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“A new Transatlantic order: Brexit, Europe and a new US administration”

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I am wondering whether I should start by saying that we, indeed, live in worryingly interesting times or rather interestingly worrying ones. In any case times continue, indeed, to produce more risk that we can absorb. This seems also to be true for the transatlantic strategic agenda.

To start with, let me remind us that a strong Europe has traditionally been seen by American administration and presidents as being in the strategic American interest.

For the first time we have heard the American President expressing his hope to see other member states of the Union following the Brexit and disintegrating Europe.

One can only hope that this approach will not find its way to policy implications. As it is also clear that the future of European integration is up to us to decide, meaning in particular whether we want to disintegrate or not. We will certainly, if needed, consider it ourselves.

In the economic area, transatlantic agenda, even if seen recently by some analysts as drifting, has been based over the last decade or so on a clear multi- framework. It was of course security, but it was also the free trade framework, since 2013 embedded in the TTIP negotiation process. It was the commitment, since the Pittsburgh G20 summit in 2009, to the global norms and standards. One could also reflect here on the recent shift toward seeing the climate agenda as a possible framework related to competitiveness. But it is not at all clear whether the transatlantic strategic reflection will stick to those already identified potential frameworks: security, TTIP, global standards, climate. There is a good chance that a broader economic, prosperity and competitiveness related agenda, including transatlantic digital market and data flows as a driver, can emerge from reflection.

When it comes to free trade agenda, it is true that probably nobody has ever won elections on the free trade and pro globalization agenda. So the attitudes stemming from the electoral process in the US do not come as surprise. Now, we have to cope with consequences of elections won on an anti free trade, pro protectionism, anti globalization, globalization works against us type of messages . We hear from some political analysts that we should not worry about the Trump administration views on free trade agenda. We hear that America will be pro trade but clearly rather mercantilist than

protectionist , exports will be seen as good, imports rather as bad, need of bilateral talks with Germany in order to reduce German surplus has been already underlined. This reflects the tendency to think about relations with the EU in terms of bilateral relations with individual member states, ignoring the legal and practical specificities of the Union.

On trade agenda, it would be useful to consider the impact of increasing American tariffs on the American economy. They would certainly hit the poor Americans, as well as American industry. What seems to go without saying is that the Chinese could retaliate, rumors are that Boeing orders from China can be canceled, experts would probably say that agricultural exports to China can suffer, as well. There is a risk that this type of trade war China could most likely, if not easily, win.

The focus on manufacturing in the context of the America first agenda comes probably from the fact that this is where American trade deficit has been the fact of life for quite a while. However, manufacturing today provides only ten percent of jobs. What matters more is agriculture and services where America has a surplus in trade exchanges. For American economy it is also useful to take note of the link between trade deficit and FDIs.

One should not ignore the ongoing structural changes in the global flows of goods and services. There are more services in trade. There is also growing tendency to produce and consume locally. This growing share of an on shore, as opposed to off shore, production has been the result of ecological concerns becoming more and more popular, leading to stronger push to produce and consume locally. This, of course, adds to a return of a rather aggressive unilateralism and bilateralism in trade relations internationally. That is why a future regulatory cooperation of the US with EU and a single TTIP undertaking seem rather difficult or even not probable. Anyhow, any trade talks will most likely have to be seen in the context of buy American logic.

This high level of uncertainty makes any reflection on a transatlantic agenda strategy a difficult exercise. What used to be difficult now is simply not envisageable. But of course not reaching out over the Atlantic would be a massive mistake.

For decades EU - US relationship has been a bipartisan process. Now, the challenge is to avoid bilateral American relations with EU states. But, it is also likely that scaling back the international engagement of the US will most likely hit an economic reality wall sooner or later. There is also the challenge of whether we will continue to share common political values which has been for the last fifty years the foundation for our relations. There seems to be a risk there, quite serious I would say. Protectionism can become a problem, liberal international order can fall backward if we are not vigilant which might make it impossible to go toward global standards. Some would say that there is even a question of whether we can trust each other. President Trump, even if pushes Europe toward unity, he certainly provides an additional layer of uncertainty. In my view, he will be an accelerator for intensifying European

integration. And, let me say it very clearly, in the context of Brexit, I definitely do not see why UK could be more attractive to US when being outside the EU as compared to being inside.

In our reflection and action we have to protect what we have achieved so far. In this context it is very likely that the transatlantic agenda can become more defensive than proactive. But it will be for us, on both sides of the Atlantic, to decide. As usual there is a lot to win if we make it together.