

## **Political Risk Symposium 2017: Short Summary of the Panels**

### **Economic Risks for Europe: Between Uncertainty and Crisis**

- Chair: Professor Erik Berglöf, Director Institute of Global Affairs, LSE
- Marco Buti, Director-General Economic and Financial Affairs, European Commission
- Sir Vince Cable, former Secretary of State for Business, Innovation and Skills
- Dr Carsten Nickel, Managing Director, Teneo Intelligence
- Professor Alexander Braun, University of St Gallen

Professor Berglöf began this panel discussion by summarizing the macro-economic risks now facing Europe, including the Eurozone's 'incomplete fiscal union', rampant populism and overspending. However, Professor Berglöf outlined that the economic situation today is slightly less alarming than a few years ago, given significant institutional learning in European governments and in the Commission. Professor Berglöf highlighted that there is a need to reach an agreement on the causes of the financial and economic crisis in order to drive forward policy responses determining the future of the EU.

Mr Marco Buti concentrated on the narrative surrounding the economic crisis Europe is facing. Mr Buti argued that academics and governments have different opinions regarding the key factors contributing to the Eurozone crisis, ranging from overspending in the South to missing rebalancing mechanisms or weak financial regulation. Mr Buti reiterated that a consensus on the European level regarding the main reason(s) for the economic crisis is needed to drive forward adequate policy responses. Furthermore, Mr Buti outlined how the EU's sense of complacency led to a delay in critical decisions, increasing the cost of - and leading to a certain lack of ownership over - the crisis. Decisions were taken as measures of last resort, leading to distrust between member states and European institutions, explaining the economic crisis' political fallout in the form of Euroscepticism.

Sir Vince Cable carried on the discussion, raising the issue of populism and political risk from the standpoint of Brexit. He highlighted four key risks surrounding Brexit negotiations: (1) a failure of negotiations, (2) the failure to reach an agreement, (3) unfavourable trade policies by Britain, and (4) Scottish and Irish Nationalism. These issues threaten British businesses with the prospect of trading under WTO rules, harming cross-border supply chains and British exports. Furthermore, Britain's future trade agreements with third countries might be unfavourable to British businesses, given that Britain will be negotiating alone, thus lacking relative economic power. The UK may also adopt policies to remain competitive that threaten public goods, such as more lenient environmental controls. Lastly, the issue of small state nationalism threatens the unity of the UK and Europe.

The debate was continued by Professor Alexander Braun. Professor Braun asserts that in regard to the Eurozone, there are only two solutions: a fiscal union, or at least a partial breakup of the Eurozone. The fiscal union is needed for an explicit balancing mechanism. The ECB's extreme expansionary monetary policy funds high-risk countries. If these bonds were to default, primarily German taxpayers would suffer most from the fallout, creating significant political backlash. Professor Braun also highlighted the need for a central fiscal authority to control spending in the member states. However, Professor Braun highlighted that this is a very unpopular concept, requiring a lot of political work, especially in France and Germany.

Dr Carsten Nickel focused on the political risks surrounding the economic crisis. The political backdrop has become worse, which means that German and French governments are not in the position to sell policy responses and institutional reforms to their electorate, as evidenced by the rise of populist and nationalist tendencies. This bias towards inaction has been exacerbated by the current calm Europe is experiencing. These two factors leave Europe unprepared to adequately address economic crises in the near future.

The panel then began to take questions from the audience.

### *Cyberspace: A Challenge to Economic and Political Freedoms?*

- Chair: Professor Carsten Maple, Director of Research in Cyber Security, University of Warwick
- General Sir Richard Barrons, former Commander Joint Forces Command, UK Armed Forces
- Andrew Beckett, Managing Director, Kroll
- Emily Taylor, Associate Fellow Chatham House / CEO Oxford Information Labs
- Carl Moore, Head of Global Technology and Cyber, Lockton International

Professor Maple opened the discussion by providing an overview of how cyberspace has already begun dissolving the old structures of power and information. Data, or the ‘new oil’ as he called it, used to be expensive to collect and difficult to distribute. Now with the absence of distribution costs and low barriers for collection, data has expanded to alter the way we interpret and gather news and protect ourselves domestically: the ‘10 o’clock news’ era is over, information is now gathered through often unverified and real-time twitter feeds; cyber-attacks can be conducted at low cost and with little possibility of authentication and attribution: for examples, attacks in Georgia and Ukraine cannot be attributed to Russia as there is no evidence. Closing his opening statement, Professor Maple highlighted the need for a radical rethink in how we approach regulations in cyberspace. Indeed, if data is the new oil, the urgent question is how do we manage the protection and security of this commodity.

Following on from Professor’s Maple’s opening address, the issue of cybersecurity for private actors was tackled by Mr Carl Moore. Mr Moore argued that private cyber protection systems are underequipped to deal with the diminishing difficulty in sourcing and using malware in order to target corporations. The going estimate is that for 30 euros a day one can immobilize a corporation with malware found on the Darkweb. Unfortunately, this low price is not reflected on the law enforcement side – locating the origin of a cyber attack is so costly and time-consuming that firms tend to care only about getting back online, with catching those responsible deemed as an out-of-reach secondary objective.

Mr Andrew Beckett extended this line of argument to the public sector. The conventional wisdom intelligence services used to operate under was that criminal organizations were around 5 years behind them in terms of their techniques in cyberspace. That gap has now closed. Both are as sophisticated as the other, resulting in new challenges for defense ministries as they adapt to cyber threats that they themselves are only just beginning to understand.

Ms Emily Taylor moved the conversation to the new challenges facing individuals. With just 70 likes, according to Cambridge Analytica, data collection platforms can plot your preferences and tastes to greater accuracy than your friends can. Indeed, after 300 likes the platforms knows you better than your partner does. The significance of this level of precision in plotting consumer habits is dramatically underappreciated. For example, news consumption has been dramatically affected. As data collection algorithms plot your preferences to finer and finer detail, the corresponding news stories we are presented with follow these trends, creating echo chambers which are hard to escape.

General Sir Barrons began his segment by exploring the military-strategic implications of Cyberspace. He pointed out, that much of the previous discussion had operated under the assumption that cyberspace is a battlefield between us and our enemies. This is not the case. Cyberspace is vital for just about every kind of relationship from friend to foe. Therefore, cyberspace is not merely an issue of security, it is inextricably linked to our prosperity. General Sir Barrons then moved on to discuss the future of warfare, tying into the earlier discussion of state and non-state actors. Future warfare will be non-discretionary, with non-state actors being as well equipped as states when conducting attacks in Cyberspace. General Sir Barrons closed the panel by calling for a significant update in how states think about cyberspace. The West is still trapped in a Cold War notion of warfare and military systems. We must invest in fourth industrial revolution technologies – robotics, autonomous systems and virtual reality – to protect ourselves and ensure our prosperity.