

Meeting Summary

IBDE Policymaker Roundtable

Citigroup, Canary Wharf, London, 21 February 2017



On 21 February 2017, the **International Business and Diplomatic Exchange (IBDE)** hosted its first Policymaker Roundtable as part of IBDE Policymaker Discussion Group. This programme is designed to complement IBDE's [Ambassadorial Discussion Groups](#), and [Chairman's Business Briefings](#). Held under the Chatham House Rule, the Policymaker series brings together senior representatives of IBDE members and leading policymakers to discuss topical themes related to our policy objectives.

Given IBDE is the only organisation that covers international commercial and trade diplomacy, the meeting provided some 30 high-level guests with an opportunity to learn more about IBDE's expertise and experience as it continues to play an invaluable role in the post-EU referendum policy dialogue. The meeting also explored the ways in which IBDE can play a constructive role and support the UK Government, the City of London, our diplomatic and business partners.

IBDE's First Policymaker Roundtable was kindly hosted by IBDE's Chairman of Policy, Alan Houmann, at the Citigroup offices in Canary Wharf. The event brought together senior representatives from London Embassies and High Commissions, Investment & Trade Associations, Banking and Investment corporates, alongside members of the IBDE Board and Advisory Board, to explore the significant global developments and their impact and implications for the UK, EU and the wider global markets.

Discussion

The discussion was opened flagging up three questions for the debate, regarding the rise of populism as a driving force in the political changes across the EU and US, the EU endogenous crisis and the EU exogenous crisis.

The number of upcoming elections in 2017 in some EU countries was noted. Regarding the first theme, rise of populism and the increasing phenomena of anti-globalisation, the presented data referred to Italy, the Netherlands and France. It highlighted significant rises in the dissatisfaction with the ruling party and the willingness of a strong leader. The question whether these phenomena could be considered only as a blip or not came to the fore. A further statement described also the anti-globalisation as a driving force of populism and that one of the reasons that the TTIP was not approved is directly related to the united protest of 'hard left' and 'hard right' populism with a warning about its possible consequences. The introduction then moved on, listing the main components of the EU endogenous crisis. It identified the problems that have arisen with Brexit, the on-going and with no-end in sight of Greek debt crisis and the mass migration. All of these developments are pressing for solutions. The last theme introduced was the EU exogenous crisis. It called on the participants to discuss the geopolitical influences of the Trump administration, as well as the Ukraine conflict and the Syrian war and the Russian relationship to both of them and the impact on the EU, particularly regarding security.

In tackling the three proposed themes, the discussion started with a statement empathising the importance of giving an intellectual backdrop to the apparently unstoppable rise of prosperity that has preceded the last financial crisis. This was described as the result of the affirmation, during the post-war era, of the mainstream economic theories and of the consequent faith in the auto-regulating power of markets, which automatically excluded the utility of the state intervention. Based on this historical reconstruction, the speaker argued that the political and cultural ideas affirmed during that period question the optimistic view painted by Steven Pinker in his work "The Better Angels of our Nature", sustaining that humankind has become progressively less violent over millennia and decades. The same participant argued that populism in the future will be driven by other forces than offshoring and, in particular, by the massive replacement of jobs due to automation, artificial intelligence and big data. While there is optimism on the development of new jobs, this is not the same as what concerns the effects of this replacement process on the income equality in the future.

The meeting then went on discussing the role of Brexit in paralysing the action of the government and in taking the limelight away from many other crises around it. Particular attention was paid to the possible exclusion of the UK from EU common security and defence policy (CSDP). The latter may become an instrument of collective defence to face two pincer movements: the east-west one (Trump-Russia) plus the north-south one where we have the Russian incursion into the Arctic and ISIS relocation from Middle-East to North Africa. It was vehemently stated: EU is not going to bend its rules for the UK, which stands to lose a lot of its influence in the security framework. "Going from being in the driving seat to the passenger's one".

The discussion continued underlining an odd fact in Dutch history: the lead of the populist right wing in the election polls. On that point, it was submitted that while the right wing may win, no one appears to be keen to work with them. After having been blamed for the results of the Ukraine referendum, the populist movement is also opening a referendum for the ratification of the Comprehensive Economic and Trade Agreement (CETA). Even though it is not expected that the Dutch people will vote it down, it is still a risk.

One participant described how the rise of populism and threats towards globalisation, manifesting via the Brexit and the Trump's election, may have detrimental effects on some of the EU economies, including the Irish economy which has benefited majorly because of globalisation as well as being one of the EU's primary beneficiaries. These were described as a grave source of concern for Ireland, which is observing the developments with great trepidation. The meeting noted that the direction of Brexit would be determined by the outcomes of the competition between the economic interests and the political instincts to follow the results of votes and rediscover Britain's past greatness. To this end, the importance of the economic interest vis-à-vis the political interest, was underlined. It was emphasised that those defending economic interests have to find their way to communicate more effectively than it was done in the past six months during which the political instinct has been more victorious. It will be tough to square the circle by protecting the EU and EU project and reconciling that with what the UK's government wants. The meeting argued that a key aspect, taking into account economic interest does this and also mitigates any calls that Britain leaves the EU without a reasonable deal, hence generating disastrous effects not only for the UK but also for EU. The task here is to find the right margin between membership and non-membership. That margin should make the EU members appreciate the value of being a member on the one hand, while on the other making the UK consider as reasonable the price it has to pay for being out of it.

The meeting further noted that there is a candidates' trend to position closer to the centre to capture the necessary votes to be elected. This process leads to an unwitting collusion between 'Right' and 'Left' parties, thus implying a monetization of politics and so a negation of the concerns of the voters, which are substituted by the ones of the sponsors. Populist parties are filling the resulting vacuum. It was also noted that some analysis showed that in OECD countries the leanings of the ruling party in government have no bearing on macroeconomic indicators such as growth, inflation and unemployment. Then a question was raised on that base: "Has the edge become so sharp that it has become blunt?", alternatively, in other words, "Has the professionalisation of mainstream politics rendered it useless in the eyes of the electorate and subsequently allowed for the populist parties to come back onto the political scene?".

Another delegate stated that after the UK took a political decision with Brexit, it is now asking everyone else to make an economic one. The reply to this was that they (EU27) would also take a political decision and the economics will follow.

The debate went then on to underline the rising importance of trade, stating that the 30 million transactions per year which are as 'rest of the world' are expected to go up 90 million once UK leaves the EU. In this situation, the government's conviction that

exporting is easy raises considerable concerns. It is certainly achievable but challenging too. It was further added that several issues adversely impact exports. For instance, the paperwork: it affects approximately 4% of exports. On the last point, it was stated that the cost at 4% of exports not being executed properly would cost the country £3.4 Billion a year.

Another speaker highlighted the issue that banks and financial service companies are not planning to leave London, but they have contingency plans in place. It was then added that the anti-elitism driver is still powerful. The banks and financial services have been at the receiving end of flak aimed at them by politicians.

The meeting then noted that the way in which Social media mobilises people from topic to topic had become a dynamic challenge. As seen by the effect it has had on popular opinion on Brexit, Greek debt crisis and so on.

One participant stated, mentioning Donald Tusk, President of the European Council, that while discussions will be made with the EU, many negotiations will be made bilaterally. This raises the question of how will there be a consensus which will be manageable.

Going back to the point on UK's role on EU's CFDP one participant highlighted that the impact of Brexit on CFDP had been overstated, as Russian intervention in Ukraine and Crimea and the peace efforts were led by US, Germany and France while the UK was forgotten. The reply to this was, "the sanctions on Russia were engineered by the UK and that otherwise they wouldn't have been held". This, in turn, highlighted the importance of the British on regional foreign policy.

In response to the anti-Brexit mood which seem to be still significant in commercial circles, one delegate argued that the City can overcome the real challenges with some legal ingenuity and that there is plausibility for a win-win deal. On this point, it was stated that EU and UK understand each other's broad standards and that the latter has a long history of law making with the first one. Furthermore, it was noticed that the consequences of not reaching a compromise with the UK would be very costly for the EU. London is competitive with New York which is beneficial for the EU. EU customers will gravitate to London rather New York to access finance. In relation to trade, while tariffs are expected to be brought in, these must be balanced and appealing to both UK and EU. Alternatively, a zero percent tariff trade agreement would indeed be very desirable. The last point was brushed aside, by another participant, as a wishful thinking scenario and the trade which impacts the UK is mainly that of services which are influenced by politicking rather than by tariffs. This is even more complex for services when it comes to countries like China and India.

One participant stated that companies and people may not be ready for the arrival of the General Data Protection Regulation (GDPR) as there are not enough coders and engineers. The FinTech hubs, for example, need mobility and finance to grow. Another issue drawn to the attention of the other delegates was that the excessively high level of taxes on cities impedes them as drivers of economic growth.

Another speaker then said that even if putting tariffs to zero may result in more trade the structural effects would be devastating and wipe out the manufacturing in the UK. In addition, while the UK excels at big politics it is bad at structural adjustment. Such a measure is neither desirable nor possible.

Despite the rise in populism, an attendee put forward the example of a non-British couple, moving to a town in the UK which voted strongly in favour of Brexit. Given the peace and prosperity which have been experienced in the last decades - how does one get a globalisation that works for all and thus mitigate the rise in nationalism and populism?

It was also noticed that youth education is not where it needs to be in terms of the wider world, which can lead to them holding isolationist views.

The question of "What is the UK government doing to shift the EU's view that the UK caused this mess?" was tabled. In reply it was stated that Theresa May has gone out for her way to wish the EU well at every opportunity, but it is not helped by Boris Johnson who, sometimes, sticks his foot in his mouth by saying the contrary.

A comment was made about the possible benefits for the UK deriving from the heterogeneous and complex interests of belonging to the EU27. For instance, some countries have strong economic links with the UK, while others are more concerned with the status of their citizens living in the UK. Therefore, after the Article 50 is triggered, the response to the UK's proposals will result neither in an absolute agreement nor in a total refusal. It will most likely be a compromise. It, again, was repeated, that a key aspect to reach the best compromise possible is to find a gap between membership and non-membership, which will be appealing to both UK and EU27.

A delegate then stated the recently joined countries will take a more ideological view and will look for strengthening the bilateral relations on projects in education and science. Furthermore, it was added that it is regrettable that the UK, one of the foremost advocates of EU enlargement, will no longer be a member. Security aspects and engagements will compensate for the political lack of involvement. For example, Croatia joined as the UK is leaving and the former is trying to figure out why they are leaving.

In the pre-closing remarks, it was summarised that although Mrs May might want to turn London into a Singapore on the Thames, the vision of Singapore itself is a mirage. The Prime Minister and the Chancellor both want to change the economic model to the Singapore one. Away from the politics: data was declared to be the new capital and companies with the biggest sets of data will be the eventual winners in the future. However, the movement of data across borders will cause huge debates.

The meeting ended with a stark reminder, stating that the Free Trade Agreements will be difficult to replicate because the freedom of movement of people is a sticking point for the British. Furthermore, the taking back of control was addressed as a total lie,

highlighting that South Korea negotiated FTA in 4 years with EU and in 10 years with Canada and arguing that the UK will have less to offer on its own. Ironically, as with CETA, any agreement with EU will still be subject to the approval by the Walloon Parliament. So much for taking back control.

It was also argued that considering the Commonwealth as a source of trade is almost impossible, blaming this view on reeking of post-colonial melancholia. On this point, it was said that all of the Commonwealth countries are negotiating FTAs with EU and that these include immigration within it. Given that the UK has been an obstructing force in the EU-India FTA negotiations, some participants were sceptical of an easier UK-India FTA as the UK government would wish. With migration being such a sticking point, the desired EU-UK FTA, from the UK's viewpoint, will be unprecedented as it will have less migration. The safest assumption is that people will behave irrationally. This is a political process for EU. Moreover, if the UK makes moves against its economic interest then the EU will do the same. The idea of punishment is not accurate. The main assignment is to protect EU and if that harmed the UK then so be it. Britain will not be given anything; it will have to negotiate. The meeting argued that this has not yet sunk in with the British establishment

The meeting also discussed the future format of policymaker roundtables and the suggestion was that the focus of future discussion should be to provide next step solutions for policymakers, in addition to the need to explore the current UK/EU and global policy issues. It was stressed that in order to get the government/policymakers to listen/react positively the focus needs to significantly be on practical solutions for the current realities which would then create opportunities to influence policy. It was suggested that future policymaker roundtables could benefit from focussing on one or two questions and having two people prepare in advance to speak for/against a stated theme.

Conclusion

Brexit has been a distraction on a massive scale which has taken attention away from many other crises which have enveloped the EU. Brexit itself has opened the path for the rise in populism and normalising the way for populist parties to be elected to power and to drive an anti-globalisation agenda to the fore. The last points can be due to inadequate education amongst the youth and the unwitting collusion of conventional political left and right leaving a vacuum on the political stage, only for it to be filled by populist movement. By leaving the EU, the UK is looking to beat a new path and at the same time, the EU is also entering a crucial period in its history. The separation process is expected to be conducted under full public scrutiny and while the dichotomy is still fresh a consensus and a reasonable agreement between the UK and the EU is desired to ensure the security and prosperity of both.

On behalf of IBDE, the meeting's chairman once again thanked Citi for their kind hospitality. He also thanked the speakers, members of the IBDE Board and Advisory Board and all other attendees for providing a stimulating discussion.

IBDE is proud to have played an important and constructive role in the UK's EU Referendum debate. IBDE has been hosting monthly seminars debating the consequences of Brexit since June 2015. Seminars have been inclusive, in that they have attracted leading representatives from various institutions and the fields of politics, policymakers and opinion shapers (including businesspeople, politicians, diplomats, academics, civil society representatives and the media). In addition, these seminars have been thematically comprehensive in their content, having offered speakers and the audience an opportunity to explore the various viewpoints of the In/Out EU referendum debate.

IBDE hopes that the pooling of experience and intellectual resources through these meetings has been useful to participants. Given IBDE is the only organisation that covers international commercial and trade diplomacy, the meeting was a great opportunity for IBDE to showcase its expertise and experience as it continues to play an invaluable role in the post-EU referendum policy dialogue.

Following the closing remarks by the chair, the participants had the opportunity to continue their conversation informally during the networking coffee.

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