

# ISSUE BRIEF

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## Adapting the U.S.-EU Summit for a Globalized World

The U.S.-EU Summit has lost its moorings. The Obama administration's decision on January 31, 2010 to postpone the May 2010 U.S.-EU Summit was a tacit recognition that the Summit lacks clarity of purpose and strategic vision. Neither side had successfully articulated any particular reason to meet. While Obama's decision was largely based on domestic political calculus, the move prompted some deep soul-searching in Brussels. Confidence in Brussels about the new administration's commitment to the U.S.-EU Summit process, and to working with the EU in general, reached a low point when Anne-Marie Slaughter, the Director of Policy Planning at the U.S. State Department, said that the Summit should take place "only when necessary."

Slaughter's statement frames the question that policymakers in the United States and Europe have been trying to answer across multiple U.S. and EU administrations: Why is it, in fact, necessary that United States and European Union leaders meet every year?

The answer is deceptively simple: The world's two largest economic blocs with similar political traditions and highly integrated societies must talk frankly to each other to address our greatest global challenges.

As Hungary prepares to take over the EU presidency in January 2011, the Bertelsmann Foundation and the Atlantic Council have put forth concrete proposals to reframe the U.S.-EU Summit into an integral part of an expanded global agenda, not a sidebar to a NATO Summit. A leaner, more effective summit that capitalizes on the unique strengths of the institutional relationship between the U.S. and the EU can yield significant dividends for the transatlantic partnership and global governance in general.

### An Economic Foundation with Global Reach

The U.S. and the EU have the deepest economic relationship on the planet. Their combined economies generate a GDP of US\$32.7 trillion—more than 50 percent of the world's GDP. Three key pillars support economic ties:

- **Trade:** Trade between the two markets represents 31 percent of all international trade, more than 30 percent of all external trade for the EU 27, and 39 percent of all U.S. trade.
- **Investment:** Direct investment between the U.S. and the EU represents nearly US\$2.7 trillion. The U.S. and the EU account for more than 61 percent of global FDI inflows and 74.9 percent of outflows.
- **Jobs:** U.S. companies' affiliates in the EU and vice versa employ an estimated 14 million people in the transatlantic economic space. U.S. workers depend heavily on high-skilled jobs created by European companies operating in the United States. The large multinational companies that expand operations to the other side of the Atlantic include some of the most innovative and technologically advanced companies in the U.S. and Europe, including Google, Pfizer, Apple, IKEA, Siemens and Skype. Encouraging transatlantic investment is a crucial part of fighting unemployment caused by the economic downturn and encouraging future growth through new and innovative technologies. Deeper economic integration between the U.S. and the EU will accelerate the economic recovery in both areas.

Even with this large size and deep integration, the United States and Europe can no longer dictate global policy to the rest of the world, and they cannot legislate in a vacuum. The global financial crisis and the economic stagnation it caused are fundamentally transatlantic problems that require deep transatlantic cooperation as a necessary first step toward global convergence. But debate at the Toronto and Seoul G20 Summits—about the timing of fiscal stimulus withdrawal, state finances, regulation of financial markets, trade and balancing global demand—require global solutions. For example, new legislation on banking and financial services is emerging from Washington and Brussels to govern Wall Street and the City of London, but it will work only if the rules are also adopted in Beijing and Brasilia.

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As economies around the world slowly begin to recover from the global financial crisis, U.S. and EU growth rates will lag those of emerging economies. The transfer of *de facto* policymaking authority from the G8 to the G20 reflects this reality. This is a welcome development. As globalization has spread, engagement by the United States and the European Union with emerging economies can increase domestic growth and make global governance more fair and representative. However, even as we seek to build new partnerships with rapidly growing markets, we must not forget the centrality of the U.S.-EU relationship to our joint prosperity.

## The Summit's Value

All summits serve a symbolic purpose, and the U.S.-EU Summit is no different. Holding regular meetings between U.S. and EU leaders shows that both sides value the relationship and take seriously the leadership role that the transatlantic community must play. In addition, regular summits between the U.S. and EU serve the practical—and often underestimated—purpose of cementing strong working relationships on all levels. By meeting at the leader level and holding the various transatlantic dialogues in the days and weeks before the Summit, policymakers on both sides of the Atlantic will work together more seamlessly, helping to build momentum for ongoing cooperation.

But the U.S.-EU Summit can and should be much more than show and process. The meeting of the U.S. president and the presidents of the European Council and Commission provides a platform for strategic discussion of the most pressing global issues, provides direction on bilateral issues, and the opportunity to issue “marching orders” to policymakers on both sides. In addition, the Summit can focus the efforts of other important transatlantic dialogues, such as the Transatlantic Economic Council (TEC), the U.S.-EU Energy Council, and the Financial Markets Regulatory Dialogue, among others.

The symbolic purpose of the summit could not be more important. The political commitment of the United States to the project of European integration is of profound strategic value. The United States has been one of the most ardent champions of European integration. This should continue.

## Challenges to the Summit

Despite the overwhelming need for the highest level of engagement between the United States and the European Union, there are significant challenges to a successful U.S.-EU summit.

- **Different political systems in the U.S. and EU:** The consensus-based EU decision-making process affects the ability of EU leaders to deliver concrete agreements during the summit. The EU's internal negotiating process is public and sometimes protracted. The political culture of Brussels is by necessity infused with the spirit of institutionalized process, borne out of the arduous trust-building exercise that grafted 27 member-states from rivals into partners. The process, itself, has been a hallmark of policymaking at the EU-level since its inception. While successful, this model can make priority-setting diffuse and time-consuming.
- **Poor U.S. understanding of the EU:** Many Europeans feel that their U.S. counterparts do not sufficiently understand the decision-making process in the EU and how EU institutions function. Lack of understanding of EU processes, and resultant lack of patience, hampers U.S. efforts to engage effectively with the EU in areas where it has the ability to act.
- **Empty mechanisms and lack of follow-up:** Officials involved in the Summit planning process often feel compelled to create new institutions, working groups and commitments that lack sustained political backing or clear purpose. This has bred a sense that goals and objectives are difficult to accomplish at U.S.-EU Summits and are often not followed through to conclusion.
- **Insufficient integration of legislators:** The European Parliament (EP) has become a major force in European politics since the passage of the Lisbon Treaty. At the same time, the U.S. Congress has had a role in the transatlantic relationship for many years, but has rarely been in close touch with its EU counterpart. This has led to serious challenges, such as the extraterritorial implications of the Sarbanes-Oxley Act and the 100-percent cargo-scanning provision of the 9-11 Commission Act. Today's financial services reform legislation emerging on both sides of the Atlantic is a current example where clear lines of communication among legislators are required to prevent new regulatory cleavages.
- **Abundant contact at the working level:** The U.S.-EU relationship is mature, and government contact is frequent across agencies. This can lead to the incorrect conclusion that an institutionalized leader-level discussion is unnecessary. To the contrary, both sides need symbolic and substantive reaffirmation of commitment, and the engagement of senior officials to ensure that relations remain deep and strong.

## Remaking the Summit

The presence of these structural challenges does not mean solutions are impossible. It does mean that policymakers on both sides need to recommit to deepening engagement and make some fundamental adjustments in their approach to the transatlantic relationship. We present the following recommendations as the starting point to this process.

- **Have coherent external representation reflected in the spirit of the Lisbon Treaty:** In accordance with the letter of the Lisbon Treaty, the Council president is meant to represent the EU at the summit level. The Commission president and the high representative also have important roles to play at the U.S.-EU Summit. The Council and Commission presidents must work together to provide a more coherent external representation that is consistent with the expectations of the U.S. and other world powers.
- **Secure a broad negotiating mandate from member-states:** The EU's 27 member-states have often constrained the U.S.-EU bilateral relationship to the detriment of their colleagues in Brussels. EU leaders must establish a robust negotiating mandate in advance of their meetings with their U.S. and other external counterparts. This will help ensure that senior EU officials have latitude and authority to negotiate and act, rather than simply delivering the message of the member-states.
- **Set deadlines for working level cooperation:** "Deliverables" are often maligned but still important for U.S. and EU policymakers. The challenge is to craft deliverables that have substance and strategic value. A work plan with targeted deadlines should be developed in preparation for the Summit and become the benchmark for future work in the relationship. In this way the summit can usefully serve as a marker in a longer process of cooperation between the U.S. and EU, and set the bar for resulting implementation processes.
- **Scrap the communiqué:** U.S.-EU Summits have tended to produce laundry lists of action items and vague policy goals in the form of a communiqué. Rather than serving as policy tools that help both sides articulate and set policy targets, they become the basis for elaborate and protracted negotiations, in and of themselves. The U.S.-EU Summit should follow the G8 in ridding itself of the requirement for a communiqué and focus instead on a strategic discussion based on real-time policy concerns. The

final communication should be a joint press conference with the U.S. president, the president of the Council and the president of the Commission.

- **Use the Transatlantic Economic Council (TEC) and the Energy Council meeting to frame the major issues for the Summit:** The TEC and the U.S.-EU Energy Council are the only meetings with a mandate to bring together cabinet level officials from across portfolios, and both sides should use the opportunity to set a strategic economic agenda for the U.S. and Europe.
- **Integrate Congress and the European Parliament as Full Partners in the Summit:** Given the complex nature of the U.S.-EU relationship, it is important to include key lawmakers from the legislative branches of both sides in the planning and messaging processes of the summit. Congress is becoming increasingly aware of the EP as a decision-making organ of the EU and is looking at a number of proposals to enhance its relationship with its legislative counterpart in Europe. The executive branches on both sides of the Atlantic should continue to encourage this cooperation.

## An Enhanced Agenda for the Summits

U.S.-EU Summits should be tailored to address rapidly changing issues of crucial importance to the transatlantic relationship and global challenges. The presidential-level discussions at the summits should address broad areas for enhanced cooperation in which clear goals for action are established. With this in mind, and considering the current domestic agendas on both sides, we propose the following two topics to be discussed at the next U.S.-EU Summit.

### 1. A transatlantic jobs agenda: The One-Million-Job-Compact

The legacy of high unemployment from the financial crisis is a significant concern to policymakers in both the U.S. and EU. Today's unemployment rate stands at 9.6 percent in both the U.S. and the EU27. The creation of an aligned, transatlantic effort at job creation through encouraged direct investment and trade promotion could have a significant impact on the economic climate in the U.S. and Europe. A recent report<sup>1</sup> by Ecorys Research and Consulting pointed out that an ambitious agenda to lift non-tariff measures that impede trade could add US\$158 billion, or 0.7 percent of GDP, to the EU economy. This could also add US\$53 billion to the American economy. The study further demonstrates that benefits would affect wages and jobs in manufacturing

<sup>1</sup> ECORYS Nederland BV (2009). "Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis," Study for European Commission, Directorate-General for Trade.

and services of high-skilled and low-skilled workers in the U.S. and Europe.

An ambitious combination of innovation policy, regulatory and legislative partnership, coordinated incentives in R&D, and trade and investment incentives—shepherded through the TEC—could yield significant dividends to job creation on both sides of the Atlantic. A declaration that will commit both sides to work through the TEC, the Innovation Action Partnership and other mechanisms to implement policies, could create approximately 500,000 high-skill jobs in innovative industry on each side of the Atlantic over the course of the next five years.

- **Harness the Innovation Action Partnership:** As innovation and new technology are at the core of transatlantic economic growth, the Obama administration and the EU have recognized the need to promote R&D and innovation through government policy. The EU's new 2020 agenda follows the Lisbon Agenda of 2000-2010 and outlines specific benchmarks for R&D and innovation investment by member-states. Effective policy coordination should be a highlight of the U.S.-EU Summit by agreeing to targets and transatlantic cooperation in high-tech and scientific fields. The U.S. and the EU can work together on tax policy that will encourage corporations (which make up two-thirds of R&D expenditure) to pursue further innovation in the transatlantic area.
- **Increase government support for top universities in innovation:** Governments on both sides should work in concert to encourage higher rates of graduation in the sciences and engineering through targeted student aid programs. Cross-border exchanges of students, professors, and technical expertise from universities should be an integral part of transatlantic cooperation in this area, as well.

## 2. Transatlantic Challenges on Energy Security and Sustainability

U.S. and European positions on energy and carbon management are clearly divergent. Recent U.S. elections will only increase the rhetorical divide, as large contingencies of the American political class continue to question the veracity of climate-change science. Joint coordination on the implementation of the Copenhagen Accord will prove to be a formidable challenge, as the U.S. Senate has not passed any comprehensive legislation on climate change in the 111th Congress, and prospects of anything passing in the more Republican 112th Congress are slim.

At the same time, energy independence and smart, efficient energy technology remain high on the U.S. political agenda. The U.S.-EU Summit should examine joint projects that aim

to create a more favorable business climate for energy efficient technology.

- **Improve joint cooperation on large-scale, public alternative-energy projects:** The newly launched U.S.-EU Energy Council would be the ideal platform for discussion of expanded joint investment incentives, eased technology transfer, and potential research cooperation on large-scale public-works projects in the alternative energy sector. The European experience in large-scale solar-energy trade could serve as a model for similar projects in the United States. In addition, the U.S. and Europe should examine ways of cooperating in the development of technology for the extraction of shale-gas deposits.
- **Coordinate implementation of joint projects under the climate finance for third countries:** Working in tandem, the U.S. and EU should signal their support for a broad-based system of financing tools for climate adjustment and energy efficiency for middle- and low-income countries. A joint position on the aims of projects implemented with the US\$30 billion climate financing commitment could enhance the impact on national and regional economic development and encourage better cooperation with third countries.
- **Discuss standards and trade incentives that encourage the investment and production of green technology:** The TEC and the U.S.-EU Energy Council are examining measures that will improve the interoperability and ease of market access for energy-efficient technology such as smart grids, retrofitting of buildings, electric vehicles, and high-speed rail technology.
- **Explore the future of sustainable offshore petroleum exploration:** The European Union monitored the causes and the economic and environmental impacts of the Deepwater Horizon oil spill in the Gulf of Mexico. The U.S. and the EU can discuss benchmarks for clean-up and economic restitution to regions hit by offshore drilling accidents and set joint contingencies for companies whose violation of safety standards leads to accidents.

## A Bright Future Requires Work

The world has changed immeasurably since the first U.S.-EU Summit in 1990. But these changes only increase the need for close, high-level cooperation between the United States and European Union. The challenges to renewing the U.S.-EU Summit are manageable but require clarity of purpose and political will. Both sides are equal to the task.

## Past Summits and Major Topics from 1997 to the Present

Date	Location	Presidencies	Major Topics
<b>Nov. 3-4, 2009</b>	Washington, DC	President Obama (U.S.) Swedish PM Reinfeldt (EU) European Commission President Barroso	Lisbon Treaty; U.S.-EU Energy Council; climate change efforts; developments in Iran and Afghanistan; combating terrorism; bolstering the global economy
<b>April 5, 2009</b>	Prague, Czech Republic	President Obama (U.S.) Czech PM Topolánek (EU) European Commission President Barroso	Denouncement of North Korean missile launch and worldwide reduction of nuclear weapons; Copenhagen Climate Summit
<b>June 10, 2008</b>	Ljubljana, Slovenia	President Bush (U.S.) Slovenian PM Janša (EU) European Commission President Barroso	Declaration on Iran nuclear activities; promotion of open investment policies; cooperation to advance freedom and prosperity; TEC meeting report
<b>April 30, 2007</b>	Washington, DC	President Bush (U.S.) German Chancellor Merkel (EU) European Commission President Barroso	Establishment of the TEC; Open Skies Agreement I; accord for handling classified information
<b>June 21, 2006</b>	Vienna, Austria	President Bush (U.S.) Austrian Chancellor Schüssel (EU) European Commission President Barroso	Iran; Guantanamo; renewal of education agreement; enforcement of intellectual property rights
<b>June 20, 2005</b>	Washington, DC	President Bush (U.S.) Luxembourg PM Juncker (EU) European Commission President Barroso	Promoting peace in Africa; democracy, freedom and human rights; transatlantic economic integration & growth; energy security, efficiency, renewables and economic development; fighting global piracy and counterfeiting; promoting peace in the Middle East; non-proliferation of WMD and the fight against terrorism
<b>June 26, 2004</b>	Dromoland Castle, Ireland	President Bush (U.S.) Irish President Ahern (EU) European Commission President Prodi	Non-proliferation of WMD; combating terrorism; strengthening the economic partnership; HIV/AIDS, malaria and TB; support for the people of Iraq; supporting progress in the broader Middle East and in the Mediterranean; Sudan; road map for regulatory cooperation; agreement on satellite navigation services
<b>June 25, 2003</b>	Washington, DC	President Bush (U.S.) Greek PM Simitis (EU) European Commission President Prodi	Signing of legal assistance and extradition treaties; Middle East; Iran; trade; aviation and transport security; cooperation on hydrogen energy economy

<b>May 2, 2002</b>	Washington, DC	President Bush (U.S.) Spanish President Aznar (EU) European Commission President Prodi	Counterterrorism; Israel/Palestine; U.S. tariffs on steel imports; and the dispute over U.S. tax rules on international corporations
<b>June 14, 2001</b>	Göteborg, Sweden	President Bush (U.S.) Swedish PM Persson (EU) European Commission President Prodi	World trade; climate change and the Kyoto Protocol; HIV/AIDS; the Balkans; the Middle East
<b>Dec. 18, 2000</b>	Washington, DC	President Clinton (U.S.) French President Chirac (EU) European Commission President Prodi	Responsibilities of states on transparency regarding arms exports; renewal of U.S.-EU agreement on higher education and vocational education
<b>May 31, 2000</b>	Queluz, Portugal	President Clinton (U.S.) Portuguese PM Guterres (EU) European Commission President Prodi	Security in Kosovo; the EU's Common Security and Defense Policy and its relationship with NATO; relations with Russia and Ukraine; the need for a political solution in Chechnya; trade; a new WTO round; the new economy and digital divide; commitment to stem the spread of HIV/AIDS
<b>Dec. 17, 1999</b>	Washington, DC	President Clinton (U.S.) Finnish President Ahtisaari (EU) European Commission President Prodi	Kosovo; Stability Pact for Southeastern Europe; Chechnya, Ukraine; judicial and law enforcement cooperation
<b>June 21, 1999</b>	Bonn, Germany	President Clinton (U.S.) German Chancellor Schröder (EU) European Commission President Marin	Kosovo; the Balkans; Stability Pact for Southeastern Europe
<b>Dec. 18, 1998</b>	Washington, DC	President Clinton (U.S.) Austrian Chancellor Klima (EU) European Commission President Santer	European imports of Caribbean bananas and U.S. beef; European Airbus subsidies; surge in U.S. imports of European steel; cooperation on the Year 2000 computer problem; climate change
<b>May 18, 1998</b>	London, UK	President Clinton (U.S.) British PM Blair (EU) European Commission President Santer	Clinton's waiver of provisions of the Iran-Libya Sanctions Act as they apply to EU countries
<b>Dec. 5, 1997</b>	Washington, DC	President Clinton (U.S.) Luxembourg PM Juncker (EU) European Commission President Santer	Signing of the U.S.-EU Science and Technology Agreement; climate change; e-commerce; Bosnia and Herzegovina; Ukraine; regulatory cooperation