Club of Three Plenary Meeting

Spencer House, London
28-29 October 2016

Post-Brexit Europe: Just good friends?

EXECUTIVE SUMMARY

Some 70 senior figures from business, politics, the media and academia in France, Germany and the UK gathered in London on 28-29 October for the annual Plenary meeting of the Club of Three. The purpose was to discuss the way forward for our three countries following the June referendum on the UK's membership of the European Union. This high-level meeting focused on the lessons that could be learnt from this referendum for both Britain and the rest of Europe, as well as how France, Germany and the UK can best work together in the world irrespective of the outcome of the Brexit negotiations.

One of the main lessons of Brexit was that the elites had lost their credibility in the eyes of the public. They had failed to address the rising inequalities in society, often seen as a consequence of globalisation and European integration. They had failed to handle immigration and migrant flows well enough. Political systems in the West were no longer fit for purpose. Populism, which had to be better understood rather than blindly condemned, would only grow further unless the way we do politics changes.

But of course there were also characteristics specific to Britain that had led to Brexit. Large parts of the country had been very sceptical about the European project ever since it had begun the transition from an economic and trade area towards a more political union. Even the elites had doubters within their ranks, and during the referendum campaign few in the Remain camp had shown real enthusiasm for Europe. This was part of the problem.

Difficulties were starting to appear however as Theresa May's government was having to deal with the reality of Brexit. How could Britain boost its trade with countries like India and not grant visa waivers and access for overseas students? How could it regain control over certain policy areas without increasing bureaucracy and government spending?

Brexit was not a zero-sum game and it was a mistake to think that others in Europe would gain from Britain's losses – though this might be the case for financial houses in the City of London if they lost their European passporting rights. The negotiations would be long and cumbersome, and it was in everyone's interest not to waste time in a war of words between Brexit hardliners and dogmatic thinkers in Brussels. All of our societies were facing far bigger challenges that would require a collaborative approach.

One of these challenges bigger than Brexit was digitalisation, which could be compared to the industrial revolution on a much faster scale. Data analytics was playing an increasing role across the economy, with major consequences for knowledge-based professions that had until now been considered 'safe' - such as law and medicine. France, Germany and the UK needed to work together to address the very rapid changes that were going to disrupt their social and economic models. Countries with a flexible labour market, such as Britain, would

do better than others in this new environment. The structure of the British economy, with a higher degree of digitalisation in its predominantly service-based small and medium enterprise (SME) sector, would give the UK an advantage compared with Germany for example. But in order to remain competitive, Britain would also have to ensure that Brexit does not hinder the free movement of data.

Some suggestions were offered to make Europe attractive again. Completing the Single Market, in sectors including telecoms and finance, would bring efficiency gains and boost economic growth. But there were also mixed views on whether the priority should be to increase the EU's external competitiveness – through greater harmonisation – or competitiveness between European states. Brexit, one of the Plenary participants argued, would certainly help the latter.

Politically, Germany had an opportunity to use its dominant position to lead through compromise rather than blocking growth in Europe. A more Keynesian approach – for instance accepting a degree of fiscal stimulus in return for reforms in France - was seen as a potential way forward, though this would be difficult to sell to the German public.

The African continent represented another major opportunity for Europe. There was strong agreement that France, Germany, the UK and other Europeans should develop a major economic development plan for Africa. This would be good for European businesses and help address the root cause of the current migration crisis.

Other areas of continued joint cooperation between 'the Three' included intelligence, counter-terrorism and defence. Cyber threats from Russia, China or jihadist groups were a major concern and digitalisation was making Europe even more exposed to them. France, the UK and Germany had to align their approaches to national security and involve the private sector, especially major corporates and financial players, in their conversations.

In the traditional defence field, trilateral cooperation was already working well and would continue to do so. The UK had no intention of reducing its commitment to European security, both through NATO and bilateral agreements. After Brexit, 80% of NATO defence expenditure would come from non-EU members. Rather than debating 'European' defence, Europe should talk about effective EU/NATO action.

CONCLUSION

The Plenary meeting of the Club of Three showed that, beyond Brexit, there remain many areas where common interests between France, Germany and the UK can prevail. The Three should not lose sight of the much bigger common challenges that they face, such as digitalisation. Tensions between the national and EU agendas would need to be settled in order to address successfully the major social and economic changes that Europe was undergoing. Failing to do so would only lead to a fragmentation of the European space.

Digitalisation, competitiveness and defence and security were all areas where Europeans could find a common purpose. There was very important work to be done there. Ultimately, the key question for Europe, more than ever, was the same as the choice the American colonists contemplated on the eve of their independence: "If we do not hang together, we shall surely hang separately".