4º FORO EUROPA - ESTADOS UNIDOS
"Dilemas transatlánticos de poder"
6/7 de diciembre de 2012
Washington DC, USA

Organizaciones convocantes:

La Escuela de Estudios Internacionales Avanzados (School of Advance International Studies, SAIS), posiblemente una de las más reconocidas de los Estados Unidos, forma parte de la Universidad Johns Hopkins con sede en Washington. En su seno, el Centro para las Relaciones Transatlánticas es una institución académica de gran prestigio, reconocida por la Unión Europea como uno de los mejores centros norteamericanos para el estudio de las instituciones europeas y el desarrollo de las relaciones entre los Estados Unidos y Europa.

El Instituto de Estudios Orientales (Foundation Institute for Eastern Studies) fue creado en 1992 para fomentar el mutuo conocimiento y la cooperación entre los países europeos, singularmente los de Europa Central y Oriental. Con sede en Varsovia (Polonia), su actividad más relevante y conocida es la organización anual del Economic Forum, posiblemente el foro de encuentro más importante entre empresarios y políticos de Europa del Este.

Participantes:

En torno a cinco mesas redondas se reunieron representantes de alto nivel de la administración norteamericana, parlamentarios y antiguos dirigentes del máximo nivel originarios de varios países europeos, estudiosos integrados en importantes "think tanks" y algunos periodistas de prestigio (se adjunta el programa definitivo).

Objeto del encuentro:

El Foro tiene como objeto facilitar la creación de una plataforma de debate entre líderes de opinión europeos y de los Estados Unidos. Se pretende evaluar las herramientas disponibles para dar una respuesta eficaz a los retos económicos, estratégicos y sociales a los que se enfrenta la comunidad trasatlántica. Se adjunta el documento "A Transatlantic Agenda for Jobs and Growth", elaborado por Daniel Hamilton, Director del Centro para las Relaciones Trasatlánticas que enmarca con precisión el objeto y los temas de debate de este encuentro.

<u>Reseña del contenido de los debates: algunas intervenciones destacadas.</u>

Dan Hamilton, Director del Centro de para las Relaciones Trasatlánticas, comenzó destacando que los nuevos retos sociales y económicos, y la necesidad de establecer un nuevo marco de relación con las potencias emergentes, exigen más que nunca mantener la unidad entre ambos lados del Atlántico. La realidad está cambiando con rapidez, y la tarea de la UE y de los EEUU es asegurar que las relaciones comunes sirvan para atender las necesidades de esa nueva realidad dinámica.

Julie Smith, Viceconsejera de Seguridad Nacional del Vicepresidente Biden resaltó la determinación de los Estados Unidos de seguir tratando a la UE como un socio principal, tanto en materia económica como de seguridad. Hizo referencia a la marcha de las negociaciones para establecer un nuevo acuerdo comercial entre USA y Europa, y destacó la importancia de estrechar la cooperación económica con rapidez. Para hacerlo posible, ambas partes deberían revisar sus posiciones y buscar un acercamiento eficaz tomando en cuenta las demandas de la otra parte. Otro reto es establecer reglas que permitan una supervisión común de las instituciones financieras para garantizar así la estabilidad económica y buscar cauces para la mejora de la competitividad teniendo en cuenta la pujanza de las nuevas economías emergentes.

Neven Mimica, antigua Primera Ministra de Croacia, expresó su confianza en la capacidad de establecer una más estrecha cooperación trasatlántica, especialmente en el contexto de crisis económica. Destacó el enorme potencial que aun queda para estrechar esa cooperación, y enfatizó el compromiso croata como nuevo miembro de la Unión con ese reto.

Dan Hamilton abrió también el encuentro en el segundo día, insistiendo en la necesidad del debate en torno a las estrategias trasatlánticas de cooperación en un contexto de crisis. Aunque en ambos lados del Atlántico existen posturas distintas sobre cómo afrontar la crisis, en todo caso, cualquiera que sea la respuesta, la coordinación de políticas ayudaría a alcanzar los objetivos propuestos.

Christofer Smart, Vicedirector en la Dirección para Europa y Eurasia del departamento del Tesoro USA, destacó la importancia de la supervisión de las instituciones financieras y, en especial, de reforzar el control de los bancos, tanto en USA como en Europa. Destacó además la necesidad de aprobar reformas que eviten la acumulación de cotas excesivas de poder en las instituciones financieras. Los resultados perseguidos nunca podrán ser alcanzados sin una fuerte cooperación transatlántica, insistió.

Gordon Bajnai, antiguo primer ministro húngaro, insistió en el papel clave que una mejor regulación de los mercados financieros tendrá en la salida de la crisis. Las decisiones deberían adoptarse a nivel europeo de manera centralizada y en estrecha coordinación con los Estados Unidos. Es necesario llevar a cabo una política fiscal coherente y reducir los gastos públicos a un ritmo razonable. No es posible olvidar el valor que la estabilidad social tiene tanto en Europa como en los EE.UU.

Teuta Arifi, Viceprimer ministro para Asuntos Europeos de Macedonia, destacó la importancia que para la región de los Balcanes tiene una estrecha cooperación trasatlántica. La apuesta decidida de Macedonia para su integración en la UE debe servir para dar soluciones a los problemas internos de la región. Una fructífera cooperación económica serviría también para asegurar la estabilidad de la zona.

Frans Van Daele, antiguo Director de Gabinete de Herman Van Rompuy, reclamó la coordinación de los instrumentos financieros a ambos lados del Atlántico. Denunció que el intento de determinados países de la Unión para sacar a Grecia del Euro no benefició a nadie y causó enormes perjuicios. Desde su punto de vista, esa estrategia dañó gravemente los fundamentos y el sentido de la existencia de una moneda común europea. La clave está en combinar las iniciativas meramente económicas con otras de política exterior, de manera que todos los pasos se den con la suficiente cautela y con respeto al principio de solidaridad entre todos los países europeos.

Eduardo Cabrita, Presidente de la Comisión de Hacienda del parlamento portugués, insistió en la necesidad de la cooperación trasatlántica para la salida de la crisis, mientras que su colega italiano, Mario Baldassarri, destacó la necesidad de tener en cuenta la pujanza de los nuevos países emergentes y establecer estrategias comunes para el desarrollo de infraestructuras, el fomento de la innovación y el desarrollo económico integral.

Hans Binnendijk, investigador senior del Centro para las Relaciones Trasatlánticas planteó la necesidad de que la comunidad trasatlántica redefina los retos y tareas que permitan establecer una política coherente en sus relaciones con las nuevas potencias económicas emergentes. Robin Niblett, Director de la británica Chatam House, recomendó precisar las áreas las áreas dónde es necesario estrechar la cooperación. En su opinión, la comunidad atlántica debe comenzar por identificar sus intereses comunes en las áreas de seguridad y económica, porque una cooperación económica estable es el fundamento de una cooperación estable en materia de seguridad.

Peter Burian, Secretario de Estado de Asuntos Europeos de Eslovaquia, recalcó que el liderazgo trasatlántico exige responsabilidad para establecer cauces de cooperación comunes con todos los países del mundo, incluidas las potencias emergentes.

Fiona Hill, Directora del Centro USA-EU de la Brookings Institution, se centró en temas relacionados con la seguridad energética. En su opinión, la comunidad trasatlántica debe presentar una posición común ante Rusia, que debe comprender lo que espera de ella la comunidad occidental.

Alan Richard, Senador y antiguo ministro de Defensa francés, insistió en la estrecha conexión entre los temas económicos y los de seguridad. Desde su punto de vista, Rusia es un país con gran potencial que debe ser socio de la comunidad trasatlántica, aun siendo conscientes del distinto concepto que ellos tienen de las relaciones internacionales.

Lucio D'Ubaldo, Senador, Presidente de la Fundación italiana Europa-USA, destacó el carácter psicológico y social de la cooperación con las potencias emergentes. Lo más relevante es, en su criterio, estrechar las relaciones y configurar una estrategia trasatlántica común que permita impulsar la libertad y la estabilidad a través de una política global. La OTAN y otras organizaciones internacionales son esenciales para estos propósitos.

Werner Fasslabend, Presidente de la Escuela Política del Partido Popular austriaco, y antiguo ministro de Defensa de ese país, destacó el papel futuro de China, no como potencia emergente sino como una superpotencia ya consolidada. La clave, desde su punto de vista, es asegurar que las nuevas potencias respeten los valores y principios democráticos. Sin respeto a los valores de la libertad la cooperación económica no será estable ni duradera. Sin embargo, Europa sigue sin asumir una responsabilidad acorde con su capacidad, y sigue disfrutando del apoyo de los EE.UU. cada vez más difícil de mantener.

Las tres últimas mesas redondas abordaron algunos debates más concretos. El Panel III abordó el nuevo significado que está adquiriendo para los EE.UU. el área del Pacífico ("the Pacific pivot") y las consecuencias que eso puede tener en su relación con Europa. La importante presencia de representantes de los Departamento de Defensa y de Asuntos Exteriores norteamericanos trató de calmar las inquietudes que en determinados ambientes europeos está causando está focalización de su política exterior.

El Panel IV trató específicamente el aislamiento energético entre ambos lados del atlántico, así como la nueva situación que plantean tanto la introducción creciente de fuentes de energía alternativas en ambos lados del atlántico, como el descubrimiento de nuevas fuentes de hidrocarburos. Por último, la mesa V cerró volviendo al eterno dilema entre "soft" y "hard power", la presunta falta de compromiso de Europa con la seguridad global y el ingrato papel asignado a los EE.UU. como "pacificador" global.

CENTER FOR TRANSATLANTIC RELATIONS

A Transatlantic Agenda for Jobs and Growth

<u>Testimony to the House Committee on International Relations</u>
Subcommittee on Europe and Eurasia
March 27, 2012

Dr. Daniel S. Hamilton
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Paul H. Nitze School of Advanced International Studies
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Mr. Chairman, it is a pleasure to appear before this Committee to discuss the potential for greater transatlantic cooperation to create jobs and boost growth on both sides of the Atlantic. I will do this first by underscoring the distinctive nature of the transatlantic economy. I will then outline what I believe would be the most significant and necessary elements of a New Transatlantic Partnership for Jobs and Growth.

The views I express here are my own. In the interests of full disclosure, however, I want to mention that I have been serving as an advisor to the Transatlantic Business Dialogue, the Business Roundtable, the American Chamber of Commerce to the EU and the European-American Business Council.

In this regard I welcome the new U.S.-EU High Level Working Group on Jobs and Growth, which was tasked at the November 2011 U.S.-EU Summit to consider the full range of economic measures that could be taken to deepen and expand the transatlantic commercial relationship. The benefits could be substantial in terms of creating jobs, boosting innovation, improving our competitiveness, and ensuring long-term growth and prosperity. I am concerned, however, that absent a clear and compelling vision of a more strategic and forward-looking partnership, the effort will not fulfill its promise.

The key to such a new partnership is an agenda for jobs and growth that not only opens transatlantic markets, but simultaneously repositions the U.S.-EU relationship so that both partners can better compete with and engage third countries on the fundamental rules underpinning 21st century trade and investment. The renewal and further opening of the transatlantic market promises to generate millions of new jobs on both sides of the Atlantic. But such an exercise, in and of itself, is insufficient to meet broader challenges and opportunities in today's global economy of rising powers and other fast-growing markets. U.S.-EU 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.

Why a Transatlantic Partnership for Jobs and Growth, and Why Now?

The past year has been difficult for the transatlantic economy. The eurozone's sovereign debt crisis and sluggish U.S. economic conditions weakened transatlantic cross-border trade and investment flows, and both variables are likely to remain soft over the near term. That said, the current downturn is cyclical in nature. On a day-to-day basis, transatlantic trade remains significant, and European investment is deeply embedded in many U.S. regions and states, continues to play a key role in sustaining American jobs and contributing to U.S. growth, and will continue to fortify the links that bind the U.S. and Europe together.

In fact, it is important to keep in mind that despite the rise of other powers, including the emerging growth markets, the U.S. and Europe remain the fulcrum of the world economy, each other's most important and profitable market and source of onshored jobs, each other's most important strategic partner, and still a potent force in the multilateral system—when we work in concert.

The transatlantic economy generates $5 trillion in total commercial sales a year and employs up to 15 million workers. It is the largest and wealthiest market in the world, accounting for three-quarters of global financial markets and over half of world trade and world GDP. No other commercial artery is as integrated. Every day roughly $1.7 billion in goods and services crosses the Atlantic, representing about one-third of total global trade in goods and more than 40 percent of world trade in services. Americans sell three times as many merchandise exports to Europe as they do to China and 15 times more than to India. The European Union sells the United States nearly twice the goods it sells China and nearly 7 times what it sells to India.

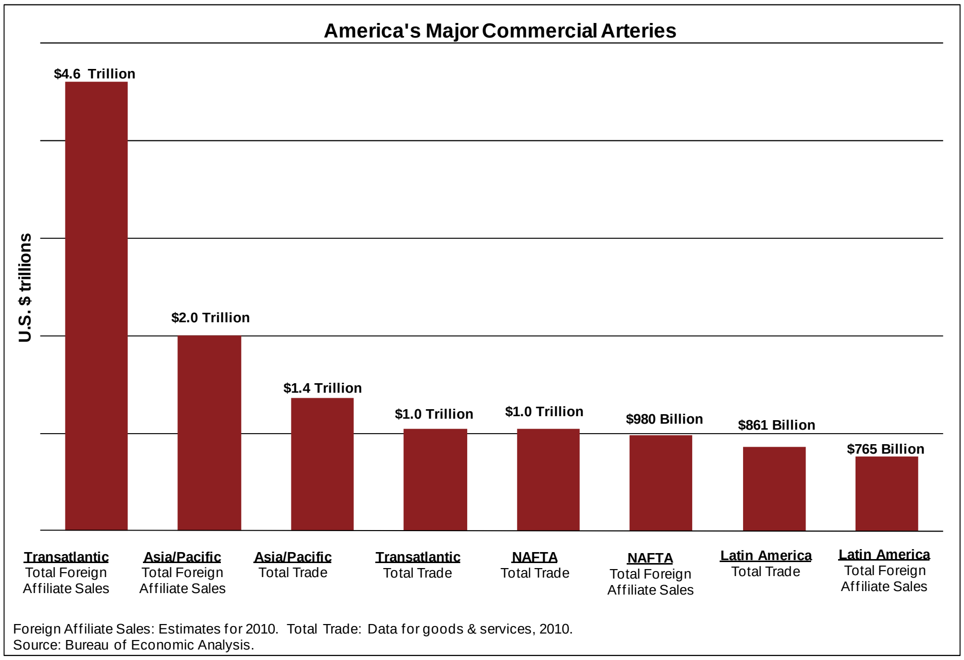
When one considers possibilities to create jobs and boost growth through greater transatlantic cooperation, it is important to keep in mind that whereas U.S. commercial ties with Asia and the Pacific are driven by trade, U.S. commercial ties with Europe are driven by investment. Foreign investment—the deepest form of global integration—binds the transatlantic economy together far more than trade. The latter, the cross-border movement of goods and services, is a shallow form of integration and often associated with the early phases or stages of bilateral commerce. In contrast, a relationship that rests on the foundation of foreign investment is one in which both parties are extensively embedded and entrenched in each other's economies. Such a relationship is more job-creating, income-producing, and wealth-generating for both parties than one based solely on trade. The transatlantic economy epitomizes this type of economic integration.

The United States and the European Union are each other's most important investment partners. Transatlantic investments have combined annual sales exceeding $4 trillion, which dwarfs any other bilateral trade or trade/investment relationship in the world. Investment from Europe accounts for 74% of total foreign direct investment in the United States. EU investment in the U.S. is 27 times the level of EU investment in China and more than 55 times the level of EU investment in India. There is more European investment in a single U.S. state such as Indiana or Georgia than all U.S. investment in China, Japan and India combined.

Investment flows are also strong from the U.S. to Europe. Despite the rise of other markets, Europe continues to account for 60 percent of U.S. foreign direct investment. U.S. investment in Brazil, Russia, India and China (BRIC) combined over the past decade amounted to only 7% of total U.S. investment in the EU. U.S. investment in Europe is nearly four times larger than U.S. investment in all of Asia and 13 times more than U.S. investment in the BRICs.

I do not mean to downplay the importance of transatlantic trade, which remains considerable. Indeed, transatlantic trade (defined here as U.S. exports plus imports of goods from the European Union) totaled an estimated $632 billion in 2011, up from $387 billion at the start of the new century. In 2011 U.S. exports of goods to the European Union clawed back more gains after plunging in recession year 2009. Last year U.S. exports to the European Union totaled an estimated $270 billion, up roughly 11% from the prior year and off only slightly from the peak of $277 billion in 2008. Nonetheless, any analysis that focuses on trade alone as a benchmark for commerce is very misleading. Only if one adds trade and investment together does one understand the true size and dynamism of the transatlantic economy, particularly compared to any other bilateral economic relationship either partner has in the world.

Moreover, these companies and affiliates invest in local communities. European affiliates in the United States employ millions of American workers, employ more Americans than any other foreign nationality, and are the largest source of onshored jobs in America. Similarly, U.S. corporate affiliates in Europe employ millions of European workers and are the largest source of onshored jobs in Britain, Ireland and across the continent. In



addition, U.S. and European companies account for 60 percent of the top R&D companies and 69 percent of private R&D spending in the world.

Mr. Chairman, in your own home state of Indiana, European investment directly accounts for close to 70,000 jobs. If one adds Indiana jobs reliant on trade with Europe, which bought $8 billion worth of Indiana goods in 2010, as well as the many thousands of jobs generated indirectly through distributors and suppliers of Indiana exporters and European firms based in Indiana, I estimate that roughly 200,000 Indiana jobs are related to the Hoosier State's commercial ties to Europe. Efforts to further open transatlantic markets promise to generate significant opportunities for jobs, trade and investment in Indiana.

Similarly, in Congressman Meeks' home state of New York, European investment directly accounts for about 230,000 jobs. If one adds New York jobs generated by trade – New York exported $22.7 billion in goods alone to Europe in 2010 -- and indirectly through suppliers and others, I estimate that close to 700,000 New York jobs are dependent on healthy commercial links with Europe.

Similar stories are playing out in other U.S. states. For instance, I estimate that roughly 900,000 California jobs are related to strong commercial ties between the Golden State and Europe. Both North and South Carolina were hamstrung with 10% unemployment rates as 2011 came to a close, rates above the national average, but the figures were nevertheless "less bad" thanks to the presence of European and other foreign affiliates operating locally. And European investment in Massachusetts actually rose during the recession -- a key buffer for the Massachusetts economy in hard times.

The more European affiliates become embedded in local communities around the U.S., the more they generate jobs and incomes for U.S. workers, greater sales for local suppliers and small businesses, extra tax revenue for local communities, more capital investment and research and development for the United States. Moreover, deep investment ties with Europe generate additional American exports.

A Three-Point Agenda

In short, Americans and Europeans have never had a greater stake in each other's economic success. Recent economic troubles have only underscored the deep integration of the transatlantic economy and the importance of healthy transatlantic economic ties for millions of U.S. and European workers, consumers and companies. Our companies are deeply engaged on both sides of the Atlantic. We are literally in each other's business. The notion that we can “decouple” from each other's economic fortunes is mistaken and can lead to serious policy errors. Substantial gains in terms of jobs and growth would result from initiatives designed to boost flows of goods, services, capital and knowledge between the U.S. and the EU.

I have focused until now on the direct benefits each side of the Atlantic could reap from job-generating initiatives. Yet in a world of rising powers and other high-growth markets, 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 and strengthen the international economic order.

A central question is how the U.S. and Europe together might best relate to rising powers, especially the emerging growth markets. Whether those rising powers choose to challenge the current international economic order and its rules or promote themselves within it depends significantly on how the U.S. and Europe engage, not only with them but also with each other.

The stronger the bonds among core democratic market economies, the better our chances of being able to include rising partners as responsible stakeholders in the international trading system. The more united, integrated, interconnected and dynamic the international liberal economic order is -- shaped in large part by the U.S. and Europe -- the greater the likelihood that emerging powers will rise within this order and adhere to its rules. The looser or weaker those bonds are, the greater the likelihood that rising powers will challenge this order. So a key element of strategy in a G20/WTO world must be to protect and reinforce the institutional foundations of the liberal international economic order, beginning with the partnership between the U.S. and Europe.

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 U.S. and Europe to raise the bar in terms of setting international norms and standards that can lift the lives of our people and create economic opportunity for billions of others around the globe.

With this background in mind, in my view a New Transatlantic Partnership for Jobs and Growth must encompass a three-fold agenda.

First, we must renew and open the Transatlantic Market.

Second, we must reposition transatlantic partnership so we can better engage with third countries on the economic ground rules underpinning the multilateral system.

Third, we must strengthen and extend the rules-based multilateral system to include new members and new areas of commercial opportunity.

I.
Millions of New Jobs in an Open Transatlantic Market

The first goal of a new Transatlantic Partnership must be the creation of an open Transatlantic Market. The goal should not, however, be limited to yet another preferential "free trade agreement;" it must be a more ambitious and relevant new-generation agreement, rooted in the distinctive nature and potential of the Transatlantic Partnership. It should be grounded in essential principles of WTO-consistency, transparency, nondiscrimination and essential equivalence. It should advance synergistic strategies across a range of areas, from reducing barriers to transatlantic goods and services; removing restrictions on job-creating investments; overcoming regulatory obstacles; boosting innovation; leading the energy revolution; liberalizing services; and encouraging the flow of people and talent across the transatlantic space, to facilitating cross-border data flows, which have become essential to global manufacturing and service operations.

An ambitious transatlantic effort of this type should also not be conducted as a 'single undertaking' or traditional trade negotiation, whereby nothing is really agreed until all issues are agreed. The U.S. and EU should instead forge and implement agreements wherever possible, without allowing contentious issues to block areas of agreement. Too many past attempts to open the transatlantic market have failed because of these issues. At the same time, the framework needs to recognize that the U.S. and EU economies are so integrated that many of the 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 transatlantic agreement. Such issues should not be allowed to deadlock agreement where agreement is possible. Instead, mechanisms such as the Transatlantic Economic Council should be used to engage regulators, legislators and other stakeholders in areas that will require more extensive work.

This first track of an ambitious Transatlantic Partnership should move forward in multiple areas:

1. Open Transatlantic Trade.

- ***Commit to work jointly towards a tariff-only Free Trade Agreement, eliminating all duties on traded industrial and agricultural products.*** Given that most transatlantic tariffs are low (around 1-4 per cent), a focused tariff-only free trade agreement could be achieved relatively quickly and would have immediately beneficial effects on investment, profits and jobs, since two-third of U.S.-EU trade is intra-firm, i.e. companies trading intermediate parts and components among their subsidiaries on both sides of the Atlantic. Tariffs on agriculture have always been the major problem, but with agricultural trade growing across the Atlantic, now may be the time to take a bold step forward. Where agricultural tariffs are high, phase-out periods could be longer. Moreover, European and American agricultural sectors would still remain implicitly protected by a range of non-tariff barriers that are far more important, lessening the political concerns that might accompany a complete liberalization. Finally, such an initiative could spur the stalled Doha Round trade talks by demonstrating that the U.S. and EU are willing to move ahead with serious trade liberalization.

  Once such a deal is negotiated, the U.S. and EU should invite others to join in certain sectors or in the overall arrangement. If a critical mass of participants develops, benefits should be extended to all WTO members on a most-favored-nation basis. This plurilateral approach was successful in negotiations leading to the 1997 International Telecommunications Agreement.

- ***Agree on a Transatlantic Trade Facilitation Agreement.*** The ability of companies to deliver goods and services on time and at low cost is an essential element of their competitiveness. Trade-related transaction costs impair such efforts, however, and have spurred multilateral efforts to build down such barriers and to facilitate trade. Multilateral negotiations on trade facilitation are bogged down, however, even though the U.S. and the EU essentially agree on the basic elements and principles behind good trade facilitation practice. The transatlantic partners should lead in this area by implementing a transatlantic trade facilitation agreement and opening it to others within the context of the WTO. A transatlantic agreement could save both economies considerably in terms of costs of time and transportation. As important, such an agreement could offer the basis for plurilateral and ultimately multilateral standards, norms and procedures.

2. Open the Transatlantic Services Market.

Services represent the sleeping giant of the transatlantic economy. Most American and European jobs are in the services economy, which accounts for over 70 percent of U.S. and EU GDP. The U.S. and EU are each other's most important commercial partners and major growth markets when it comes to services trade and investment. The services economies of the United States and Europe have never been as intertwined as they are today in financial services, telecommunications, utilities, insurance, advertising, computer services, and other related activities. U.S. service exports to the European Union nearly doubled between 2000 and 2010, rising from around $106 billion to $200.6 billion. The U.S. enjoyed a $48.3 billion trade surplus in services with Europe in 2010, compared with its $80 billion trade deficit in goods with Europe. Beyond trade, there are the foreign affiliate sales of services, or the delivery of transatlantic services by U.S. and European foreign affiliates. Sales of affiliates have exploded on both sides of the Atlantic over the past decade; indeed, affiliate sales of services have not only supplemented trade in services but also become the overwhelming mode of delivery in a rather short period of time: affiliate sales of U.S. services rose more than 10-fold between 1990 and 2010, topping $1 trillion for the first time in 2007. In the same year, U.S. services exports were roughly half the level of affiliate sales of services.

Deep transatlantic connections in services industries, provided by mutual investment flows, are not only important in their own right; they are also the foundation for the global competitiveness of U.S. and European services companies. A good share of U.S. services exports to the world are generated by European companies based in the U.S., just as a good share of EU services exports to the world are generated by U.S. companies based in Europe.

Yet protected services sectors on both sides of the Atlantic account for about 20 percent of combined U.S.-EU GDP -- more than the protected agricultural and manufacturing sectors combined. Major services sectors such as electricity, transport, distribution and business services suffer from particularly high levels of protection. A targeted opening of services could present vast opportunities to firms and huge gains to consumers in both the EU and the United States. Removing barriers in these sectors would be equivalent to 50 years' worth of GATT and WTO liberalization of trade in goods. An initial transatlantic initiative can be a building block for more global arrangements. Such negotiations are likely to trigger plurilateral negotiations to include other partners.

Initiate a Transatlantic Smart Visa Program. A services agreement should also include a Transatlantic Smart Visa Program. U.S.-EU economic growth depends on the safe yet open movement of goods and services. In this regard the November 2011 U.S.-EU agreement on secure trade represents progress. But transatlantic commerce also depends on the fastest and freest movement of people possible, with due respect to the security arrangements that we need to keep us safe. As intertwined as our economies are now, we cannot achieve a transatlantic market without expanding and improving the transatlantic mobility of our people.

Create a more efficient transatlantic financial market. The U.S. and EU must ensure that their capital markets are transmission belts for growth, not contagion, and that the practices that led to recent economic turmoil do not recur. Failure to ensure financial transparency, accountability and ease of capital mobility will undermine prospects for jobs and growth.

- *Develop financial sector rules with similar "essentially equivalent" approaches to risk assessment and regulation*. Encourage greater U.S.-EU alignment in financial regulation, with a near-term focus on financial market regulation.
- *Prepare a detailed work program on transatlantic financial market integration*, beginning with a joint comprehensive screening of regulations, identification of priorities, development of a roadmap and a detailed work plan. There is a need for effective new regulation to avoid excessive risk taking with financial instruments, but without a clear commitment to seek transatlantic alignment, the net effect of these efforts may be to create fragmentation and reduce liquidity that is needed to fund investment in innovation. The U.S.-EU Financial Markets Regulatory Dialogue can ensure that the implementation of U.S. and EU roadmaps for regulatory reform and G20 commitments at the domestic level are compatible and as convergent as possible and anchored in the global financial system.

3. Vigorously Promote Transatlantic Investment.

The dynamic interaction between investment and trade distinguishes the transatlantic economy from all others. Foreign investment and affiliate sales power transatlantic commerce and provide millions of jobs on both sides of the Atlantic. Affiliate sales on either side of the Atlantic are double comparable sales in the entire Asia/Pacific. Tackling investment barriers can spur greater transatlantic investment, thus creating jobs and spurring growth. An agreement on investment should be structured around the elimination of bilateral investment barriers, alignment of bilateral investment competences, and common approaches to restrictions on investment in third countries. Ownership restrictions in a range of economic sectors, from marine shipping to infrastructure, should be removed. In situations where national security considerations might apply, there should be an appropriate review process. The benefits could be substantial. For instance, estimates of the potential benefits from removing regulatory obstacles to the U.S.-EU aviation market include up to 80,000 new jobs.

4. Boost Bilateral Regulatory Cooperation.

Adopt a goal to eliminate unnecessary regulatory differences by 2020. Regulatory coherence is central to the goal of achieving a more open Transatlantic Market. Given the relatively open U.S.-EU trading relationship and the importance of mutual investment, the most important hurdles to greater transatlantic commerce are "behind the border" regulatory differences rather than "at the border" trade barriers. U.S. and EU regulators generally have the same high standards for protecting the welfare of our consumers, our environment and the health of our citizens. A detailed study of 3,000 risk-reducing regulatory decisions in the U.S. and EU shows that overall risk stringency is about the same; divergences stem largely from protectionism. The transatlantic partners should seek to address these differences with far greater urgency and attention.

- ***Identify "essentially equivalent" regulations for mutual recognition.*** If agreement can be reached that both sides are seeking "essentially equivalent" outcomes in terms of health, safety, and consumer welfare in individual regulated sectors (toys, engines, automobiles, electrical products, etc.), then the legislative process on both sides should accept the regulatory decisions and standards of the other side. The process for reaching this decision should be in the hands of U.S. and EU regulators, who would always have the right to withdraw the automatic approval for products approved by the other.
- ***Ensure that regulatory agencies have the resources and incentives to cooperate internationally.*** Financial resources must be available that allow regulators to engage in sustained, face-to-face dialogue with international partners. Such resources should be earmarked for international regulatory cooperation, and not compete with the regulating agencies' core mandates for budget and staff resources. Such financial resources will have a direct impact on the ability of U.S. and European agencies to better learn from each other.
- ***Undertake Transatlantic Regulatory Impact Assessments*** by corresponding regulatory agencies on significant and pending product safety regulations in sectors with major impact on the U.S.-EU economic relationship.
- ***Promote "upstream" regulatory cooperation for new technologies***. When considering new types of legislation or regulation, regulators and legislators on both sides of the Atlantic should be consulting in advance. RFID, nanotechnology, internet/broadband, and "green" technologies are four priority areas for attention.

5. Boost the Transatlantic Innovation Economy. Bilateral U.S.-EU flows in research, development and innovation are the most intense between any two international partners, and essential to such leading-edge sectors as semiconductors, biotechnology and nanotechnology, which in turn have the potential to deliver hugely significant economic benefits across the entire economy, just as electricity, computers and mobile phones have done in the past. In today's highly competitive and connected global economy, the prosperity of Americans and Europeans alike depends on continued high levels of innovation in our respective societies as well as on the strength of our knowledge links to each other and to other global hubs of innovation and ideas. To remain competitive, the U.S. and EU must work, in concert and in parallel, to support and accelerate innovation, setting examples for others to follow.

- ***Issue a Joint Statement of Innovation Principles*** to guide the transatlantic innovation economy and serve as the basis for globally focused cooperation. Such a statement should result from close consultation with business and other stakeholders.
- ***Use the U.S.-EU Innovation Dialogue*** to accelerate efforts to spur growth, productivity and entrepreneurial activity, including by sharing best policy practices and ways of improving the policy environment for innovative activities in both markets.
- ***Advance a Transatlantic Digital Agenda.*** The transatlantic partners are each advancing policy agendas intended to exploit the transformational power of digital tools and technologies. The EU, for instance, is focused on the creation of a "digital single market." Wherever possible, these efforts should be aligned with a full focus on digital market access and participation across the Atlantic (and beyond), notably in the areas of intellectual property, consumer protection, data privacy, network access, network security and internet governance, and standards (for e-health, for example).

6. Lead the Energy Revolution. Europe and North America can -- and must -- play a key role in breaking the link between the generation of wealth and the consumption of resources. Rapidly rising economies have based their future growth on extensive use of oil and gas, as well as other resources. This is untenable for a global economy of more than 7 billion people. Breaking this link is an historic challenge -- but also an opportunity to move toward entirely different patterns of consumption and competitiveness that can sustain our prosperity and create high-skilled jobs. Technological innovation, the robust use of cleaner energy sources, more energy-efficient production processes, and the broad deployment of a range of other innovative clean technologies are critical. Transatlantic cooperation and innovation can lead the way.

- ***Encourage enhanced energy efficiency, including the joint development of smart grid and carbon capture and storage technologies.*** The U.S. and EU must harmonize emerging regulatory frameworks on these two technologies to ensure that standards reinforce interoperability and compatibility.
    - *Collaborate on establishing energy efficiency standards.*
        - Set higher standards for appliances and develop new energy efficiency labels.
        - Set consistent standards associated with building product specifications and labeling, facilitating transatlantic trade, investment, and economies of scale.
        - Agree that only highest efficiency products are eligible for public procurement.
- ***Eliminate tariffs and other barriers to transatlantic trade and investment in environmental goods and services.*** Studies by the World Bank and others confirm that the nondiscriminatory elimination of tariffs and non-tariff trade barriers on significantly cleaner and more energy efficient technologies and services could play a key role in achieving both environmental goals and further economic growth. The transatlantic partners should initiate immediately negotiations to liberalize and, if possible, eliminate fully tariffs and other barriers to trade in environmental goods and services, based on an agreed non-discriminatory list of products that contribute to energy efficiency or provide direct benefit to the environment and do not require end-use certification. U.S.-EU negotiations should be conducted in the context of a WTO sectoral agreement on a plurilateral basis, and open to others who express interest in achieving these goals. Once such a deal is negotiated, the parties should invite other WTO members to join on a most-favored-nation basis. This effort could be modeled on the 1997 Information Technology Agreement, which eliminated all tariffs on electronics products, once an accord was reached among the countries that accounted for substantially all world trade in that sector.

II.
Strengthen the Ground Rules of the International Economic Order

The renewal and further opening of the Transatlantic Market goes hand in hand with a second goal – strengthening the ground rules of the international economic order by repositioning the Transatlantic Partnership with regard to third countries. Efforts to open transatlantic markets and lift and align transatlantic standards can – and must -- drive broader international cooperation.

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.

In this regard, the U.S. and the EU must invest in new forms of transatlantic collaboration that strengthen multilateral rules and lift international standards. Given the size and scope of the transatlantic economy, standards negotiated by the U.S. and EU can quickly become the benchmark for global models, reducing the likelihood that others will impose more stringent, protectionist requirements for either products or services. Mutual recognition of essentially equivalent norms and regulatory coherence across the transatlantic space, in areas ranging from consumer safety and intellectual property to investment policy and labor mobility, not only promise to lift the lives of our people but form the core of broader international norms and standards.

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 multilateral trade liberalization. But even a successful Doha agreement will not address cutting-edge issues raised by European and American scientists and entrepreneurs who are pushing the frontiers of human discovery. Because of this, Europeans and Americans should forge ahead, identifying points of agreement on 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.

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 U.S. and EU should advance on both fronts simultaneously: push multilateral liberalization and press transatlantic market-opening initiatives in services, financial markets, aviation, energy, innovation policies and other 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.

With this in mind, the U.S. and EU should:

1. Promote Basic Standards Regarding Investment.

- ***Agree on a U.S.-EU Investment Treaty.*** The United States has investment treaties with most of the EU's 27 member states, but has no agreement with the EU itself. Yet in the 2009 Treaty of Lisbon EU member states relinquished to the European Commission their authority to negotiate investment treaties, rendering legally questionable all bilateral agreements concluded by member states. A U.S.-EU Investment Treaty could ensure mutual openness to foreign investment, open new areas to mutually beneficial investment, strengthen international investment law, and serve as a model for investment agreements worldwide.

- ***Reinvigorate the Transatlantic Investment Dialogue*** and charge it with coordinating U.S. and EU positions regarding sovereign wealth funds in light of OECD and IMF principles; investment policies vis-à-vis third countries; and implementation of OECD guidelines on freedom of investment.

2. Stand Together for Intellectual Property Rights (IPR). The U.S. and the EU face a major challenge in addressing calls from those who do not have a shared understanding of the concept of intellectual property – a fundamental pillar of the transatlantic economy. The U.S. and the EU have agreed to cooperate in strengthening global protection of intellectual property rights, including through the provision of training and technical assistance to other countries, and to support an expanded mandate for the existing U.S.-EU IPR Joint Strategy Committee. According to Business Europe, a convergence of IPR regulations between the EU and the US is estimated to generate an increase in national incomes by € 0.8 billion ($1.1billion) in the EU and $4.8 billion (€3.7 billion) in the U.S.

Given the stakes involved in anti-counterfeiting and piracy, the U.S. and EU, along with the private sector, should continue to press for full respect for IPR in third countries. Through international organizations and directly, the U.S. and EU should

- Engage developing countries in formulating intellectual property policies and enforcement strategies that ensure "win-win" outcomes both for IPR holders and national interests.
- Develop a joint agenda for dealing with counterfeiting and piracy around the world and bring joint legal action against such abuses at the World Trade Organization.
- Adopt a common stance on issues of 'indigenous innovation.'
- Intensify collaboration on critical market access issues to apply to all emerging economies.

3. Jointly Develop an ICT Roadmap.

The U.S. and EU should set forth out how jointly agreed ICT principles will be implemented and drive the development and adoption of transparent and high-quality international rules, norms and best practices on cross-border flows of digital data and technologies.

<u>4. Issue a Joint Statement of Innovation Principles</u> to guide the transatlantic innovation economy and serve as the basis for globally focused cooperation on investment, IPR, indigenous innovation policy, state owned enterprise behavior, ICT, raw materials and the adoption by key emerging economies of policies that are supportive of balanced and sustainable global economic growth. Such a statement should result from close consultation with business and other stakeholders.

III.
Extend the Rules-Based Multilateral System to New Areas

Commercial barriers must come down not only across the Atlantic. The U.S. and EU should 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. I have proposed transatlantic market-opening initiatives in trade, green technologies and services that could be extended to WTO members who are willing to take up the same responsibilities and obligations covered by such agreements. In addition, the U.S. 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. New guidelines are needed to apply such fundamental WTO principles as transparency, non-discrimination 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 consider that the opposite may in fact be true. How the U.S. and Europe deal with the interrelated challenges and opportunities posed by bilateral issues, rising powers, and overlapping networks of free-trade-agreements 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 economic order; many transatlantic issues cannot be addressed by multilateral efforts alone. That is why the ‘multilateral vs. transatlantic’ dichotomy is a false choice. The U.S. and 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.

With this in mind, the U.S. and EU should:

<u>1. Codify and Align Existing U.S. and EU Free Trade Agreements to Boost the Multilateral System.</u>
The U.S. is pursuing the Trans Pacific Partnership, while the EU is concluding a Comprehensive Economic and Trade Agreement with Canada, and may start negotiating a deal with Japan. The EU already has free trade agreements with Mexico and South Korea, and may start negotiating a deal with Japan. The United States already has free trade accords with Canada, Mexico and South Korea. In this growing web of economic integration, the glaring hole is a similar agreement between the U.S. and the EU. Such a comprehensive agreement would not only offer substantial benefits to workers, consumers and companies on both sides of the Atlantic. Such an agreement would also enable the U.S. and EU to codify their respective FTAs, which overlap considerably. An alignment and extension of free-trade arrangements among the U.S., EU and all partners with whom they have such free-trade agreements would be a major boost to the global trading order.

<u>2. Facilitate Closer Economic Integration among Regional Initiatives.</u>
In addition to bilateral FTAs and related market-opening initiatives, regional groupings are also exploring ways to align more closely with each other, for instance APEC, the EU and NAFTA. The U.S. and EU should use their respective memberships in such arrangements to promote open regionalism by providing for mutual recognition of standards, sharing information and expertise to facilitate adoption of such standards based on principles of transparency and non-discrimination, and opening such regional markets to each other. Cooperative arrangements that meet these criteria would be fully consistent with the principle of open regionalism as well as with deepening, broadening and widening the scope of the WTO-based system of rules and disciplines for all international economic transactions.

<u>3. Establish a Green Code of Multilateral Trade Disciplines.</u> A collision is looming between trade and climate policy. Failure to coordinate these two key components of the broader system could both imperil climate change negotiations and provoke major new trade conflicts. The U.S. and EU should demonstrate leadership by working with G20 partners to develop a 'Green Code' of multilateral trade disciplines along the lines of the proposed Code of Good WTO Practice on Greenhouse Gas Emissions Control, and consider new trade negotiations to address these potential commercial and climate trade-offs.

<u>4. Lead on Global Competition Policy.</u>
For free trade and global economic integration to have any meaning in terms of raising welfare, markets have to be relatively open and competitive. Only the United States and the EU have any meaningful competition policies. The United States and the EU should consider joining together to lead creation of such a mechanism in the WTO. To prepare for this, the U.S. and the EU might consider creation now of a joint study group to develop the principles and concepts that would lead to a formal WTO proposal and eventually to the creation of a global competition policy body. Only the U.S. and the EU can do this, and it is in both their interests to do so as fast as possible.

Conclusion: Using the Transatlantic Partnership to Create Jobs and Fuel Growth

The future health of the transatlantic economy is not only dependent on the cyclical economic rebound. It also rests on more proactive, coordinated and forward-looking policy initiatives from policymakers on both sides of the Atlantic. Our current economic challenges are urgent. But history will judge not only how leaders deal with short-term crises, but how they position their countries for the future.

We should have no illusions about the difficulties involved. The remaining tariff barriers, especially in agriculture, often reflect the most politically difficult cases. Some of the most intense transatlantic disagreements have arisen over differences in regulatory policy. Issues such as food safety or environmental standards have strong public constituencies and are often extremely sensitive in the domestic political arena. To complicate matters further, responsibility for regulation is split in the EU between European and national levels, and in the U.S. between the federal and state governments, so simply getting the right people into the room can be a real challenge. Investment barriers, especially in terms of infrastructure and transport sector ownership, will be very difficult to change. But the potential payoff is high, and will translate into jobs and economic opportunity not only for our citizens but for billions around the world.

Such a comprehensive effort would create millions of jobs and boost economic growth. A 2005 OECD study estimated that a comprehensive transatlantic economic initiative -- eliminating tariffs on goods, and reducing regulations and barriers to mutual investment -- would permanently boost GDP per person by up to 3.5% on both sides of the Atlantic. This is the equivalent of giving every American and every European a year’s extra salary over their working lifetimes. It could create 7 million jobs in the transatlantic economy.[1]

[1] Conservative rule of thumb that a 1 percent increase in GDP corresponds to an increase in employment of approximately 1 million jobs, or about three-quarters of a percent. See OECD, *The Benefits of Liberalising Product Markets and Reducing Barriers to International Trade and Investment: The Case of The United States and European Union,* Economics Department Working Paper 432, Paris, June 2005.

Even partial successes could have significant positive benefits for jobs, trade and investment. Given the deep integration of the U.S. and European economies, greater gains would achieved by reducing or aligning regulatory barriers, rather than eliminating trade barriers. A 2009 study for the European Commission, for instance, estimates that aligning half of relevant non-tariff barriers and regulatory differences between the EU and U.S. would push EU GDP .7% higher in 2018, an annual potential gain of €122 billion; and boost U.S. GDP .3% a year in 2018, an annual potential gain of €41 billion. An average EU household would receive an additional €12,500 over a working lifetime, and an average U.S. household would receive an additional $8,300 over a working lifetime. U.S. exports would increase by 6.1% and EU exports by 2.1%. Such an effort would be 3 times more beneficial to the U.S. and EU economies than current offers on the negotiating table in the Doha Round regarding manufacturing, services and sectoral agreements.[2] Even a 25% reduction in non-tariff barriers could lead to a $106 billion increase in combined EU and U.S. GDP.

A U.S.-EU zero-tariff agreement on trade in goods alone could boost annual EU GDP by up to .48% and push EU exports to the U.S. up by 18% ($69 billion); and boost annual U.S. GDP by up to 1.48% for the U.S. and push U.S. exports to the EU up by 17% ($53 billion).[3] According to the study which the U.S. Chamber of Commerce commissioned from the European Center for International Political Economy, Transatlantic Zero would lead to $120 billion in added growth in the U.S. and the EU within five years of signing the agreement. Under the U.S.-Korea FTA, U.S. exports to Korea would likely increase by $9.7-$10.9 billion. But under a Transatlantic Zero Tariff Agreement, U.S. exports to the EU would increase by $53 billion – five times as much. The numbers speak for themselves. According to a study conducted by the Dutch firm Ecorys, a 75% reduction of services tariffs would yield almost $13.9 billion annually for the EU and $5.6 billion for the U.S.[4]

Mr. Chairman, 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; strengthen global rules; leverage global growth, human talent and innovation; and expand economic opportunity to billions of people around the world. A 21st 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. Our central challenge is to mobilize political and economic leadership behind ambitious goals, tied to pragmatic steps forward.

Creating jobs and fueling growth are highest priority items for American and European leaders. This is not the time for piecemeal efforts; it is time for transformative action.

The High-Level Working Group on Jobs and Growth, led by U.S. Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht, is supposed to provide an interim update to Leaders on the status of its work in June 2012 and produce a final report with findings, conclusions, and recommendations by the end of 2012 at the occasion of the next EU-US Summit.

With all due respect, this is too slow. U.S. and EU leaders will meet on the margins of the May 2012 Chicago Summits of NATO and the G8. They should seize the opportunity to launch a bold New Transatlantic Partnership for Jobs and Growth, based on the elements outlined above. The time to act is now.

Thank you.

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[2] Koen Berden, et. al, *Non- Tariff Measures in EU- US Trade and Investment: An Economic Analysis* (Rotterdam: Ecorys, 2009).
[3] Fredrik Erixon and Matthias Bauer, "A Transatlantic Zero Agreement: Estimating the Gains from Transatlantic Free Trade in Goods," ECIPE occasional Paper No. 4/2010 (Brussels: ECIPE, 2010).
[4] Koen Berden, et. al, *The Impact of Free Trade Agreements in the OECD: The Impact of an EU-US FTA, EU-Japan FTA and EU-Australia/New Zealand FTA* (Rotterdam: Ecorys, 2009); Daniel S. Hamilton and Joseph P. Quinlan, *Sleeping Giant: Awakening the Transatlantic Services Economy* (Washington, DC: Center for Transatlantic Relations, 2008).