April 18, 2012

# Forging a Transatlantic Partnership for the 21st Century

*Joint Statement by Business Roundtable, the TransAtlantic Business Dialogue and the European Round Table of Industrialists*[1]

## Overview of a New Transatlantic Partnership Vision

We welcome the new U.S.-EU High Level Working Group on Jobs and Growth and the U.S. and EU government leaders' declared intent for it to consider the full range of trade and investment measures that could be taken to revitalize and intensify our strong economic relationship. We are concerned, however, that absent a clear and compelling vision of a more strategic, dynamic and forward-looking partnership, the effort will not fulfill its promise.

We believe the vision should be to develop a new Transatlantic Partnership (TAP) to deepen the U.S.-EU economic relationship and to strengthen the international economic system and its rules and standards, thereby supporting innovation, economic growth, and job creation in the United States and the EU and around the world. This is not a time for piecemeal efforts; it is a time for transformative action and leadership. To further this vision, the effort should focus on, and integrate effectively, three core objectives: (1) renewing and opening more deeply the 21st Century transatlantic market; (2) positioning our partnership so we can better both compete with and engage third countries on the fundamental rules underpinning 21st Century trade and investment; and (3) strengthening the WTO and deepening the multilateral commitment to open markets.

As CEOs and chairmen of businesses engaged across the global economy, we need nothing less. If we are to galvanize our companies and sectors to position our global ambitions around the opportunity represented by the new U.S.-EU High Level Working Group on Jobs and Growth, then it is self-evident that the strategic vision and structure will need to serve as a global template.

As business leaders on both sides of the Atlantic, we believe the renewal and further opening of the transatlantic market is important to reenergizing our economies and the global economy. We welcome all serious efforts to that end, and offer our support in realizing that goal. But in today's global economy we cannot afford to limit our ambition to a standard bilateral free trade agreement. On its own, such an exercise is insufficient to meet the broader economic challenges we face. This transatlantic partnership should advance an agenda for jobs and growth that opens transatlantic markets while simultaneously creating a dynamic environment to promote international cooperation to open global markets. Efforts to open transatlantic markets must be tied to joint efforts to strengthen the ground rules of the international economic system and to engage the emerging growth markets in a common effort to extend the benefits of open markets to their citizens and companies.

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[1] Business Roundtable, the TransAtlantic Business Dialogue and the European Round Table of Industrialists would like to acknowledge the assistance of Daniel S. Hamilton, Ph.D. in helping prepare this paper. Mr. Hamilton is the Executive Director of the Johns Hopkins University Center for Transatlantic Relations at The Paul H. Nitze School of Advanced International Studies in Washington, DC.

## Why a Transatlantic Partnership and Why Now?

Even with the rise of other economic powers, including the emerging growth markets, the United States and the EU remain the fulcrum of the world economy, each other's most important and profitable market and source of on-shored jobs, each other's most important strategic partner, and the driving force in the multilateral economic system — when we work in concert.

The notion is mistaken that we can "go it alone" in trying to convince other countries to reject protectionist trade policies, forego discriminatory industrial and regulatory policies, and provide adequate and effective intellectual property protection. This can also lead to serious missed policy opportunities for the United States and the EU to raise the bar in terms of setting international norms and standards. Strengthening transatlantic bonds is important not only in terms of how Europeans and Americans relate to each other, but how we can harness the potential of the transatlantic partnership to open markets in other countries, especially the emerging growth markets, and strengthen the international economic system. In fact, the stronger the bonds among core market economies like the United States and the EU, the better our chances of being able to include rising economic powers as responsible stakeholders within an open international economic system.

Despite its strength and potential, the U.S.-EU relationship punches below its weight and fails to capitalize on significant opportunities for our citizens, companies, workers, consumers and the multilateral economic system we, together with many other partners, helped bring to life.

## Core Elements of a New and More Dynamic Transatlantic Partnership

We believe the vision for a Transatlantic Partnership (TAP) must encompass three core, mutually-reinforcing objectives. There will be a natural inclination to do what we all know best—focus quickly on the granular elements of either a standard bilateral free trade agreement or targeted sectoral trade, investment and regulatory negotiations. Achieving the core objectives will require careful and thoughtful engagement by our governments and private sectors. The U.S.-EU High Level Working Group on Jobs and Growth has created a unique opportunity for the United States and the EU to revitalize and reshape their relationship on both a bilateral and global scale; and this opportunity should not be wasted.

**First and foremost**, **we must renew and more deeply open the 21st Century Transatlantic Market with ambitious targets.** The goal of a renewed and open transatlantic market should not be just another "free trade agreement;" it should be a more ambitious and relevant new-generation accord, rooted in the distinctive nature and potential of the transatlantic partnership. In addition to being grounded in essential principles of WTO-consistency, transparency, and non-discrimination among the parties, it should advance synergistic strategies across a range of areas, from removing tariff and non-tariff barriers to transatlantic trade in industrial and agricultural goods and services, removing restrictions on job-creating investments, further opening of the public procurement market, overcoming regulatory obstacles, boosting innovation, encouraging the flow of people and talent across the transatlantic space to addressing emerging 21st Century issues like facilitating cross-border data flows which have become essential to global manufacturing and services operations.

- *The initiatives need to focus on achieving each of the core objectives outlined in this paper to the maximum extent and as quickly as possible.*

- *The initiatives should be ambitious in eliminating trade, investment and regulatory barriers and distortions in promoting regulatory coherence and should result in commercially relevant new-generation accords.*

The framework needs to recognize that the U.S. and EU economies are so integrated that some of the few remaining barriers and distortions are deeply embedded in our respective legal, policy and political structures and their resolution may not necessarily fit effectively into the negotiating structure of a new transatlantic agreement. Such hurdles must be recognized at an early stage and addressed in a positive way to ensure that the momentum of trade liberalization is maintained. The U.S.-EU High-Level Working Group on Jobs and Growth should also integrate into its recommendations how the United States and the EU might use other mechanisms like the Transatlantic Economic Council (TEC) and how the EU and the United States can engage more effectively other key stakeholders, including legislators, regulators and standards setters, to move forward on issues that will require more extensive work.

**Second**, **we must reposition our partnership so we can better engage with third countries on the economic ground rules underpinning the multilateral system.** Efforts to open transatlantic markets and lift and align transatlantic standards and regulatory regimes can – and must – drive broader international cooperation. The stronger our bilateral convergence, the more seriously third countries will respond and the greater the likelihood of making tangible progress in opening markets and ensuring a rules-based approach and norms. This is an opportune moment for such an agenda. The multilateral system administered by the WTO is under challenge, especially by emerging growth markets that have benefited substantially from the system. A number of rapidly emerging countries do not share the core principles or basic structures that underpin open rules-based commerce, and are now showing no real interest in new market opening initiatives. As a result, the global economy is drifting dangerously towards the use of national discriminatory trade, regulatory and investment practices.

The United States and the EU have used the TEC process to coordinate and align policy responses to certain actions taken by third countries that discriminate against transatlantic businesses. This joint effort has proven successful and should continue on a parallel track as the U.S.-EU High-Level Working Group on Jobs and Growth focuses on its work. In this regard, the United States and the EU must pioneer more dynamic and effective forms of transatlantic collaboration that provide new opportunities to reach out to the emerging growth markets to open their markets, to lift international standards, and to strengthen multilateral rules. Given the size and scope of the transatlantic economy, standards negotiated by the United States and the EU can quickly become the benchmark for inclusive regional and ultimately global models, reducing the likelihood that others will impose more stringent, protectionist requirements or discriminatory industrial and regulatory policies for either products or services.

The goal is not to build an Atlantic Fortress, but instead to pave the way for sustainable economic growth in the global marketplace. Europeans and Americans certainly share an interest in extending prosperity through open markets. Because of this, Europeans and Americans should forge ahead, identifying points of agreement on the elimination of traditional trade and investment barriers on regulatory norms and standards where they can, and using such agreement to engage third countries. Our chief goal should in fact be to make broader institutions work much more effectively, by seeking general agreement on goals and purpose before engaging in larger fora, thus supplementing rather than supplanting such bodies.

- *The new U.S.-EU High-Level Working Group on Jobs and Growth needs to factor into its planning the important fact that the United States and the EU have concluded many bilateral free trade agreements and are moving forward with new agreements with a special emphasis on modernizing them to tackle pressing 21st Century issues such as trans-border data flows, discriminatory industrial policies and state-owned enterprises. The United States is pursuing the Trans Pacific Partnership (TPP), while the EU is concluding a Comprehensive Economic and Trade Agreement with Canada, has ongoing negotiations with India, Mercosur and others, including most recently with Japan.*

- *In this growing web of economic integration, there is a glaring hole the U.S.-EU High-Level Working Group on Jobs and Growth has to recognize and develop a strategy for filling. The free trade agreements negotiated by the United States and the EU overlap considerably. Under these circumstances, the U.S.-EU High-Level Working Group needs to develop a negotiating framework that will promote alignment of these agreements and an opportunity for new countries to join in the newer arrangement.*

- *Alignment, such as reconciling different rules of origin, would enhance the economic growth and job creation benefits of the agreements by reducing transaction costs and the burden of complying with different sets of rules that companies and their workers must navigate.*

- *The alignment process could also create a dynamic environment in which it might be possible to draw some of the emerging growth countries who do not have free trade agreements with either the EU or the United States into an agreement. This dynamic appears to be working in the TPP where Malaysia and Vietnam have already become parties to the negotiations, and Japan, Canada and Mexico have now all asked to join the negotiations. Given the unfortunate deadlock in the WTO Doha negotiations, creating such a new dynamic could be a major boost to creating a stronger and broader commitment to open markets.*

**Third**, **we must strengthen and deepen the commitment in the WTO to open markets and extend the rules-based multilateral system to include new areas of commercial opportunity.** Commercial barriers must come down not only across the Atlantic, but around the world too. We remain committed to the multilateral trade liberalization agenda under the auspices of the WTO. Yet we should also explore opportunities that give us more viable options than moving the global economy ahead in lockstep or not at all.

In addition, the United States and the EU should work together and with other like-minded partners to extend the rules-based multilateral system to new areas of endeavor. Most new cooperative economic arrangements today address issues beyond traditional "at the border" barriers to trade in goods and services as originally formulated by the GATT and GATS. New guidelines are needed to apply such fundamental WTO principles as transparency, non-discrimination between the parties, and national treatment to international economic transactions ranging far beyond the traditional trade agenda.

Those who worry that an ambitious Transatlantic Partnership could threaten the multilateral economic system should not be concerned by this new transatlantic initiative. They should consider that the opposite may be true. In fact, how the United States and Europe deal with the interrelated challenges and opportunities posed by bilateral issues, rising powers, and overlapping networks of FTAs could go far to shape the multilateral agenda for a new age and ultimately strengthen the multilateral system, especially the WTO.

In this sense, transatlantic markets have become the laboratory for the international trading system; many transatlantic issues cannot be addressed by multilateral efforts alone. That is why the "multilateral versus transatlantic" dichotomy is a false choice. The United States and the EU should advance on both fronts simultaneously: push multilateral liberalization and press transatlantic market-opening initiatives in areas not yet covered by multilateral agreements. The alternative to this WTO+ agenda is not drift; it is growing protectionism, U.S.-EU rivalry in third markets, and the triumph of lowest-common-denominator standards for the health and safety of our people. The absence of common rules and procedures weakens the leverage of our two regions to ensure that high standards prevail.

- *The U.S.-EU High-Level Working Group on Jobs and Growth should propose ideas on how existing and future U.S. and EU agreements could be used to strengthen and deepen the WTO's commitment to open and non-discriminatory markets.*

- *For example, consideration should be given to using these agreements to develop non-binding "best practices," like the EU-U.S. ICT Principles, which could be promoted within the WTO to guide countries on how to create a more effective trade, investment and regulatory environment for growth and job creation.*

- *In addition, the United States and the EU should explore how they could use the TAP and TPP to promote plurilateral negotiations under the auspices of the WTO whereby non-party WTO members could dock to either or both of these agreements or work together to merge these and/or other high standard bilateral and regional trade agreements.*

- *Ultimately, the goal would be to try to use these types of initiatives to reinvigorate the overall commitment in the WTO to negotiate new multilateral agreements that are more relevant to the global economy in the 21$^{st}$ Century.*

## Conclusion

The U.S.-EU relationship remains the foundation of the global economy and the essential underpinning of a strong, rules-based international economic order. We literally cannot afford to neglect it. Instead, we need to put our partnership to work – to open our markets; to engage the emerging growth countries; and to strengthen global rules. A 21$^{st}$ Century Transatlantic Partnership is within our grasp, but it is not the relationship we have today. Given the challenges we face, such a partnership is urgent. We are committed to working with U.S. and EU government leaders and others in the business community to create a new and more effective transatlantic partnership that supports economic growth and job creation.

Business Roundtable (BRT) is an association of chief executive officers of leading U.S. companies with over $6 trillion in annual revenues and more than 14 million employees. BRT member companies comprise nearly a third of the total value of the U.S. stock market and invest more than $150 billion annually in research and development – nearly half of all private U.S. R&D spending. Our companies pay $163 billion in dividends to shareholders and generate an estimated $420 billion in sales for small and medium-sized businesses annually. BRT companies give nearly $9 billion a year in combined charitable contributions.

Please visit us at www.brt.org, check us out on Facebook and LinkedIn, and follow us on Twitter.

The TransAtlantic Business Dialogue (TABD) is the official dialogue between transatlantic business and U.S. Cabinet Secretaries and EU Commissioners. Participating chief executives and chairmen from leading American and European companies discuss transatlantic business issues, share recommendations for action, and engage in a dialogue with the U.S. Government and EU Commission on the future of the transatlantic economic relationship and engagement with third countries. TABD is also the official business advisor to the Transatlantic Economic Council (TEC).

Please visit www.tabd.com for more information.

The European Round Table (ERT) of Industrialists brings together around 50 chief executives and chairmen of major multinational companies of European parentage. Companies of ERT Members cover a wide range of industry sectors. Their combined turnover exceeds €1,000 billion and they employ 6.6 million people in Europe.

Please visit www.ert.eu for more information.

October 31, 2012

Re: USTR-2012-0028 - EU and U.S. call for input on regulatory issues for possible future trade agreement

The Business Roundtable (BRT), the TransAtlantic Business Dialogue (TABD,) and the European Round Table of Industrialists (ERT) are submitting the following comments jointly in response to USTR's request for comments in the above referenced matter. Our organizations represent chief executive officers and chairmen of leading U.S. and European companies. We are pleased that the U.S. Government and the European Commission (EC) have together agreed to seek public comments and encouraged associations to submit views jointly with their counterparts across the Atlantic, hence this joint submission.

In April, our three organizations issued the attached joint statement in strong support of the new High Level Working Group on Jobs and Growth (HLWG). In *Forging a Transatlantic Partnership for the 21st Century,* we recommended that the HLWG's objectives "should be ambitious in eliminating trade, investment and regulatory barriers and distortions in promoting regulatory coherence and should result in commercially relevant new-generation accords" in order to promote economic growth and job creation in the United States and Europe. A June 2005 report issued by the Organization for Economic Cooperation and Development (OECD) estimated that economic reforms in both the United States and the European Union (EU) related to the relaxation of regulations, tariffs, and restrictions on foreign direct investment could increase GDP per capita by up to 2.5 percent in the United States and up to 3 percent in Europe.[1] USTR's request for comments is especially timely and important because regulatory barriers are recognized as the most significant impediment to greater trade and investment between the United States and the EU.

In *Forging a Transatlantic Partnership for the 21st Century,* our three groups recognized that enhanced regulatory cooperation between the United States and the EU is central to strengthening and deepening our vibrant economic relationship. Promoting this goal will: (1) help U.S. and European businesses grow and create new jobs by eliminating unjustified regulatory differences and unnecessary red tape; (2) enhance the global competitiveness of our businesses by increasing productivity; (3) help our governments achieve regulatory objectives in

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a more effective and efficient manner; and (4) strengthen the ability of our governments to confront the disturbing rise of discriminatory standards in other countries.

Our joint statement also noted that achieving the core objectives of strengthening and deepening the U.S.-EU economic relationship "will require careful and thoughtful engagement by our governments and the private sector." We want to commend the U.S. Government and the EC for jointly inviting U.S. and European industries to submit their views on how to promote greater transatlantic regulatory compatibility generally as well as asking for concrete ideas on how greater compatibility could be achieved in specific sectors. These collaborative requests are laying the foundation for the strong government-private sector partnership that will be the key to success in the hoped-for U.S.-EU negotiations on trade, investment and regulatory cooperation issues and in the future work of the Transatlantic Economic Council (TEC), the U.S.-EU High Level Regulatory Cooperation Forum (HLRCF), and the U.S.-EU High Level Working Group on Jobs and Growth (HLWG).

As you know, our organizations are general business groups whose members are chief executive officers and chairmen of leading U.S. and European companies representing a wide-range of economic sectors. Since sector-specific associations have the necessary experience and detailed information on what is needed to promote regulatory cooperation in their sectors, we have been encouraging these associations on both sides of the Atlantic to provide detailed sector-specific information to the U.S. Government and the EC, including responding to your request for comments, and to participate in the ongoing work of the TEC, the HLRCF and the HLWG. In particular, we are encouraging U.S. and European sector associations to work together to develop sector-specific recommendations to help shape and guide the hoped-for U.S.-EU negotiations on trade, investment and regulatory cooperation issues.

Regulatory and standards issues can by their nature often be more complicated than traditional trade and investment issues. They are often technically complicated as well as legally and politically complex because they involve public health, safety, welfare, and environmental protection issues. We are, therefore, committed to working with the U.S. Government and the EC to develop a negotiating framework and process for horizontal and sectoral regulatory issues which will be able to address effectively these unique issues and produce outcomes which will promote U.S.-EU regulatory cooperation.

<u>Regulatory Consultation Process.</u> In order to set the most constructive stage for U.S.-EU discussions during the hoped-for negotiations, we believe that the HLWG should immediately establish a consultation process under which the U.S. and EU: (1) would be required to notify each other of pending and new major proposed regulatory initiatives; and (2) would be able to discuss these initiatives in the context of the ongoing negotiations. This would not be a standstill requirement, but rather a process designed to inform the discussions and, to the extent possible,

to avoid serious differences which could undermine productive negotiations and the spirit of regulatory cooperation driving them.

High-Level Political Involvement. Overall, we believe that promoting regulatory cooperation will require the highest-level political engagement by both the United States and the EU. Senior level political engagement is essential to creating a viable working relationship in the negotiations between the trade negotiators and regulators and standard setters. It is also essential to establishing an effective and efficient working relationship with legislators who oversee the regulators and standards development bodies.

General Principles. We strongly support the fundamental principles outlined in the joint business community letter on regulatory cooperation, dated October 24, 2012, a copy of which is attached. In addition, the hoped-for negotiations on trade, investment and regulatory cooperation issues should recognize that there are sound principles that can be applied to developing smart regulation that are common to all sectors to ensure that regulations are cost-effective, grounded in the most advanced scientific knowledge available, and are the most efficient and effective means to achieve objectives. Regulatory processes, including government review and management of agency rulemaking, should be open to public scrutiny, regulations should be reviewed regularly for the purposes of determining whether they should be reformed or discontinued, and paperwork burdens should be considered and reduced where possible.

Ripe, Riper, Ripest. In addition to negotiating horizontal and sectoral regulatory provisions which would establish a constructive and dynamic system for regulatory cooperation, we believe the U.S. and EU need to continue to push forward aggressively with other initiatives to address regulatory issues for specific sectors. In doing so the U.S. and EU will need to take into consideration, for example, which sectors might be better positioned for more immediate action, and whether the specific sector issues in question would be addressed more effectively and expeditiously in the HLWG, the TEC and/or the HLRCF.

Longer-Term Regulatory Issues. Finally, it is important to recognize that some regulatory barriers and distortions may be so complicated or so deeply embedded in our respective legal, policy and political structures that greater transatlantic regulatory compatibility may not be immediately achievable. Instead of simply setting these issues aside, the negotiations should be used to find new ways to reinforce existing mechanisms like the TEC and the HLRCF and consider new initiatives for addressing these issues on an ongoing basis.

Thank you for the opportunity to provide comments on these important issues. We look forward to working with you and your EU colleagues to ensure that the HLWG succeeds in promoting stronger economic growth on a sustained basis and creating new jobs in both the United States and Europe. We hope next steps will include the HLWG's recommendation in its final report due later this year that the U.S. and EU launch ambitious and comprehensive trade, investment, and regulatory cooperation negotiations next year.

Sincerely,

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