US-Europe trade deal stuck on launch pad

Shawn Donnan, World Trade Editor

David Cameron has called for “rocket boosters” and Angela Merkel has warned there is “no time to lose”. Across the Atlantic, Barack Obama has said his administration is intent on “reinvigorating” the entire exercise.

Eighteen months after the launch of talks between the EU and US to create what would be the world’s biggest free trade bloc, both sides are seeking to inject momentum.

Yet even as trade officials pledge a “fresh start” for the talks to build a Transatlantic Trade and Investment Partnership (TTIP), a sense of resignation is setting in.

Ministers and officials are coming to the conclusion that, unless something radical changes — or both sides settle on something less ambitious — there is unlikely to be a deal by the end of 2015 as some European politicians have called for. Some officials now even contend that President Obama, who leaves office in January 2017, is unlikely to be the US leader who shepherds a great transatlantic pact through Congress.

Commercial tensions are also clouding the picture. The pressure being applied by European governments on US tech giants such as Google has caused members of Congress to protest.

Europe’s community of trade officials, experts and campaign groups is also engaged in a heated debate over what sort of protections — if any — foreign investors should be accorded in an agreement with the US, an issue that has helped mobilise opposition to a transatlantic pact.

Cutting a deal in 2015 would mean “not missing a beat” all year, says one senior official involved. Another reckons it is “unrealistic” to think a deal next year is even possible. At best, most involved say, the EU and US might hope for some broad political agreement by the end of the year with the details and actual texts to be filled in after that.

Even that approach, they point out, would mean talks dragging well into 2016 with final approval by the US Congress and the European Parliament later that year or, more likely, early in 2017.

Sealing a deal by the end of 2015 “would take nonstop work,” says Miriam Sapiro, who this year stepped down as the deputy US trade representative in charge of the EU negotiations.

Yet that does not appear to be the way the schedule is shaping up. The next round of negotiations is not due until February and only four or five formal rounds are planned for 2015.

By comparison, the negotiators now nearing a deal for a US-led, 12-country Trans-Pacific Partnership have been meeting almost nonstop since the middle of this year. But on TTIP, there has been little actual negotiation over the past 18 months.

Momentum may pick up. Talks were launched largely for economic reasons, but the case made by leaders for a stronger transatlantic alliance has become increasingly geopolitical especially now they face a revanchist Russia. There is a narrowing window of political opportunity before the US presidential election in November 2016, with French and German elections the following year.

A lot has been done “to put everything on the table”, Cecilia Malmström, the new EU trade commissioner, said in Washington last week after meeting with her US counterpart, Mike Froman. “But now is when the real negotiations start.”

With political opposition rising, particularly in Germany, Ms Malmström has taken a deliberate approach to
the debate over investor protections and a public consultation that has drawn more than 150,000 submissions. A decision by the European Commission over how to proceed is now not due until the spring, with negotiations on investment frozen until then.

Business groups are concerned that the lack of tangible progress has emboldened a nascent anti-TTIP movement.

“What is important for business is that we see real progress and that at the end of 2015 we find ourselves way ahead of where we are now,” says Luisa Santos, director of international relations for BusinessEurope. “The fact that we don’t see anything coming is not helping us to calm the debate that is happening in Europe.”

Concerned over slow progress, Italy and other EU members have begun to push for an interim deal to maintain momentum.

The oft-touted main goal of eliminating regulatory barriers to trade and unnecessary duplication in testing is complex and will take time. They argue a simpler deal to lower tariffs — already low on average but for some goods still high enough to matter — would be a valuable boost to transatlantic trade and could help sell a bigger agreement.

There are still fundamental political differences yet to be bridged for a more comprehensive transatlantic deal. Many Europeans remain concerned a deal would bring in American “Frankenfoods” such as chicken washed in chlorinated water. It is unclear whether any government in Washington will ever be able to override, as the EU hopes it might, the growing number of “Buy America” public procurement laws that local governments have passed.

There are still open questions over whether financial services regulations will be covered or how ensuring free dataflows might be tackled in a post-Snowden world. Also undecided is how the issue of energy will be tackled.

“The areas that [the US and EU] have differences on are difficult ones,” says Ms Sapiro, who is now at the Brookings Institutions in Washington. “There is a reason we have not negotiated a transatlantic trade agreement before.”

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