

Committee(s)	Dated:
Public Relations and Economic Development Sub Committee	8 January 2019
Subject: Policy Chair's visit to New York and Washington DC. November 2018	Public
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Summary

The City of London Corporation's Chair of Policy visited New York and Washington for a series of meetings with senior policymakers and business representatives from 26-29 November 2018.

Overview of key messages:

- Key positions are peopled by high-quality officials who welcome business engagement and constructive dialogue. Under the surface, this resembles a typical Republican administration.
- There is expectation that USMCA will form a baseline for future UK negotiations with an energised USTR.
- In the Financial and Professional Services sector, there is much that can be achieved outside an FTA mechanism. We found widespread support for parallel processes aimed at deepening regulatory relationships.
- Potential for a disorderly Brexit has focused minds on global stability issues. Regulators stand ready to smooth the process.
- Randal Quarles' elevation to the FSB is welcomed as a signal of US intentions to increase presence at a global level.
- The US predicts the need for greater dialogue and triologue with a post-Brexit EU.

Recommendation

Members are asked to:

- note the report.

Background

1. The Policy Chair visited New York from 26-27 November and Washington DC from 27-29 November.

Main Report

US political environment

2. For the financial and professional services (FPS) sector, the impact of the midterm elections is not yet clear. With the dust settling on a Democrat-controlled House, many interlocutors expect legislative gridlock. We may also see pressure falling on key institutions with Deutsche Bank and, by extension, other FBOs in the spotlight.

Trade: USMCA sets the context

3. NAFTA's renegotiation to become USMCA, achieved to tight deadlines in a tense political climate as seen as a job well done. Interlocutors welcomed data localisation provisions, commitments around investment advice and constructive steps on electronic payments. The financial sector's reaction has been largely positive especially in terms of market access for new financial services.
4. USMCA is not yet ratified and will continue to absorb bandwidth across the administration. All agree, however, that USMCA could and should provide the baseline for holistic UK-US trade discussions. With USTR open to going further.

Trade: UK-US relations: 'From highway to superhighway'

5. In New York, we heard of business de-risking UK-EU operations and shifting strategic focus across the Atlantic. In the week prior to our visit, the 19 Senators of the Senate-UK Trade Caucus, almost one fifth of the Senate, signed a letter to President Trump backing a wide-ranging US-UK agreement.
6. USTR has used US-UK scoping discussions to build understanding of broad US ambitions, prior agreements and general approach. USTR is focusing keenly on Brexit timings and HMG's scope with specific questions on the impact of state aid and level playing field provisions. The future UK-EU relationship will require much greater definition before concrete steps are possible.
7. Agriculture was front of mind as a key potential component. Senator Chuck Grassley's (R. Iowa) arrival as Chair of the Senate Finance Committee with responsibility for International Trade only reinforces this impression.
8. We found real recognition of the value of transatlantic services trade; understanding that the services relationship, or plumbing, already works well; and appreciation of the risks associated with addressing FPS in holistic trade negotiations. Our strong message was that in FPS, many market access issues do not require an FTA mechanism to resolve. The sense that greater regulatory coherence can transform the bilateral services relationship 'from highway to superhighway' is gaining traction.
9. Officials recognise the need to define FPS taxonomy as the baseline for establishing agreements which evolve with the markets. US Treasury is actively seeking areas on which to collaborate for effective outcomes. Officials want to hear

examples of frictions or regulatory kinks which could be ironed out to increase market access in both directions.

Brexit, fragmentation and internationalism

10. The US is scrupulously not picking sides in the Brexit process. US regulators are, however, fully alive to the implications of a 'no deal' Brexit. There is resignation that the loss of passporting and contract continuity issues present real business-level concerns. It is the potential impact on central counterparties, however, that concentrates minds as an issue of global financial stability. Regulators stand ready to smooth any Brexit fallout as much as possible.
11. We found real market fragmentation concerns. The splitting of liquidity pools through localisation policy and overlapping financial regulation makes markets less resilient to shocks, whilst increasing costs and reducing choice for the consumer. There is expectation that Japan's G20 agenda focused on avoiding fragmentation will provide impetus.
12. Randal Quarles' appointment to the Financial Stability Board (FSB) speaks to America's intention to boost its influence in some areas of the international policymaking space rather than pull back. He is expected to refocus the organisation around its core remit.

The European Union post-Brexit

13. Increased cooperation, both bilateral and trilateral, to advocate on behalf of evidence-based policymaking and champion international collaboration will be more important than ever.

Reporting and next steps:

14. On her return, the Policy Chair sent visit reports to the Chancellor of The Exchequer and Secretary of State for International Trade. In parallel, the EDO circulated a report across the sector.
15. This trip was closely followed by the Lord Mayor's trip to the West Coast, a report on which will follow in due course.

Conclusion:

16. The Chairman is building strong relationships with key actors who will play a central role in shaping the post-Brexit transatlantic relationship. The City of London is well-placed to influence this debate and is recognised as operating in a unique space. American interlocutors value our insights, understand our core objectives, agree with our philosophy and are grateful for our energetic engagement.

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