrial build-up that learns from Ukraine and invests in frontier areas such as fusion.
- Reduce acute strategic dependencies such as navigation and positioning (UK systems were judged to degrade within days not weeks without GPS), and pool digital capacity through a "pan-European technological Airbus."
- Confront the deterrent question honestly. The room held that without a nuclear deterrent Europe remains open to blackmail and should at minimum be able to defend its interests on its own continent. This is a defining strategic choice, not a settled recommendation.
- Explore the feasibility of convening middle-power coalitions with explicit rules for cohesion and for responding to backsliding, and set priorities using the outside-in mapping of where Europe is systemically relevant.
- Treat deepened UK–German defence collaboration as the natural first response to the disintegration scenario.

Appendix A: Priority Matrix

A selection of the proposals below, assessed on feasibility (how achievable in a reasonable horizon, largely within UK and European control) and impact (expected strategic payoff if achieved). Cell colour marks the time horizon over which each should be pursued. Ratings are editorial judgments intended to support prioritisation, not precise measurements.

Policy	Feasibility	Impact	Time horizon
Complete the Savings & Investments Union (redeploy Europe's savings)	Medium	**High**	2–5 yrs
Energy infrastructure & generation (close the 2–5x cost gap)	Medium	**High**	5+ yrs
De-bureaucratisation beyond the Omnibus	Medium–High	**High**	2–5 yrs
Normalise UK–EU trade	Medium	**High**	2–5 yrs
Middle Power Club (with governance rules)	Low	**High**	2–5 yrs
Standards leadership ("Middle Power effect")	Medium	Medium–High	5+ yrs
Critical-raw-materials strategy	Medium	**High**	0–2 yrs
Navigation / positioning sovereignty (Galileo)	High	Medium	0–2 yrs
Defence-industrial build-up	Medium	**High**	0–2 yrs
War-game disintegration + UK–EU fallbacks	High	Medium	0–2 yrs
UK–German defence collaboration (Kensington Treaty)	High	**High**	0–2 yrs
Standing legitimacy / communication programme	Medium	**High**	Ongoing

Time horizon:

Immediate, 0–2 yrs (fast clock) Medium, 2–5 yrs Structural / ongoing, 5+ yrs (slow clock)

The colour split makes the "two clocks" visible: the red band is the immediate security-and-dependency track that cannot wait, the amber and green bands the foundational competitiveness programme that must begin in parallel but matures over years.

Appendix B: Catalogue of Concrete Proposals

The full set of proposals that emerged from, or follow directly from, the discussion, grouped by function. Items in the final group are framed as choices to be decided deliberately rather than as recommendations.

Internal renewal: the reform agenda

Energy. Close the industrial energy-cost gap (2–3x US electricity, 4–5x gas) and restore the UK's lost cost advantage. This was the single most-cited driver, and the lever is a radical prioritisation of energy infrastructure and generation (grids, interconnectors, new supply) plus faster planning and permitting.

Deploy Europe's savings (Savings & Investments Union). Shift the ~€10tn (≈70% of household savings) parked in low-yield deposits towards productive investment. Only 17% of EU household wealth is in securities (vs 43% in the US), and the ~€300bn that leaves for the US each year is a symptom.

De-bureaucratisation beyond the Omnibus. Broaden simplification past the sustainability--reporting scope and 25–35% burden-cut target of the current Omnibus packages to the wider regulatory environment. In the UK, reform planning and infrastructure consenting so things can actually be built.

Normalise UK–EU trade. Reduce friction (e.g. SPS alignment, mutual recognition): with ~80% of manufacturing inputs sourced abroad, this is a competitiveness precondition for the UK.

Industrial scale and commercialisation. Close the "monetisation gap": Europe funds innovation but fails to commercialise and scale it.

Use London's market depth; fix fund-formation costs. Treat the reported ~5x cost of establishing an investment fund in the UK versus the US as a competitiveness target.

External strength: stand abroad

Middle Power Club with governance rules. Convene like-minded middle powers (Canada, Japan, Australia, and others) with explicit rules for cohesion and backsliding.

Standards leadership ("Middle Power effect"). Convert single-market scale into standard-setting influence, the constructive counterpart to defensive de-risking.

External sourcing partnerships. Secure energy and minerals through shared-prosperity partnerships with North Africa, Canada, and Australia (Latin America and West Africa also raised).

Diversify suppliers and markets. Reduce concentration and reposition within supply chains; India and Africa repeatedly named.

Immediate security and dependency

Defence-industrial build-up. Learn from Ukraine and invest in frontier areas such as fusion.

Navigation / positioning sovereignty. Harden and extend Galileo and address the risk that UK systems could degrade in days rather than weeks without GPS.

Critical-raw-materials strategy. Stockpiles, refining, recycling, and partnerships against the rare-earth chokehold (98% of EU magnets from China).

Pan-European technological Airbus. Pool digital and AI capacity to avoid being leapfrogged.

UK–German defence collaboration. Deepen via the Kensington Treaty as the natural first response to the disintegration scenario.

Outside-in systemic-relevance mapping. A prioritisation method: concentrate leverage where others depend on Europe.

Disintegration preparedness and legitimacy

War-game disintegration and pre-position fallbacks. Make UK–EU cooperation able to continue independently of any withdrawal negotiations.

Business contingency planning. Stockpiling and dual-siting against prolonged goods disruption.

Central-bank disintegration contingency. Plan for months-long market closure and currency stress.

Price geopolitical risk into supervision. Build the exposure markets are judged to be mispricing into stress tests.

Standing legitimacy programme. Make, and keep making, the affirmative case for the Union (peace and growth) as an ongoing task.

Monitor the payments shift. Track USD-linked stablecoins and the prospect of a Chinese payment architecture.

Contested choices: to be decided deliberately, not recommendations

Sovereign nuclear deterrent. Without one, Europe was judged to remain open to blackmail. This is a defining strategic choice.

Common debt. An ultimatum by a populist French government to introduce European common debt issuance was judged a realistic crisis trigger. This question should be resolved deliberately, not under duress.

China presence and Chinese capital. How far to decouple for security versus stay embedded for learning, and in this context, whether to accept Chinese capital or align with the US on shared values.

Sources for added data

1. Mario Draghi, The Future of European Competitiveness (European Commission, September 2024): €750–800bn/year investment gap (≈4.4–4.7% of EU GDP); EU electricity prices 2–3x and gas 4–5x US levels; energy costs an investment impediment for c. 60% of EU firms (2023); EU share of global tech revenues 22%->18% (2013–23) vs US 30%->38%; c. 30% of leading EU scale-ups relocating to the US; "worry about our survival" remark at the report's presentation.

2. Draghi report / European Commission Savings and Investments Union (2024–26): EU households save c. €1.4 trillion a year vs c. €800 billion in the US (2022 figures €1.39tn vs €0.84tn); about €10 trillion, c. 70% of EU household savings, is held in low-yield bank deposits; financial securities are c. 17% of EU household wealth vs c. 43% in the US; EU pension funds allocate c. 0.02% of assets to venture capital vs c. 2% in the US; aligning EU allocation with the US could mobilise an estimated €350 billion a year (a stock of up to €8tn); approximately €300 billion of EU savings is invested outside the EU each year, primarily in the United States.

3. European Commission "Omnibus I" simplification package (proposed Feb 2025; Directive (EU) 2026/470, in force 2026): stated goal of cutting administrative/reporting burdens by 25% for all companies and 35% for SMEs; principally narrows and simplifies sustainability reporting and due diligence (CSRD, CSDDD, EU Taxonomy).

4. ASPI Critical Technology Tracker, 2025 update (Australian Strategic Policy Institute): China leading high-impact research in 66 of 74 critical technologies, the US in 8; reversal from the early 2000s when the US led in over 90%. A subsequent 2026 dataset refresh moved the figure to 69 of 74.

5. European Commission / Eurostat / European Court of Auditors and European Parliament briefings (2024–26): EU sourcing c. 98% of rare-earth magnets from China; China c. 60% of global rare-earth production and c. 90% of refining; 2025 export-licence tightening cut magnet exports by roughly three-quarters and forced some European carmakers to halt production.

6. Benchmarking comparators: World Bank, High-Speed Railways in China: A Look at Construction Costs (2014): Chinese high-speed rail at c. US$17–21m/km against US$25–39m/km in Europe; Transit Costs Project and press analyses ranking HS2 the most expensive high-speed line per kilometre built; reporting on Poland's August 2022 contract with Hyundai Rotem for 180 K2 tanks, first deliveries December 2022, against a Leopard 2 line unable to meet the timeline.

Note: public figures above are contextual benchmarks and were not necessarily the exact numbers cited in the room. Figures attributed to the roundtable itself (the per-product energy cost, the share of components sourced abroad, and the relative cost of establishing an investment fund) are participants' statements from the day. The discussion remains non-attributable, and points appearing in only one record are marked "(single record)" in the working notes.