

Club of Three Plenary Meeting

Atlantic Council, Washington D.C
9-10 June 2017

The Three and America: Where are we four?

EXECUTIVE SUMMARY

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.

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 the alliance. However for some participants this was 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.

The feeling from both sides of the Atlantic was that US-Europe relations were certainly going through very difficult times. This was due mostly to the perception of many within the new Administration, notably the President, that America 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. The Europeans were offered some advice on how to deal with this Administration. Donald Trump was a transactional president, not an institutional one, and US foreign policy was radically changing as a result. It meant that relations with America would be more confrontational and uncertain at times. 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.

A possible win-win situation in this new transactional context was a breakthrough in the Ukraine conflict. Attempts to convince the Administration of the intrinsic value of the so-called 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. 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 international order together. It was suggested that sanctions could be eased if the Donbass area was pacified. And Russia could eventually return to the G8 and G9 with China, which was what some suspected Vladimir Putin wanted.

Perhaps more importantly, 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, trade and carbon pricing.

Another area of cooperation was the energy field. Despite the US decision to drop out of the Paris agreement on climate change, 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 a group led 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.

The Saturday discussion at the residence of French Ambassador Gérard Araud paid particular attention to the impact that new media were having on domestic politics. 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 election of Emmanuel Macron. In the US, authoritarian decisions on immigration had been stopped by judges.

The general election results in the UK were also discussed at great length during the meeting. Theresa May's loss of an overall majority in Parliament and potential alliance with Northern Ireland's Democratic Unionist Party (DUP)

might make a soft Brexit more likely. In order to survive politically, the UK Prime Minister could well be forced to take a cross-party approach to the negotiations. However, one of the British participants cautioned that a softer Brexit did not mean staying in the EU Single Market, given the necessity of the free movement of labour principle. Many Labour MPs in areas such as the North of England and the Midlands would not risk antagonising their bases over this issue. But it was conceivable that the UK could 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 certain labour mobility restrictions. The problem was more ideological. France and Germany, let alone Brussels, were not currently willing to rethink this key EU principle - although this might change over the next 5-10 years.

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. The revival of confidence in the Franco-German alliance, following the election of Emmanuel Macron and the decline of the populist challenge in Germany, were encouraging: Europe would now 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 the US. The Europeans however needed to move away from an introspective approach to 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.