

# EUROPE AND AMERICA: LOSING THEIR BEARINGS?

## Club of Three Plenary Meeting

Paris, 31 May – 1 June 2018

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## MEETING SUMMARY

Some 60 senior figures from business, politics, the media and academia in France, Germany, the UK and the US gathered in Paris on 31 May and 1 June for the annual Plenary meeting of the Club of Three. The meeting entitled “Europe and America: losing their bearings?” followed from last year’s Plenary in Washington D.C and focused on some of the themes discussed during this first transatlantic exchange: trade, politics and diplomacy. The Paris meeting also took in new topics such as cyber security.

During her opening speech on the Thursday afternoon, the French Minister for Europe Nathalie Loiseau stressed that Emmanuel Macron was determined to lead Europe. The first initiatives launched since his election as France’s President were starting to produce results. The new Directive on Posted Workers for instance had just been adopted by the European Parliament on 29 May within a year of being tabled. This was an extremely quick delivery by EU standards and showed that President Macron was able to inject speed into the European legislative process. But with the US decision on steel and aluminium imports on 31 May and Italy’s new government emerging in tandem, it was more than ever clear that Europe was under multiple pressures both internally and externally. The appointment of a Five-Star/Lega government in Italy was a vivid reminder that the

**Top left:** Edmond Alphandéry speaking after the opening speech

**Right:** French Minister for Europe Nathalie Loiseau



Karina Robinson, first session



Norbert Röttgen (speaking) and Malcolm Rifkind

populism threat has not gone away, and the Eurozone problems were no closer to solution. It was observed that the French President looked rather isolated in an increasingly fragmented Europe.

The first session that followed the Minister's speech focused on the issue of political leadership in an age of populism. The underlying causes of populism were all too familiar: unprecedented social and economic challenges following the financial and migration crises and the major changes brought about by the digital transformation, leading large parts of western societies feeling left behind or even abandoned. In the US, confidence in institutions including the church, banks, police and the Supreme Court was falling. Some participants noted that President Trump had very skilfully exploited the ambient pessimism among white Americans, exacerbated by highly supportive television networks and the explosion of fake news and online misinformation. Under these circumstances, and with his firm hold on the Republican Party, there were reasons to believe he would not be a temporary phenomenon that would be ended by impeachment or necessarily a one-term President. The prospect of re-election in 2020 was real and Europeans had to prepare to deal with Trump's America in the longer term.

Two diverging assessments of the challenges facing western societies emerged during this session. There were those who believed that populism was the result of a dysfunctional political system that needed fixing. In this age of fake news, referendums were a weapon in the hands of populists. Leadership was the answer. Others however argued that referendums were a way of reconciling the political establishment with people's aspirations. This was particularly visible in the UK where the anti-EU party UKIP had collapsed after Brexit. Unlike in Italy and other EU countries, the traditional parties had reinforced their dominance.

For some participants, the main problem was that the policy solutions on offer did not seem to adequately meet the concerns of daily life. In the UK, the popularity of Jeremy Corbyn's Labour party among young people showed a real desire for new policies. Could the symptoms of populism be tackled without a major overhaul of the economic system? One participant was of the opinion that if the



Sylvie Kauffmann and Jim Hoagland



Jean-Baptiste Lemoyne (left) and Ambassador Meyer-Landrut, Thursday evening

main parties could work together, they would easily persuade the majority of the population to support them as Emmanuel Macron's 'En Marche' movement had demonstrated so far in France.

In the evening, the German Ambassador Nikolaus Meyer-Landrut gave a reception at his residence during which French Secrétaire d'État for European Affairs Jean-Baptiste Lemoyne gave an off-the-record speech on the US tariff announcement and implications for trade with Europe.

The Friday morning panel on cyber security discussed how the major threats to the West mostly emanated from Russia and China. A business sector representative described technology as a battleground involving highly motivated and extremely well-funded adversaries with a clear intent to dismantle the international rules-based system that had prevailed since the end of the Cold War. In 2017, 2.9 billion records were lost to cyber attacks.

In countries like Russia, there were very effective ecosystems made up of interchangeable state and non-state actors engaging in a range of aggressive cyber activities. For these countries, controlling information and knowledge through cyberspace was a top priority and even a matter of physical survival. The West needed to raise its game dramatically.

Countering these threats required a much greater focus on resilience and on investment. One of the participants stressed that cyber security was as important as international finance or global health, representing in comparison a fraction of the cost. Politicians needed to grasp quickly the scale of the challenge for the West. Another recommendation was to develop international collaboration across disciplines. It was felt that building communities of trusted individuals from business, politics and academia could help challenge regulatory and cultural barriers at government level. Artificial intelligence was seen as key to improving collaboration as well as addressing the skills gap.

Discussions during the next session on trade were dominated by the US decision on steel and aluminium imports announced the previous day. A US participant





Paula Dobriansky, final session



Jean-David Levitte

suggested that by doing so, President Trump was aiming to reclaim America's share of 20th century trade while China's plan was to dominate the industries of the next century such as AI. Among the Europeans, there was some hope that the prospect of a full-blown trade war with the US could be averted through negotiation. This was another test of European solidarity, particularly between France and Germany. But they were also reminded that the EU was not beyond reproach. EU tariffs on American cars for instance were very high.

At international level, there was a big shift from multilateralism to regional and now increasingly bilateral trade negotiations. Several participants recognised that initiatives such as the G20 and G7 had not delivered concrete results in the past 15 years, and that this shift in trade negotiations had started before President Trump had come to power.

A participant from the US saw President Trump's focus on trade deficits as a missed opportunity to address China's unfair trade practices in a more comprehensive manner. One-off purchases by China to reduce temporarily its trade deficit vis-à-vis the US would not get to the root of the problem. China had to be confronted on forced technology transfers and intellectual property.

If the US was not going to take a lead on this, the EU should come together with Japan to negotiate fairer trade rules with China that would address the underlying structural issues. At the same time, one of the German participants stressed that Europe should not lose sight of the bigger picture. Trade was important but innovation was the key to its future prosperity. A significant weakness was Europe's poor ranking in the innovation race with the US and China – a race which some participants feared it had already lost.

In the final session on the Western alliance, the Europeans expressed regret at the US's retreat from the frontline of this alliance, following a period of 'leading from behind' under President Obama alongside the pivot to Asia. Divided, the West was set to lose against China's rising power and its ambition to shape the world around its own interests. Some felt that America would one day be back in charge but that in the meantime Europe had a responsibility to fill the gap left by

the US. Regarding Iran, Europe had a huge task ahead to convince the Iranian leadership to stay in the Joint Comprehensive Plan of Action and avoid the possibility of a nuclear-armed Iran.

The Europeans were on the other hand reminded that many times since the Second World War, especially during the Reagan administration, the US had looked as if it was heading off in quite another direction from Europe. But despite these difficulties, there was a strong core of norms and values that had kept the Europe-US partnership together over the years.

In concluding remarks, it was suggested that when leadership was lacking at the highest political levels, it was all the more important that these values should be championed by individual politicians and citizens, as well as at the level of companies and of civil society.

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#### MEETING PARTNERS

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