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US COUNCIL FOR INTERNATIONAL BUSINESS

11 APRIL 2007 16H00 – 18H00
1212 AVENUE OF THE AMERICAS (NY 10036)

EU-US RELATIONS AND INTERNATIONAL COOPERATION

Ladies and Gentlemen,

- Thank you for inviting me to speak to you today. I greatly value this opportunity for dialogue between European and American business.
- First let me say a word about BUSINESSEUROPE. Our organisation is composed of 39 member federations spanning the whole continent. These groups are the principal business representations in their respective countries with millions of members between them. This gives BUSINESSEUROPE its status as the voice of European business on European Union issues and we have recently changed our name to reflect better this fact. Formerly known as UNICE, our new title clearly shows that business, at the heart of Europe, creates growth and jobs, for the prosperity of the European citizens.
- The celebration of 50th Anniversary of the European Union on March 25th can only serve to remind us of the importance of relations with the United States for the economic and political future of the continent. The US has always been intimately involved in helping to spur economic growth in Europe from the Marshall Plan to the current efforts to remove transatlantic regulatory barriers. Today's transatlantic trade and investment relationship is by far the largest in the world. Our two economies are more intertwined and enmeshed than any others in history. The strength of this relationship means that we must first cooperate better in our bilateral relations, but also work better together on the international stage, where it means that we share interests and perspectives on key issues.

Transatlantic relations

- The current size of the bilateral trade and investment relationship may be enormous, but there is nonetheless much room for improvement in its management. BUSINESSEUROPE therefore strongly supports the initiative on a new transatlantic economic partnership announced by Chancellor Merkel and supported by President Bush. Companies have welcomed all previous initiatives to promote a barrier free transatlantic market but they now feel that a step change in the approach taken is needed to guarantee success.



- That is why European companies call for the launch of negotiations at the April EU-US summit for a more binding approach to cooperation on regulatory matters between our two continents. As globalisation continues to intensify, the development of global regulatory standards is becoming inevitable. By creating transatlantic standards and regulations, the EU and US would be taking a major step forward towards this goal. There should be no doubt however, that if the EU and US do not move in this area it will be today's emerging economies that develop the global standards of the twenty-first century, such as the Chinese Compulsory Certification (CCC), which is burdensome, lengthy, expensive and non-transparent.

Doha Development Round

- Beyond our bilateral relationship there are many areas for EU-US cooperation in our relations with third countries. For example, the transatlantic economic initiative is not, nor should it be seen as, a replacement for an ambitious conclusion of the multilateral trade talks under the Doha Development Agenda: Let it be clear, the Doha Round is the number one international priority for European business.
- BUSINESSEUROPE has consistently highlighted the need for intense transatlantic cooperation if we are both to achieve our goals from the Round. We agree that, for industrial goods the DDA must tackle tariffs in emerging countries so that no single tariff is above 15% at the end of the Round; address the myriad non-tariff barriers that block our companies exports around the world; and provide for sectoral tariff elimination agreements for industrial sectors that wish it. These sectoral agreements should only be complementary to an ambitious tariff-cutting formula and major emerging countries must participate. BUSINESSEUROPE is concerned that some WTO Members may want to use the sectoral approach to undermine ambition in the negotiations.
- In services, EU and US business is of one mind that the Round must deliver new market access for our services providers as well as providing legal certainty for existing openness by binding it in the WTO. Finally a binding, reviewable agreement on trade facilitation is needed to remove the barriers all of our companies face as a result of poorly administered customs procedures.
- With so much in common in these areas it is vital that our governments work together. Differences in agriculture must now be resolved as we enter the final phase of the negotiations. BUSINESSEUROPE welcomed the improved EU-US cooperation that led to the relaunch of negotiations earlier this year. Now, many WTO members in Geneva are looking to the US to ensure a breakthrough in the negotiations by reducing further domestic support on agriculture.

China

- In our relations with other major countries, the EU and US must also cooperate. China is now a major issue for both of us. To say that China has become a major international trader is an understatement. Since its accession to the WTO, China has grown to be the world's third biggest trader. China is the EU's second biggest trading partner outside Europe after the US, and Europe is China's main trade partner. Total trade flows amounted to almost 280 billion dollars in 2005, with \$



211 billion imports from China and \$ 68 billion exports. BUSINESSEUROPE believes that China represents a huge opportunity for EU companies. Still, the EU exports more to Switzerland – around \$ 111 billion of exports for \$ 92 billion imports - with a population of 7.5 million than to China.

- At the same time, there are concerns on the trade and investment barriers in China which need to be pro-actively addressed. The EU and the US need reciprocity and a stronger balance in ensuring access to the Chinese market. China's rapid economic development must be accompanied with further responsibilities and commitment towards maintaining an open global trading system.
- Areas of particular concern in China are:
 - Restrictions on foreign investment
 - Restrictions on services market access
 - Lack of uniform application of regulations and laws across the country
 - Lax enforcement of IPR.
- BUSINESSEUROPE is working closely with the US Chamber of Commerce as well as Japanese and Chinese business to improve the protection of IPR in China. Together, we organised a Global Intellectual Property Protection and Innovation Forum in Beijing on 27 and 28 March where government and industry representatives discussed best ways to protect and enforce IPR in order to stimulate investment in innovation and research and development.
- Moreover, the issue of the Chinese currency floating marginally against a basket of currencies has helped promote Chinese exports and China as an investment destination but it has also contributed to global trade and account imbalances. We should encourage China to pursue the yuan's gradual adjustment to market forces, while ensuring that financial stability is preserved. The EU and the US should further cooperate to address these common challenges at international fora such as the G-8 and the IMF to improve mutual understanding and coordination with China.

Japan

- Another common interest for the EU and the US is Japan, which despite the growing attention to China still represents more than half of Asian GDP. Total EU and US trade with Japan comes to over 350 billion dollars a year. Not to mention the fact that combined Japanese investment stocks in the EU and the US approach 300 billion dollars.
- Japan can play a role in supporting the EU and the US for further ambition in the WTO DDA negotiations, notably through its contacts in key ASEAN countries. We should also work together with Japan in the intellectual property area, not only on counterfeiting/piracy but to promote patent law harmonisation. Another area for cooperation is accounting standards where we should keep working on convergence. Regarding exchange rate, the current weakness of the yen is having a negative impact on the competitiveness of key European exports but it also increases the risk of significant currency swings in the future.



Russia

- Russia is an important trading partner for the EU, an important neighbour and a significant global supplier of energy. BUSINESSEUROPE is committed to developing a strong economic partnership with Russia based on WTO membership and implementation of WTO rules, in the field of IPR for instance. We favour Russian's accession to the WTO and do not see reasons not to do it! BUSINESSEUROPE also supports a future EU-Russia economic agreement covering free trade for goods and national treatment of investments as well as cooperation on important regulatory issues such as industrial sector regulation and competition matters. We also hope that Russia and the EU can cooperate on some industrial research projects in the future. Our biggest challenge will be to seek clearer and fairer rules governing cross-border investment so that more middle sized European companies can partner up with Russian companies with lower investment risks. BUSINESSEUROPE will carefully examine future investment rules to guarantee non discriminatory treatment for EU companies.
- Energy relations with Russia is a key issue which should be managed on a clear basis. The EU is dependent on Russia for more than 25% of its gas and 25% of its oil. BUSINESSEUROPE is calling for an energy chapter to be included in a future EU-Russia bilateral agreement. Improving conditions for investments in international projects, including European stronger investment rules and protection in third countries, would help secure a clearly defined and transparent legal framework for companies to invest more in energy. BUSINESSEUROPE believes that the investment security arrangements in the Pan-European Energy Charter, which aims at further integrating energy sectors in Europe, should be maintained and that future EU bilateral energy treaties should be based on similar approaches. BUSINESSEUROPE also believes that the EU and Russia should try to overcome their differences on energy transit issues (transit of gas from Caucasus region through Russian pipeline and transit of Russian gas through EU Member States grids) to ratify the Energy Charter and create a more open European market for energy trade in the future.

Environment and Energy

- The debates surrounding the links between energy, climate change, environmental policy and competitiveness are high in the political and business agenda worldwide, stimulated also by the documentary "An inconvenient truth" of former Vice-President Al Gore. They will only intensify in the coming years. But dealing with any of these issues will be impossible without the cooperation of governments and industry at the global level. Events are moving ahead rapidly. In the last month we have seen major new targets set by European Heads of State and Government on energy and climate change. Business within the EU is and remains conscious of the climate change problem and is committed to play its role to help find a global solution. We are supportive of a general increase in the use of renewable energy, but meeting the agreed binding target must not threaten an energy supply at competitive prices. Implementation must leave all other energy options open, in particular the use of nuclear energy. BUSINESSEUROPE now expects to work with the European Commission a more concrete plan that will be discussed with business. We also want to work with the US counterparts to foster a global agreement also based on technology. We need to stir this process together.



- Under this heading I have also been asked to say a few words on the new European chemicals regulation which has kept us busy for some time. REACH is one of the most advanced legislation in the world, which will require industry and authorities to adapt to new procedures and working methods but there are many questions to be answered about how it will work in practice. We have managed to improve the system and now it has to be implemented. How can we reduce implementation costs and bureaucracy? How will the analyses of alternative products and substitution and R&D plans be drawn up? What will be required from small and medium sized enterprises? How will the REACH Agency operate in practice? BUSINESSEUROPE believes that in a global economy where goods are produced for global markets, there is room for cooperation between EU and US to place the minimum burden possible on all industry.

Conclusion

- The transatlantic relationship has been the linchpin of all of our prosperity in the 20th century. This cooperation will also be crucial as we define our shared role in the world in the 21st. The agreement of the EU-US Summit in 2005 to enhance Transatlantic economic integration and growth was not really implemented and therefore now it is time to move towards a barrier-free Transatlantic market.
- Thank you.
