



EUROPE AND AMERICA – LOSING THEIR BEARINGS?

Club of Three Plenary Meeting 2018
Paris, 31 May – 1 June

INTRODUCTION

Some 60 senior figures from business, politics, the media and academia in France, Germany, the UK and 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.

The meeting, which took place at the offices of AXA in Avenue Matignon, was divided

into four sessions. The first one took place on the Thursday afternoon and addressed the issue of political leadership in an age of populism. It followed an opening speech delivered by the French Minister for Europe Nathalie Loiseau.

In the evening, the German Ambassador to France, Nikolaus Meyer-Landrut, gave a reception at his residence in the Hôtel Beauharnais during which the 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 the EU.



Left: Edmond Alphandéry (speaking) during opening Q&A



Right: French Minister for Europe Nathalie Loiseau

The three Friday sessions focused respectively on cyber security, business and trade and the transatlantic alliance.

During her opening speech, 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 2018 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 aluminum imports on 31 May and Italy's new government emerging in tandem, it was more than ever clear that the EU was under multiple pressures both internally and externally. The Five Star/Lega coalition government in Italy was a vivid reminder that the populism threat had 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.



Left: Iris Knobloch and Peter Jungen



Right: Karina Robinson during the Session I debate

MEETING PARTNERS

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THURSDAY 31 MAY

SESSION I – POLITICAL LEADERSHIP IN AGE OF POPULISM

Chair: Sylvie Kauffman

Speakers: Norbert Röttgen | Jim Hoagland | Sir Malcolm Rifkind

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, leaving large parts of western societies feeling 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. The US president utilised social networks to instantly connect with his supporters who seemed no longer willing to trust news

reports or any other type of information that did not come straight from him.

Under these circumstances, and with his firm hold on the Republican Party, there were reasons to believe Donald Trump 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. Some believed that populism was the result of a dysfunctional political system that needed fixing. In this age of fake news,

Left: Sylvie Kauffmann and Jim Hoagland

Right: Sir Malcolm Rifkind and Norbert Röttgen (speaking)



referendums were a weapon in the hands of populists. They were used to divide opinion and antagonise one part of society against the other. Traditional parties were finding it more difficult to reconcile and unite the electorate around a common purpose. Leadership was seen as the only 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 the Brexit vote. 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.

A participant from Britain pointed out that the political elite was repeatedly failing to explain to people how macro-level policies

were affecting their lives, which contributed to a feeling of disconnection. Could the symptoms of populism be tackled without a major overhaul of the economic system? Another participant was of the opinion that if the 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.

THURSDAY EVENING RECEPTION

During the evening reception at the residence of Ambassador Nikolaus Meyer-Landrut, the Secrétaire d'État for European Affairs Jean-Baptiste Lemoyne said that the EU's response to the US tariff announcement on steel and aluminium needed to be firm. But the US was a key ally and trade retaliation measures would have to be carefully calibrated. The planned US investigation into automotive imports was a

Left: Faiza Shaheen, during Session I

Right: Thursday afternoon, end of the Minister's speech



particular worry and the danger of an escalation into a full-blown trade war very real. At the same time, it was encouraging to see the US engaging with the EU and Japan on the trade-distorting measures of third countries such as China's technology transfer policy, as shown in a [joint statement](#) issued the same day after a trialogue meeting in Paris. In this statement, the three trading blocs also agreed to continue cooperation to achieve full implementation of existing WTO rules.

Top left: Anna Kuchenbecker, Sir John Grant and Ianthe McWilliams

Middle: Club of Three Chairman Michael Maclay

Bottom: Jean-Baptiste Lemoyne (left) and Ambassador Nikolaus Meyer-Landrut



FRIDAY 1 JUNE

SESSION II – CYBER SECURITY AND THE POROUS BORDER OF THE DIGITAL STATE

Chair: Lord Evans of Weardale

Speakers: Julian Meyrick | Wilfried Karl | Alexander Klimburg

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 worldwide.

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 of the greatest importance and even a matter of physical survival. The West needed to raise its game dramatically but governments had to very carefully avoid overreaching in a way that could be harmful to basic freedoms.

There were concerns about the actions that some EU countries had already taken, particularly in France. The French OIV law on the protection of Operators of Vital Importance from cyber threats for instance meant that data held by these operators –



Above: Julian Meyrick (speaking)

which were often large multi-national companies – had to be monitored by French authorities and stay in France. The adoption of similar laws in all 27 Member States would lead to a balkanisation of data, which would be detrimental to Europe as a whole. International cooperation across disciplines was seen as a smarter approach. It was felt that building communities of trusted individuals from business, politics and academia could help challenge regulatory and cultural barriers at government level.

Countering cyber threats also required a much greater focus on resilience and on investment. A participant stressed that cyber security was as important as international finance or global health, representing in

LIST OF PARTICIPANTS

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comparison a fraction of the cost. It needed to be given top priority for all Western allies because it protected and preserved activities of daily life.

Plans to improve cooperation on cyber defence between the EU and NATO was in that sense a positive step forward. However, there was still more that could be done and politicians needed to grasp quickly the scale of the challenge for the West.

Addressing the skills gap was another priority. The majority of organisations in sectors including manufacturing, finance, healthcare and education could not find

staff with the right level of expertise in cloud security and data protection, although there were signs that the situation was improving. It could take up to six months to fill a position. Western countries had to quickly develop a skilled workforce to meet these needs. But one participant noted that the best defence was to provide all employees with basic training as most security breaches tended to originate from errors made by individual staff members.

FRIDAY 1 JUNE

SESSION III – CAN BUSINESS AND TRADE POLICIES STILL BE WIN-WIN?

Chair: Lord Simon of Highbury

Speakers: Daniel M. Price | Laurence Boone | Peter Jungen

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 pointed out 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. A European participant highlighted the importance of trust in trade negotiations, and asked how the EU could do business with President Trump when he seemed to walk out of deals and change regulations at a moment's notice. An American participant acknowledged that trade deals had changed since President Trump's election. But the US and the EU still needed to work together because the alternative was China taking the lead.

About the tariff announcement, there was hope among the Europeans 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. Yet they were also reminded that the EU was not beyond reproach. EU tariffs on Americans 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 global trade

Left: Daniel M. Price, during Session III

Right: Laurence Boone



negotiations 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. The joint statement by the US, EU and Japan on the trade-distorting measures of third countries showed that America was willing to do more and to work with allies on the issue.

At the same time, a German participant 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.



Top: Lord Evans of Weardale (left), Alexander Klimburg and Sanford Henry

Middle: Lord Simon of Highbury

Bottom: Karina Robinson and Marc Porter

FRIDAY 1 JUNE

SESSION IV – IS THERE STILL SUCH A THING AS THE WESTERN ALLIANCE?

Chair: Anna Kuchenbecker

Speakers: Paula Dobriansky | Jean-David Levitte | Charles Grant

In the final session on the Western alliance, the Europeans expressed regret at the US's retreat from the frontline, 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. Whether the policies and rhetoric coming out of the White House represented a temporary occurrence or were the result of a permanent fundamental shift, Europe had a responsibility to fill the gap left by the US.

However, it was felt that Europe was still very much immersed in its own internal problems – notably Brexit, the Euro and migrant crisis. With a weakened Chancellor in Germany, the emergence of a populist coalition in Italy and the prospect of further

political fragmentation after next year's European Parliament elections, it had become even harder to overcome these problems and to show leadership on the global scene.

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 following the secondary sanctions adopted by the Trump administration in May.

Despite perceptions that the West was more divided than ever, the Europeans were reminded that several times since the Second World War, especially during the Reagan and George W. Bush administrations on issues such as the Strategic Defense



Left: Paula Dobriansky during the final session



Right: Jean-David Levitte



Left: Anna Kuchenbecker, session IV



Right: August Hanning (speaking)

Initiative (SDI) and the 2003 invasion of Iraq, the US had looked as if it was heading off in quite another direction from Europe. There was a strong core of norms and values grounded in respect for the rule of law and economic and military cooperation 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 business leaders and civil society organisations.

Regarding Brexit specifically, participants from France and Germany continued to express disbelief at Britain's decision to leave the EU. The slowing down of the UK economy, although partly cyclical, was seen as the beginning of a difficult period of adjustment for the country. By contrast, France had regained confidence in its future under President Macron and its economic outlook was improving. There was no room for complacency however as the European context was becoming increasingly fragile. The biggest threat was now coming from Italy where the Five Star/Lega government

had fuelled fresh concerns about the stability of the Eurozone.

In this context, some argued that sidelining the UK would be a mistake. In that sense, participants from both sides of the Channel deplored comments by the EU's Brexit negotiator Michel Barnier about the UK's restricted access to the Galileo space programme post-Brexit.

On finance, one American participant stressed that it was in the EU's interest to maintain cross-border market access. An estimated €1.3 trillion of UK-based bank assets relating to cross-border financial contracts of high importance to the financing of the EU economy, and these contracts would carry on beyond March 2019. Both sides needed to show flexibility and the British felt that they had been the most accommodating so far. The EU's approach was still seen as too dogmatic vis-à-vis Brexit. Some participants were encouraged to hear that President Macron intended to challenge the 'business as usual' mentality that had crystallised in a number of EU institutions and prevented reforms.

CONCLUSION

The 2018 Plenary meeting showed that Europe was facing difficult times. The election of Emmanuel Macron in France had brought new momentum but at the same time the populist threat had not gone away and the French President looked isolated in an increasingly fragmented Europe.

The US tariff announcement was another test for European solidarity and unity and the EU looked determined to respond fairly but firmly to this decision. Some believed that President Trump – with his firm hold on the Republican Party and an energised base – would not be a temporary phenomenon. The prospect of re-election in 2020 was real and Europeans had to prepare to deal with Trump's America in the longer term.

Cyberspace was clearly emerging as a key battleground for Western societies. Europe and the US were facing very serious threats on a daily basis from highly motivated and well-funded adversaries. Tackling these threats needed to be given top priority as it was a matter of survival for the rules-based international order.

As far as the Western alliance was concerned, the American disengagement from Europe that had started with President Obama's pivot to Asia was simply accelerating under Donald Trump. The West was no longer led by the US, at least not for the foreseeable future. In the end, when leadership was failing, it was down to individuals in politics, business and civil society to step up in order to preserve Western values.



Top: Lord Evans of Weardale (left) and Wilfried Karl

Bottom: Barbara Stephenson