



# SOFT POWER AND THE TRANSATLANTIC DIALOGUE

The relationship between two of the world's most important trading powers is a complicated one and requires an equally sophisticated diplomatic approach, **William Kennard**, **US Ambassador to the EU**, tells Brunswick's Philippe Blanchard

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**A** little over a year into his tenure as US President Barack Obama's Ambassador to the European Union, William Kennard gave a talk at TEDx Brussels in which he addressed the idea of, as he put it, "how to recapture some of the magic of the tech revolution," in terms of making it work for the US and European economies. He recounted that he'd recently been reminiscing about his time as head of the Federal Communications Commission (FCC), the US telecoms regulator, in the late 1990s, the internet's formative years: "It occurred to me that for innovation to happen in an economy it is not just about ideas but it is also about creating a government environment for ideas to flourish."

This means that government should make certain R&D investments – as the US did in the Defense Advanced Research Projects Agency (DARPA), which helped to give birth to the internet.

"But that wasn't all that happened. There was a wonderful cauldron of people and ideas and government policies that came together in the Silicon Valley in the 1990s." This fostered a culture of risk-taking by venture capitalists, favorable regimes for taxation and immigration, and an attitude of "regulatory restraint," which allowed the internet to develop in an unregulated environment. "Innovation doesn't come top-down, it comes bottom-up," Kennard told the audience, emphasizing that "fully 50 percent" of those who started enterprises in the Silicon Valley of the 1990s were immigrants.

It was a manifesto for openness. It was also a pro-business message, and one that perhaps summed up the US experience in fostering important growth industries. Furthermore, it highlighted potential points of difference with the EU over areas that are key to trade, such as the balance between protection of privacy and fostering innovative new digital businesses.

### Has living in Brussels these past few years changed your personal perspective on Europe?

Yes it has. I lived in France briefly as a student, but I never lived in Europe as an adult. President Obama asked me to take this job because I have both a business and a regulatory background. Brussels is a very intensive regulatory environment. So I arrived with an understanding of how to deal with complex regulatory issues and bureaucracies.

But I quickly learned that Brussels is more complex than Washington. This is primarily because the EU is a power-sharing arrangement among 27 sovereign nations, governed by treaty and ruled by consensus. This makes decision making more cumbersome and complicated in many ways.

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### Having worked in both business and public service – a combination that is still more common in the US than in Europe – what is the difference between the two in terms of the communications constraints?

I feel very fortunate that I have been able to work in both the private and public sectors. I've spent most of my career in the private sector, but have had the privilege of serving at high levels in the Clinton and Obama administrations. Over the course of my career, I've learned that many of the same leadership skills apply in both contexts.

It really comes down to being able to do three things. First, you have to be able to articulate a vision of what you want to accomplish and where you want to take the organization. Second, you have to be able to execute – to chart a course to implement that vision. And third, you have to inspire people to share your passion for the vision. You can't do it alone. You need 'buy-in,' you need to win people over. I find that so many times in my jobs, whether in government or business, I feel like the salesman. I am always trying to persuade people to do what I think we need to do. I guess that is a key component of getting things done. You have to get people behind you.

### Do you find that our vision is becoming increasingly short-termist due to the length of mandates in both politics and business? And can we change this?

Good leaders are able to articulate a long-term vision and then persuade people how the short-term goals are essential to realizing that vision. Sometimes, of course, setting long-term goals

requires us to acknowledge that in the final analysis, we can't predict the future. As a regulator, I learned that government needs to have the humility to acknowledge that it can't predict where the market is going.

The pace of business always will – and always should – move faster than the pace of government decision making. For example, the product cycles of today's wireless devices – smartphones and tablets – are 18 months. The product cycles for applications on those devices are even shorter. Entrepreneurs are coming up with new business models all the time. Government decision makers should resist the temptation to make decisions based on their predictions of where the market is going, because markets are fast-moving and inherently unpredictable.

### What's the best way for the business sector to deal with its public image, to react or to be more proactive?

'Business' isn't monolithic – some do it better than others. I do think the businesses that relate best to government are those that spend a lot of time with government officials explaining how their businesses work and their vision for the future. Both in the US and in Europe, I've seen regulators kill proposed deals because government and business had a fundamentally different view of where the market is going. Executives should spend time with government officials articulating their view of the market and how it is evolving. This is particularly important for technology businesses. Business leaders should not assume that government officials share their view of the future.

### Do you see a major difference between the US and Europe on this?

The Washington lobbying culture is very different from that in Brussels. Companies in Washington are much more aggressive about advocating for their point of view – they use tools of persuasion more aggressively. So, for example, if there is a major merger pending before government agencies in Washington, companies advocating that merger will buy advertising on radio and television and in newspapers. They will mount major advocacy campaigns in Congress and with the public.

One of the key differences I have noticed is the role of legislative oversight. In Washington, Congress has a much stronger oversight role, particularly over the regulatory agencies. Having been a regulator in Washington, I know life is very different there because you are accountable to Congress which

has real oversight power – especially the power to subpoena testimony and oversee your budget. This provides businesses in Washington with a very powerful outlet to influence outcomes. In Brussels, the role of the European Parliament has been strengthened after the Treaty of Lisbon, but it has far less oversight authority.

### Do you think that the complexities of the EU are understood in DC's political community – and in the US generally?

No. I don't think there is a deep understanding of the EU, in part because the EU is ever-evolving. I think there is a general perception that the EU is very important and is increasing in

importance. This is reflected in the headlines. In every major newspaper in the US, people have seen headlines about the eurozone crisis for almost four years now. Many Americans now understand that the values of their stock portfolios are being impacted by EU institutions. This is a recent phenomenon. Now our challenge is to harness that awareness in more positive ways. If we launch negotiations on a US-EU trade agreement, which I hope will happen this summer, we have an

opportunity to show Americans that growth in the European economy can be hugely beneficial to the US economy – that there is a real upside to this relationship for all Americans.

### There is something of an EU inferiority complex and people seem to be more excited about China and other Asian economies. Do you recognize that?

I have noticed that too and I have told people here that they need to just get over it. The EU represents more than 500m people. Collectively, it is the largest economy on the planet. If people here would focus on that potential I think it would improve the sense of inferiority that you mentioned, and maybe it would create more motivation to maximize the potential of the EU as an economic bloc, to deepen the single market, to speak more often with one voice. You do not hear people in the EU say very often, 'We are the world's largest economy.' I think that is because the EU has not yet realized that potential.

The common identity at the European level is still nascent and, of course, Europe is currently suffering a bout of euroskepticism. But ultimately, that's a mindset, right? Again, it comes down to articulating a vision and getting people to embrace that vision – to see the enormous untapped potential of





#### WILLIAM KENNARD

A graduate of Stanford University and Yale Law School, William Kennard served as Chairman of the US Federal Communications Commission (FCC) from 1997 to 2001. His tenure saw the explosion of mobile phone technology and billions of dollars of investment in new broadband technologies. Kennard promoted the benefits of competition and deregulation

worldwide and signed agreements to share US regulatory experience with emerging regulatory authorities in other countries.

He left the FCC in 2001 to join private equity firm The Carlyle Group, where he led deals in the telecommunications and media sectors. Kennard was appointed US Ambassador to the EU in 2009.

an integrated, decisive European Union. Now, this whole notion that our pivot to Asia means that the US doesn't care about Europe is simply false. We're pivoting to Asia because Asia is emerging as the most important region in the world. But we are not shifting away from Europe to do that – we want to shift *with* Europe towards Asia. A centerpiece of our foreign policy is to convince the EU and European governments to think more about Asia in geopolitical terms. And I truly believe that Europe could better realize its own potential if it had a greater appreciation of Asia's potential.

#### How have you been involved with decision makers here on the eurozone crisis? The US Treasury leads on that, right?

It is a delicate role for the US government because the eurozone problems that have played out here over the last four years profoundly affect the global economy, but the US government cannot decide the outcome of those issues. It affects us but we don't have a vote. We usually have a point of view about which course the EU and the member states should take, but because we are not the decisive voice, sometimes our advice can be perceived as interference. That being said, I think that we have played a useful and important role in providing advice based on our recent experience in recovering from the financial crisis. These issues are highly technical and quite market sensitive, so most of our communication is done very discreetly by the Department of the Treasury.

#### The eurozone crisis has triggered a whole wave of regulation on the financial sector. This regulation was meant to be coordinated by developed economies, the G20, but with mixed results. Will the Transatlantic Trade and Investment Partnership [TTIP] and a free trade agreement [FTA] improve the process?

I'm very optimistic on these questions. First, the global response to the crisis by the world's major economies at the G20 and

elsewhere has been generally consistent. World leaders, particularly those in the US and Europe, agreed on a broad course of action: shoring up capital requirements for banks, tightening regulation of derivatives markets, and increasing oversight authority of the financial services industry. So in broad terms we agreed. Differences at the margin can have important distorting impacts, but we are working hard to resolve them.

There is a very robust dialogue that has been going on for some time now between our financial regulatory authorities and their counterparts in the EU, and those discussions will continue alongside the TTIP negotiations. The TTIP will deal more directly with market access issues that arise in the financial services context, which is a standard component of free trade agreements. But the current thinking is that there is already a robust channel for dealing with the regulatory convergence issues in this area. Remember, we have a vast and complex relationship with the EU and you don't want to fold every issue into the TTIP, otherwise it becomes a Christmas tree with too many ornaments.

#### Is there support at home, in the US, for an expanded trading partnership with the EU?

Virtually all of the key stakeholders in the US have been supportive, including bipartisan support in the US Congress and support from organized labor. Everyone has their own ideas of what they would like to see, but no major constituency group in the US is saying, 'Don't do this.' That is important. So we have a significant window of opportunity. If we seize it, we can accomplish something truly historic not only for the US and the EU but for the entire global trading system. ☺

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**For more on the forthcoming TTIP negotiations, see following pages**