



Transatlantic Trends 2018

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How bad is it?
Why it's gone bad
What happens next?
What can we do?



How bad is it? (The Empirical Bit)

General reduction of predictability

Loss of confidence in established multilateral institutions (NATO, WTO, UN)

Specifically:

- Donald Trump: "The European Union is a foe"; general weakness of US governance
- Is NATO going to last?
- Brexit – a long story without a happy ending
- Disruptive governments inside the EU (Italy, Hungary, Poland)
- External competition – Russia, China, Turkey
- External threats – migration, Syria conflict, other possible flare-ups

Why it's gone bad (The Theoretical Bit)

Trump and Brexit are symptoms at least as much as they are causes.

Fritz Scharpf's theory of democratic legitimacy:

- **Output legitimacy**: the ability of institutions to govern effectively for the people
- **Input legitimacy**: political participation by and citizen representation of the people

(originally applied by Scharpf to the EU, but obviously derived from Abraham Lincoln)

- The crash of 2008 challenged both input and output legitimacy of existing governments.

"We all know what to do, we just don't know how to get elected again afterwards" - Juncker

- Actually, President Trump is not doing badly on output legitimacy - Paris, Iran, TPP, tax reform, immigration crackdown, push against Obamacare, deregulation, supreme court appointments

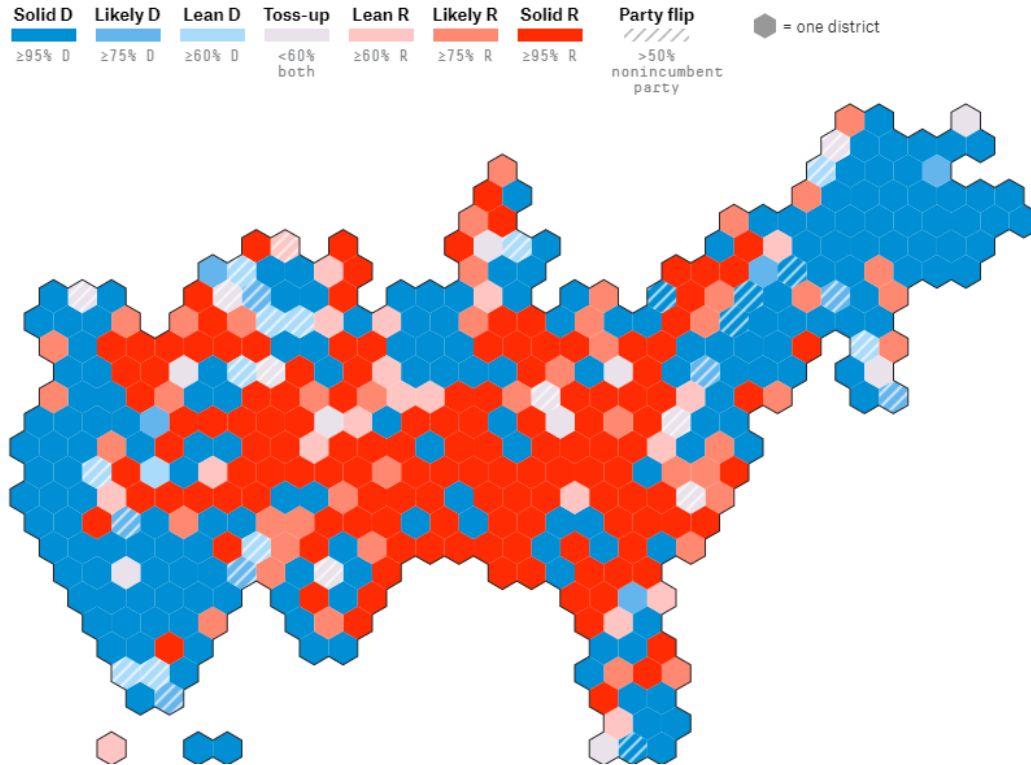
Some more data

Companies are as important as countries. (GDP figures, IMF 2017; market capitalization 4 Sep 2018)

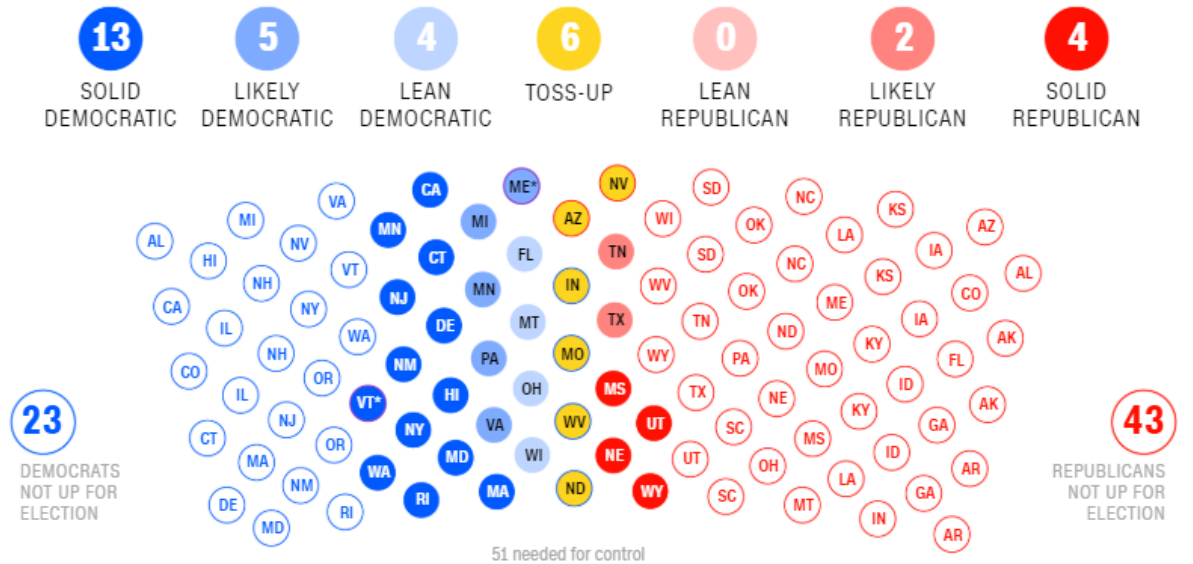
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|---------|--------|------------------|----------------|-----------------|----------------|
| World | \$80 T | USA | \$19 T | EU | \$17 T |
| China | \$12 T | Russia | \$1.5T | Netherlands | \$0.83T |
| Japan | \$4.9T | Australia | \$1.4T | Saudi Arabia | \$0.68T |
| Germany | \$3.6T | Spain | \$1.3T | Switzerland | \$0.68T |
| UK | \$2.6T | Mexico | \$1.1T | Argentina | \$0.64T |
| India | \$2.6T | Apple | \$1.1T | Taiwan | \$0.58T |
| France | \$2.6T | Indonesia | \$1.0T | Sweden | \$0.54T |
| Brazil | \$2.1T | Amazon | \$0.98T | Poland | \$0.52T |
| Italy | \$1.9T | Microsoft | \$0.85T | Belgium | \$0.49T |
| Canada | \$1.7T | Turkey | \$0.85T | Facebook | \$0.49T |
| S Korea | \$1.5T | Alphabet | \$0.84T | Thailand | \$0.46T |

What happens next? (The Predictive Bit)

USA mid-terms: the House



USA mid-terms: The Senate



What happens next? (The Predictive Bit)

Elections in the EU

Sweden:

Can the populists win?

Luxembourg and Latvia:

Business (un)usual

Macedonia:

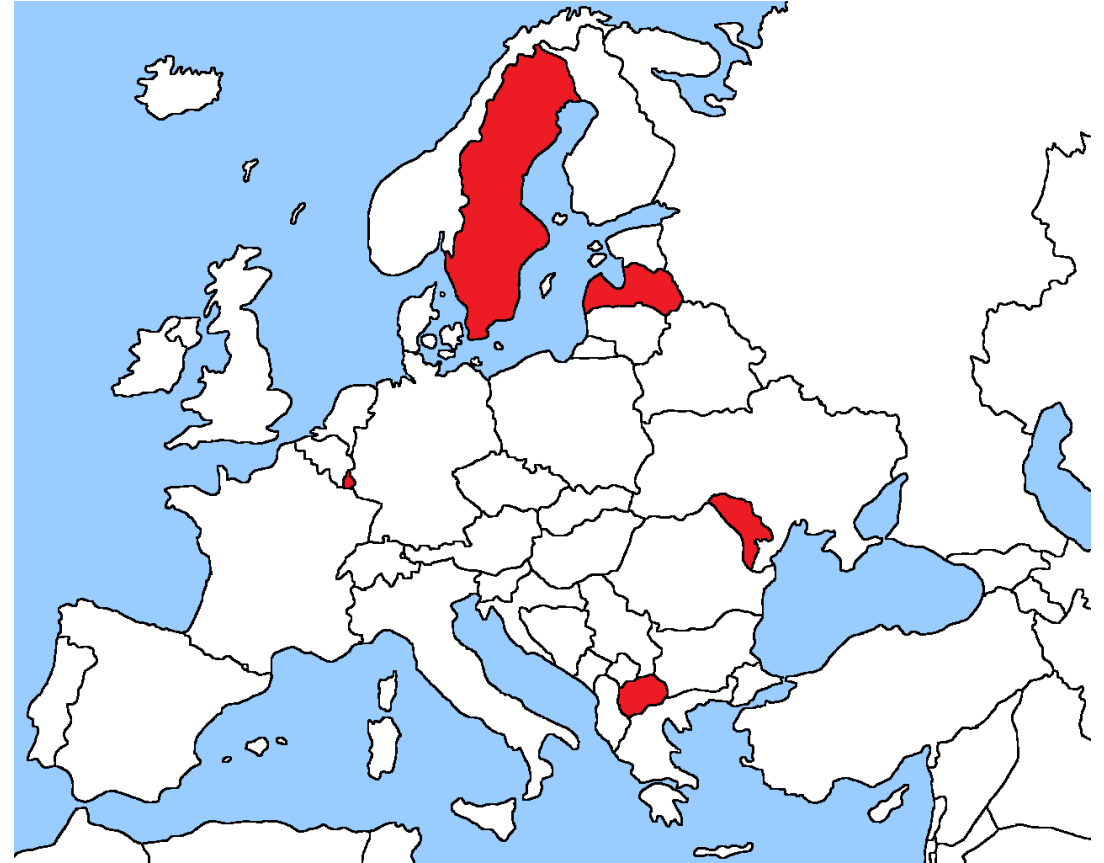
A referendum on identity and geopolitics

Moldova:

An election on geopolitics and identity

Positioning for next year's musical chairs

Answering the wrong questions?



What can we do?

Be smart

- We need to be super-informed and geopolitically aware

Be there

- We have to be ready to react in real time to (eg) Presidential tweets

Be online

- Reality is increasingly determined by what is seen on your smartphone

Talk to each other

- We need to get as many inputs as possible – avoid the comfort of the bubble

THANK YOU