



THE THREE AND AMERICA: WHERE ARE WE FOUR?

Club of Three Plenary Meeting 2017
Washington D.C, 8-9 June

INTRODUCTION

Over 60 senior figures from business and the policy field in France, Germany, the UK and US gathered in Washington D.C on 9-10 June for the annual Plenary meeting of the Club of Three. This meeting, organised in collaboration with the Atlantic Council, aimed to take stock of the transatlantic relationship in a fast-changing global context - with elections in the UK and France and new policies being implemented by the Trump Administration - and to discuss the role that 'the Three' and this Administration could play together in the world.

The June Plenary built on a [prior Club of Three conference](#) held in Washington D.C in February 2007 which also looked specifically at Europe-US relations and was already at the time asking the question "Does the West still exist?" Ten years on, this question was achieving a new topicality and the transatlantic alliance that had dominated world affairs for decades was more than ever under the spotlight since Donald Trump had become President of the United States. His recent remarks about NATO had certainly revealed serious cracks in this alliance.



Left: First morning session at the Atlantic Council



Right: Evening reception at the residence of British Ambassador Sir Kim Darroch

The discussions in Washington D.C were also taking place at an important moment for transatlantic relations: with the celebration of the 70th anniversary of the Marshall Plan that had laid the foundation of a strong partnership between Europe and America. There were calls throughout the meeting for maintaining the spirit of the Marshall Plan, and the era of stability under the liberal international order it had brought about.

Three sessions focusing respectively on strategic and security issues, trade and business interests, and energy were held at the Atlantic Council on Friday 9 June.

In the evening, the British Ambassador Sir Kim Darroch gave a reception at his residence during which participants heard keynote addresses from Norbert Röttgen – Chairman of the foreign affairs committee at the Bundestag – Ambassador Robert Zoellick – former President of the World Bank, US Deputy Secretary of State and Managing Director of Goldman Sachs – and the British Ambassador himself. This was followed on the Saturday morning by a brunch discussion entitled “The Three and America: Where are we four?”, hosted by French Ambassador Gérard Araud.



MEETING PARTNERS

This meeting was made possible thanks to:



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FRIDAY 9 JUNE

SESSION I – WE THE WEST? STRATEGY, VALUES AND SECURITY

Chair: Esther Brimmer

**Speakers: Dov Zakheim | Malcolm Rifkind | Jean-Louis Gergorin |
Constanze Stelzenmüller**

The first session at the Atlantic Council assessed at a strategic level the current state of affairs between Europe and America. President Trump's speeches on NATO and the Paris climate agreement shortly before the meeting had raised concerns among the Europeans. The omission of explicit mention of Article 5 from his Brussels speech had caused uncertainty over the future of NATO. However, for some participants, this could be explained as a tactical move to trigger more European defence spending rather than an existential threat to NATO. In Germany, there was now a clear realisation that Europe needed to take more responsibility for its own security.

Although previous pledges to boost European defence had yielded few results, the revival of Franco-German relations with the advent of Emmanuel Macron represented a new beginning. For one of the

participants, the launch of the European Defence Fund on 7 June was an encouraging sign of Europe's willingness to do more. This was an acknowledgement that defence spending amongst EU member states was too low. This initiative ought to be seen as complementary to NATO, not as a rival to it.

The Europeans were told to expect a 'transactional' relationship with the new Administration, at least at the top level. Donald Trump was not an 'institutional' president and US foreign policy was radically changing as a result. The America First approach meant that relations with the US would be more confrontational and uncertain at times.

Bottom (left): Damon Wilson during his opening remarks, Friday morning

Right: Participants take a short break at the end of the first session



A possible win-win situation in this new context was a breakthrough in the Ukraine conflict. Attempts to convince the Administration of the intrinsic value of the liberal international order would lead nowhere. With the Trump-Russia enquiry in the US, making deals with the Kremlin was unlikely in the foreseeable future, one participant noted. But a transatlantic effort led by the Europeans to solve the eastern Ukrainian problem would, if successful, allow President Trump to succeed where his predecessor had failed – while at the same time keeping this part of the West together.

Terrorism was another area that demanded a coordinated response. The online reach of organisations like Islamic State would continue despite defeats in Mosul or Raqqa, supported by easily available end-to-end encryption offered by messaging services such as WhatsApp.

The next serious threat that Western countries would have to contend with, one participant stressed, was new types of undetectable explosives. One could unfortunately foresee a tragedy involving an airliner in the not too distant future. This would be a major challenge for both the security services and the aerospace industry.

As a matter of urgency, the West had to produce a robust response to cyber threats. Cyber warfare was becoming a useful tool for those hoping to swing the balance of power. The destabilising tactics being employed by those who had hacked the email system of the Democratic National Congress, for example, were reminiscent of the Cold War. But the West seemed to have forgotten how to respond. So far, there had been no credible deterrent and attackers had been able to operate without fear.

Bottom (left): Session I chair Esther Brimmer

Right (right to left): Michael Maclay, John Roberts (speaking) and Malcolm Rifkind



FRIDAY 9 JUNE

SESSION II – PROMOTING OUR ECONOMIC AND BUSINESS INTERESTS

Chair: Lord Simon of Highbury

**Speakers: Daniel M. Price | Edmond Alphandéry | Daniel Andrich |
Douglas McWilliams**

The second session focused on trade, economic issues, and the impact of protectionist policies advocated by the new Administration. Some of the participants recalled that the last time such policies had been put in place in the US was in the 1930s under President Herbert Hoover and that the Smoot-Hawley Tariff Bill he signed into law had had dire economic consequences for America and the rest of the world.

The investigation into US steel imports for example, which could see tariffs imposed on grounds of national security, was a concern. Such a move would antagonise allies, the EU in particular, which was the second largest export of steel to the US.

Among European countries, Germany's large trade surplus with the US – deemed unhealthy – was a top priority for the new Administration. One of the German participants pointed out that this surplus was mainly due to low oil prices and a weak Euro, two factors that were out of Germany's control and therefore tariffs or other protectionist measures should not be imposed. Contrary to being an economic adversary, German companies had created 700,000 jobs in the US through industrial investment. But there seemed to be a disconnect between Germany and America's

narratives on manufacturing. Where Germany's focus was on 'Industrie 4.0' (its advanced manufacturing strategy), the rhetoric from President Trump revolved largely around old industrial sectors such as coal and steel. Finding common ground would help deepen cooperation and create more US jobs.

For one of the French participants, President Trump's focus on bilateral trade deficits was ignoring a macro-economic reality: in a highly globalised world, each country was gaining by exploiting its comparative advantage and this had resulted in cheaper goods for everyone. Another reality that he would need to recognise was that large trade deficits were mostly caused by low levels of savings in the US and ever-increasing global demand for US dollars.

At the global level, there were positive signs that trade was recovering. Air freight for example had grown by 3.6% in 2016 and 9% this year after an increase of only 2% annually between 2010 and 2015. E-commerce was another very dynamic area of trade and one that could not easily be restricted by protectionist measures.

However, the international system was far from flawless but reforms were better than



efforts to undermine it. One participant recommended improving the WTO's capacity to act on currency manipulation for example, and widening its scope to cover digital goods and services.

Another suggestion, first made at a previous Club of Three meeting in Paris, was to [give Bretton Woods institutions a social dimension](#). Reforming Bretton Woods would help bring back confidence in a rules-based system whose worldwide influence had diminished in recent years. New international structures such as the Chinese-led Asian Infrastructure Investment Bank (AIIB) were seen as a challenge to the US power in Asia and to Bretton Woods. A number of European allies including France, Germany and the UK were AIIB members as well as both Iran and Israel. Could this mean that the Chinese had a certain reach that the US did not have?

As far as the US trade policy was concerned, one US official stressed that it was still early days. Many Administration appointments had yet to be made and it was not clear who would make major decisions on trade. A lot of press announcements had been made, some of them raising concerns among allies,

but several important reports had also been commissioned and their findings would be properly examined.

Europe was also not totally immune to serious questioning. With Brexit, the UK had unleashed a long period of uncertainty that worried American investors. Some of Theresa May's red lines in the negotiations with the EU were perceived as unrealistic if Britain was to remain a viable destination for foreign investments. The country was years away from regulatory independence and it would have no other option but to continue to participate in the EU framework for the foreseeable future.

Top (left): Armand Laferrère, Daniel Price and Daniel Andrich

Right: Conrad Tribble (speaking)

FRIDAY 9 JUNE

SESSION III – GLOBAL ENERGY CHALLENGES: SAME GOALS?

Chair: Richard Morningstar

**Speakers: Paula Dobrianksy | Friedbert Pflüger | John Roberts |
Armand Laferrère**

One area of cooperation between Europe and the US was the energy field. Despite the US decision to drop out of the Paris agreement on climate change just a few days before the meeting, several representatives of energy companies present at the meeting indicated that they would continue to implement the terms of this agreement. This echoed a statement made by former New York Mayor Michael Bloomberg a few days earlier, which showed that large parts of America were sticking to this agenda and that energy goals remained firmly aligned across the Atlantic. These shared goals were abundance of supply, reduced dependence on Russia and Saudi Arabia, and decarbonisation.

The US shale gas revolution had greatly helped in achieving some of these goals, making America more energy self-sufficient

than ever and a major exporter of oil and gas while at the same time significantly reducing its greenhouse gas emissions. There was great momentum in the LNG sector as a result and although it remained to be seen whether US LNG exports could compete with Russian gas in Europe, they were contributing to bringing prices down and represented an additional safety net. In the medium term, the US LNG sector hoped to be able to tap into Europe's anticipated import gap.

Bottom (left): Sherri Goodman during the energy session

Right: Richard Morningstar and Friedbert Pflüger (speaking)



The crisis that had erupted in Qatar represented a serious threat in terms of energy security because of the country's large gas reserves. Much depended on how significantly its export capacity would be disrupted as a result of tensions with Saudi Arabia and UAE states. Because of supplies from Russia, Europe was likely to be the least affected. Other countries such as Japan were a lot more at risk.

Energy security was no longer a key issue for Europe. The disruptions caused by the 2009 gas dispute between Russia and Ukraine were a distant memory and Europe now had a mature and well-functioning market.

The main focus had to be on decarbonising the large quantities of fossil fuels that were going to be available in years to come. For one participant, the answer was technology transfers. France, Germany, the UK and the US were countries of technological excellence in the energy field and good progress could be expected if they were able to pull their expertise together. However if technology transfers were a matter of competition for their energy companies, decarbonisation would then take place at a much slower pace.

List of participants

Edmond **ALPHANDÉRY** *Euro50 Group* | Mark **ANDERSON** *Total USA* | Michael **ANDERSSON** *Saab North America Inc.* | Daniel **ANDRICH** *Representative of German Industry and Trade (RGIT)* | Mac **BERNSTEIN** *DLA Piper* | Philippe **BOTTRIE** *Airbus Group* | Esther **BRIMMER** *NAFSA* | Philippe **COQ** *Airbus Group* | Frank **DEMAILLE** *Engie North America* | John **DICKERMAN** *Confederation of British Industry (CBI)* | Gianni **DI GIOVANNI** *Eni* | Amb. Paula **DOBRIANSKY** *Harvard Kennedy School of Government* | Michael **FUCHS** *Foreign Affairs Committee of the Bundestag* | Amb. Daniel **FRIED** *Atlantic Council* | Jean-Louis **GERGORIN** *JLG Strategy* | Sherri **GOODMAN** *Wilson Center* | Charles **GRANT** *Centre for European Reform* | Sir John **GRANT** *Anadarko Petroleum* | Amb. C. Boyden **GRAY** *Boyden Gray & Associates* | Christian **HÄNEL** *Robert Bosch Stiftung* | August **HANNING** *Former President of the BND* | Guy **HICKS** *Airbus Americas Inc.* | Jim **HOAGLAND** *Washington Post* | Freya **JACKSON** *British Embassy in Washington D.C* | Jake **JONES** *Daimler North America Corporation* | Franklin **KRAMER** *Brent Scowcroft Center* | Marie-Hélène **LABBÉ** *Durham University* | Armand **LAFERRÈRE** *AREVA* | Sergey **LAGODINSKY** *Heinrich Böll Foundation* | Renaud **LASSUS** *French Embassy in Washington D.C* | Jan **LODAL** *Lodal & Company* | Michael **MACLAY** *Club of Three* | Serge **MATESCO** *Total* | Douglas **MCWILLIAMS** *Centre for Economics and Business Research (CEBR)* | Ianthe **MCWILLIAMS** *CEBR* | Philippe **MÉCHET** *EDF* | Amb. Richard **MORNINGSTAR** *Global Energy Center* | Anne-Elisabeth **MOUTET** *Daily and Sunday Telegraph* | Friedbert **PFLÜGER** *European Centre for Energy and Resource Security (EUCERS)* | Daniel M. **PRICE** *Rock Creek Global Advisors* | Sir Malcolm **RIFKIND** *Former UK Foreign Secretary* | John **ROBERTS** *Methinks Ltd* | Norbert **RÖTTGEN** *Foreign Affairs Committee of the Bundestag* | Boris **RUGE** *German Embassy in Washington D.C* | Frank **SAMOLIS** *Squire Patton Boggs International Trade Practice* | Lord **SIMON** *Club of Three* | Julianne **SMITH** *Center for a New American Security* | Bernard **SPITZ** *French Insurance Federation* | Jean-Michel **STEG** *Greenhill* | Constanze **STELZENMÜLLER** *Brookings* | Amb. Barbara **STEPHENSON** *American Foreign Service Association* | Jay **THOMPSON** *Chevron* | Conrad **TRIBBLE** *US Department of State* | Gilles **VALENTIN** *The Oil & Gas Year* | Amb. Sandy **VERSHBOW** *Brent Scowcroft Center* | Damon **WILSON** *Atlantic Council* | Dov **ZAKHEIM** *Center for Strategic and International Studies*

Within Europe, there were differences in terms of national energy policies which made the adoption of a common vision on the energy transition more difficult. France wanted more emphasis on decarbonisation and rewards for long-term investment in advanced energy technologies while Germany focused more on the development of renewable energy sources.

Since the UK was leaving the EU, France was set to lose a strong ally in the debate about how to reduce EU greenhouse gas emissions. But many agreed that following a common decarbonisation path was not desirable. As long as the end goal was the same, each country was better off deciding what their own energy mix should be.

FRIDAY 9 JUNE

EVENING RECEPTION AT SIR KIM DARROCH'S RESIDENCE

Speakers: Sir Kim Darroch | Norbert Röttgen | Robert Zoellick

Followed by a Q&A chaired by the British Ambassador

The UK general election result and dramatic loss of Theresa May's parliamentary majority in the early hours of the Friday morning was a major topic of discussion during the meeting and particularly on the Friday evening at the residence of Sir Kim Darroch. The Brexit referendum and now weakened Conservative grip on government had triggered a period of uncertainty on the other side of the Atlantic, although these great turbulences had been contained on the continent by Emmanuel Macron's election. The Conservative Party had clearly run a poor campaign. Brexit had not been the dominant issue during the elections and the Labour leader Jeremy Corbyn had emerged as quite a reassuring and authentic character. The Scottish National Party, which had previously gained political ground through exploiting the issues of Scottish independence and Brexit, had encountered

similar problems and lost a significant number of seats. But despite these setbacks



Sir Kim Darroch welcomes the guests

and questions over her future as Prime Minister, Theresa May was acting very quickly by announcing firm intentions to form a new Conservative government with support from Northern Ireland’s Democratic Unionist Party (DUP). This would put an end to potentially weeks of speculation about coalition talks and allow Brexit negotiations to begin in June as planned.

The view from some in Germany was that the underlying issues behind Brexit – namely economic and cultural uncertainties – needed to be addressed everywhere in Europe and all other Western societies. Europe would need to abandon philosophical debates about its institutional framework and focus on delivering results for its citizens, based on a new Franco-German partnership which would see France implementing economic reforms in return for German investment.

In America, the perception of many within the new Administration – and notably the President – was that the US was on the losing side of the international system. It was reflected in his eagerness to redress bilateral trade deficits with countries such as Mexico, Germany and South Korea, which he portrayed as a pure “loss” to the US. But concrete outcomes were achievable if the Europeans and other international partners were able to propose concessions that the Administration could declare a success at home. The recent trade deal with China on natural gas and US beef was a good illustration of this.



Top: Robert Zoellick and Norbert Röttgen

Bottom: John Roberts makes a point during the Q&A session that followed keynote speeches

SATURDAY 10 JUNE

BRUNCH DISCUSSION AT THE RESIDENCE OF AMBASSADOR GÉRARD ARAUD

Chair: Jim Hoagland

Speakers: Norbert Röttgen | Bernard Spitz | Charles Grant

- **The Three and America: Where are we four? – And the role of new media**

The Saturday discussion at the residence of French Ambassador Gérard Araud looked at domestic politics in the four countries, paying particular attention to the impact of new media. The echo chamber effect of social networks and weaponisation of information threatened the cohesion of our societies. Politicians had to confront this problem otherwise extremist voices would start dictating the public discourse. At the same time, there were also signs that Western democracies were alive and well. In France, the political landscape had profoundly changed following the landslide victory of Emmanuel Macron's La République En Marche party. In the US, authoritarian decisions on immigration were stopped by judges.

The UK election results were again discussed during this session. Theresa May's potential new alliance with the DUP was making a soft Brexit more likely. In order to survive politically, the UK Prime Minister would have to take a cross-party approach to Brexit. However, one of the British participants cautioned that a softer Brexit did not mean staying in the EU Single Market because of the free movement of labour principle. Many Labour MPs in areas such as Wales and the North of England would not risk antagonising their base over this issue. But it

was conceivable that the UK would stay in the Customs Union, which would be good news for both Northern Ireland and big businesses and industry fearing delays at the border between Britain and the EU. A French economist argued that it was possible to have a Single Market with labour market restrictions. The problem was more ideological. France and Germany, let alone Brussels, were not currently willing to rethink this key EU principle although this could be the case in 5-10 years.

Some attention was focused on the 'henchman factor', on the morning that Theresa May's two closest advisers were removed from their positions. This had played a significant role in both the Brexit negotiations and the General Election.

Finally, there were calls to look beyond the politics of the day in order to secure the transatlantic bond in the longer term. Some participants believed that NATO could no longer be the basis for this relationship. The risk was that sooner or later the American public itself would start questioning NATO's *raison d'être*. This issue was not dependent on President Trump. It had already been raised in a different manner under Barack Obama. One recommendation was to broaden the scope of the alliance to include issues such as financial regulation and trade.

CONCLUSION

It was clear throughout the Plenary meeting that Europe and America were now working together much more loosely than in the past. There had been crises before, such as during the Yom Kippur war and 2003 invasion of Iraq, but the transatlantic relationship needed to evolve in order to remain strong and relevant in the future.

The debate about NATO was an opportunity for Europe to take more responsibility for its own security. Europe would have to show leadership at times and could no longer expect America to be the ultimate guarantor of Western values. At the domestic level, democracy remained very much alive and institutions were holding firm both in Europe and America. The Europeans however needed to break away from the introspective nature of the EU project and decide what role they wanted to play in this globalising and challenging world. The Trump Administration, for its part, was a work in progress.



Saturday morning session

Top: Ambassador Araud and Paula Dobriansky (left)

Middle: Bernard Spitz

Bottom: Charles Grant gives his views on the UK general election results