

US-EU relations – Stronger than ever or could we do better?

Breakfast Policy Briefing – 28 June 2013

Summary

In this difficult economic period, the time is right for the EU and the USA to attempt to conclude a Transatlantic Trade and Investment Partnership (TTIP), heard participants in this Breakfast with the US Ambassador to the EU.

Full Report

US Ambassador to the EU William E. Kennard said he felt privileged to have served in Brussels at such a fascinating time, recalling that when he arrived in late 2009, the Lisbon Treaty was just beginning to be implemented and there was much excitement about it in Brussels.

This gave him the chance to engage with the first occupants of newly-created posts like the permanent Council President (Herman Van Rompuy) and High Representative of the EU for Foreign Affairs and Security Policy (Catherine Ashton).

Moreover, he said the Lisbon Treaty had granted the European Parliament new powers, including over the approval of international agreements, creating an opportunity for the US government to engage with it like never before.

With the euro crisis came a realisation all over the world – and particularly among stockbrokers in the US – of the effect (whether positive or negative) that the European economy has on the global one, said Ambassador Kennard.

He argued that the US and the EU had been able to achieve a lot together during US President Barack Obama's first term – due in large part to the fact that Obama was popular in Europe at the time of his election. Moreover, he remains popular in Europe and the policies he has advocated have been popular in Europe too, he said.

Kennard described Mr Obama as a president who wants to engage with the rest of the world, as well as with multilateral and regional organisations like the UN and the EU. This created an opportunity for Americans in Brussels to engage with the EU in ways that may not have been possible under past administrations, he said.

EU-US relations are centred on security (for example via NATO) and a four-trillion dollar economic relationship (the largest in the world by far), said the ambassador. He explained that some 2.7 billion dollars' worth of trade pass between the two sides' economies every day – an economic relationship that represents about 50% of global GDP.

Kennard argued that EU and the USA's foreign policy priorities had aligned tremendously under Obama's presidency, citing as examples support for emerging democracies like Burma and the work that both sides are doing together regarding countries like Mali, Somalia and North Korea.

"We're working to deepen our engagement with Europe vis-à-vis Asia," he said.

Kennard said President Obama had said recently that the USA's relationship with Europe "remains the cornerstone of our freedom and security, and Europe is our partner in everything we do". Indeed, he explained that the president sees a summit with the EU as being more about finding the right tactics and strategies to achieve common goals, because the question of what to do together has already been settled.

Ambassador Kennard said Hillary Clinton (US Secretary of State 2009-2013) supported Catherine Ashton and had asked him to do all he could to support Ashton and make her role a success. The good relationship between the holders of the two posts has continued under the tenure of Senator John Kerry, he added.

Kennard said that during his time in Brussels, the EU-US economic relationship had deepened in several important respects. "When I arrived here the Transatlantic Economic Council, which is one of our most important channels for working on economic issues with the EU, was a little bit adrift [...]. We've been able to revitalise that mechanism and we've got a lot accomplished under the TEC," he said.

He cited cooperation in the framework of the EU-US Energy Council and on issues such as secure trade and IPR among other areas of progress under Obama's presidency.

The ambassador argued that the formal channels of cooperation function well. Moreover, informal channels are proving fruitful too, he said, citing as examples European Parliament delegations coming to Washington and engaging with the Administration and Congress.

On the issue of the EU-US free trade agreement, or the Transatlantic Trade and Investment Partnership (TTIP), Kennard said that if the negotiations are successful, they will result in the largest bilateral trade deal ever concluded.

TTIP will be a living agreement, providing a framework to help both sides solve their problems in future, he argued. Despite being met with scepticism from some quarters when he first began to discuss the possibility of a deal a few years ago, he argued that the time is now right to attempt an agreement of this magnitude, especially given that both the EU and the US are struggling with very difficult economic circumstances.

The euro zone is still in recession, and although a recovery is underway in the US, it is only a fragile one and the economy is not growing as quickly as desired, he said.

The fact that the Doha Round of global trade talks has stalled opens up a window of opportunity for the US to move bilaterally with Europe, Kennard argued. "We both recognise that there is more to gain from cooperation than competition, particularly vis-à-vis our efforts to compete in third markets, and that there is much more upside from convergence in our regulatory systems than from conflict," he said.

Negotiations will begin in Washington during the week of 8 July and two further negotiating rounds will be held before the end of the year, he explained.

The ambassador warned that this "historic opportunity to do something significant" in the US-EU economic relationship must not be wasted, and expressed optimism about what Brussels and Washington could accomplish together during Obama's second term.

Discussion

Asked which specific countries or areas the EU and the US could cooperate on in Asia, **William E. Kennard** said he sees a shift in mind-set: Obama's announcement of the US pivot to Asia was interpreted by many in the EU as the US pivoting away from Europe – and even as leaving it behind. In response, the US is now referring to its change of focus as a "rebalancing", and the EU is paying more attention to Asia too, said Kennard. He added that at this stage, it is more about the change in mind-set than specific accomplishments.

Asked whether shale gas would make the US self-sufficient in or even an exporter of energy one day, the ambassador described the shale gas revolution as a “game changer” in terms of dealing with the challenge of climate change.

Describing energy security as one of the most important issues facing Europe, Kennard said the US government believes EU countries should exploit their shale gas too, and argued that this can be done in an environmentally-friendly manner. He predicted that the US would export an increasing amount of its gas in future, and argued that this would be a good thing for Europe.

Asked where the problems would lie in the upcoming TTIP negotiations, the ambassador said there are many hard issues ahead, for example concerning agriculture. He argued that the challenge is for both sides to rise above the tough, politically-sensitive domestic and sectoral issues, and expressed hope that the bigger picture of what is at stake would help to overcome this.

He stressed that the USA does not want Europe to scrap its regulatory system – rather, the goal is to bring the regulatory regimes in force on each side of the Atlantic closer together. “It’s about recognising equivalence,” he said.

Asked whether the TTIP would be open to other countries to join – and if this would happen during or after the negotiations between the US and the EU themselves – Kennard said the US government believes the TTIP will have a very beneficial impact on trade relations with other countries, especially given that progress in the Doha Round is so slow.

Stressing that “TTIP is a monumental undertaking,” he argued that it is too early to envisage stitching others in at this stage.

Asked to comment on calls for ‘cultural exception’ to be taken into account in the TTIP, Kennard said that the US had hoped to begin the negotiations with everything on the table. In order to have the best chance of achieving an ambitious agreement, “we need to give our negotiators the chance to work through these issues – if you start off with exceptions and red lines, then you constrain that ambition,” he warned.

Asked to comment on data protection issues between the USA and the EU, Kennard admitted that there are challenging issues regarding law enforcement, for example on information sharing in the fight against terrorism, on PNR and on SWIFT. Despite the European Parliament having struck down deals sometimes, he insisted that the two sides generally work things through over time.