The US-EU Summit: Business as Usual?

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Considering the headline-making potential, the last US-EU summit was a media flop. The April 30 meeting among US President G.W. Bush, German President Angela Merkel, and European Commission President José Manuel Barroso did not conclude with a groundbreaking agreement on climate change. It did not put forth an initiative for dealing with the shameful mass-killing in Darfur. Nor did it crack the hard nut of agricultural subsidies.

But spare a second look and things could start looking less vapid. On the foreign policy front, EU officials did not budge on the issue of UN sanctions against Iran. Before the summit, Iranian President Ahmadinejad intimated that the EU needed to show more diplomatic backbone and define its own stance toward Iran. It was a rudimentary attempt to play on European hubris and the soft power mantra that many in Brussels view as the EU trademark in foreign policy. But it fell dead flat. Barroso retorted that a nuclear Iran was a source of anxiety throughout the entire world, not only in the US.

Moreover, addressing Russian opposition to the expansion of the US missile shield to Poland and the Czech Republic, Barroso stated that any sovereign EU member state had the right to engage in security cooperation with other parties. He also found Russian President Putin's threat to withdraw from the Treaty on Conventional Armed Forces in Europe (CFE) "disappointing." The CFE Treaty is a post-Cold War agreement designed to check military deployment across Europe. In the wake of recent waves of NATO expansion, its value has become increasingly symbolic. Yet one could hardly overestimate the extent of wariness caused in Brussels by hints that the times when Europe was divided by the Iron Curtain may well return.

Seeing eye to eye, even if on a handful of topics, can count as a sea change after the acrimony triggered by the Operation Iraqi Freedom. However, the summit's most enduring contribution was the signing of an economic integration framework agreement. It is a major step taken in the direction of building an integrated transatlantic market. The EU and US register in excess of $3 trillion of commercial sales annually, while transatlantic trade accounts for 40% of world trade.

But as remarkable as these figures may look, US-EU trade is still hampered by regulatory redundancy or divergent standards. As Senator Bennett (R-UT) quipped at a conference organized by the National Press Club and the Streit Council, a manufacturer has to crash a car twice to sell it on both sides of the Atlantic: once to see if it meets EU standards and once more to see if it complies with the American ones. That does not make the car any safer, Bennett added. But it obviously bloats the price tag.

The agreement sets up the Transatlantic Economic Council (TEC) to reduce regulatory burden and improve economic integration. TEC will draw on years of regular dialogue and consultation between parts of the American and EU business communities and politicians. But do not expect a plethora of institutions to follow in its footsteps. A cautious, small-step approach remains the underlying attitude, issuing in different policies tailored to fit different industries.

The emphasis on incremental progress is indicative of a wider approach which sets apart the April 30 agreement from a Free Trade Agreement (FTA). FTAs usually target tariff barriers and carry a type of emotional baggage which can easily become a political liability. Seeing that transatlantic tariff barriers are already low, there are few reasons not to let sleeping dogs lie. Instead, the framework agreement aims to consolidate the long-term, holistic effect that sector-by-sector developments in transatlantic economic integration have over time.

Notwithstanding, free trade advocates should not lose heart. If an FTA will be ultimately signed, it will build on the experience gathered during the stage of regulatory integration. Furthermore, even if the agreement is not an FTA in its avowed purpose, it can have far-reaching consequences. Since the combined economies of the transatlantic partners account for almost 60% of world GDP, achieving regulatory integration means that the transatlantic standards could become de facto world standards. Sometimes no FTA can carry more weight than an FTA – and at no time a summit geared toward normalizing relations should be viewed as uneventful.