2013 will be the year of an EU-US free trade agreement, or at least serious negotiations towards that goal. Although this possibility has been raised many times before, only to stall in the face of tough regulatory or subsidy issues, the economic stakes are higher and the political obstacles are lower next year. Both the EU and the US desperately need faster economic growth. Monetary policy is essentially exhausted; fiscal policy is set to tighten. That leaves trade: expanding markets by removing tariffs and – more importantly – non-tariff barriers, such as licencing requirements and anti-dumping measures. Small wonder that the Obama administration is actively pursuing the Trans-Pacific Partnership to the west and raising the prospect of a US-EU deal in the east.

The US finally seems to have realized that Europe’s economic heft is a strategic asset. Secretary of State Hillary Clinton said in a speech at the end of November that “America is not pivoting from Europe to Asia; we are pivoting with Europe to Asia.” The EU is the largest economy in the world; it is the US’s largest trade and investment partner and China’s largest trade partner. [Building a genuine transatlantic market reinforces the transatlantic political and military alliance and helps both the US and the EU coordinate policy toward different Asian countries.] It also creates a new set of possibilities in the Atlantic basin, improving ties to both Africa and South America and encouraging trade and investment between them. Finally, the EU could be an important market for increased US energy exports.

Expanded US trade and the symbolism of a new and enduring transatlantic agreement could be a political lifeline for embattled EU leaders who see nothing but austerity and political fights ahead. It gives them something new to offer their consumers and at least some of their producers. And it makes clear that the US is putting a long-term bet on the EU, just as it has done ever since 1958, That also has to mean a long-term bet on the survival and indeed expansion of the eurozone. All of which means that if European governments are ever to find the political will to face down the agricultural and other lobbies that have frozen previous efforts to achieve a US-EU trade agreement, the time is now.

Britain should be watching these developments with particular interest. If the US and the EU can agree to merge their markets, the cost of a potential British exit from the EU go way up. Britain would once again become an island economy, but one walled off from a transatlantic sea.