

5 June 2008

**MEETING WITH H.E. AMBASSADOR JOHN BRUTON,
HEAD OF DELEGATION OF THE EUROPEAN COMMISSION TO THE
UNITED STATES
6 JUNE 2008**

BRIEFING NOTE ON TRANSATLANTIC ECONOMIC COUNCIL

Background

TEC Meeting May 13

The second meeting of the Transatlantic Economic Council was successful, leading to political commitments to resolve or move towards resolution on a series of issues on which the process had focused:

- The European Commission gave undertakings on the poultry question and the eligibility of certain cosmetic ingredients for pre-registration under REACH. The US Government gave undertakings on supplier's declaration of conformity for electronic and electrical equipment. These represented significant changes from previous positions.
- The TEC also noted progress that had been made in other areas since its first meeting in November 2007, such as by the High-Level Regulatory Cooperation Forum (on impact assessment and import safety) and in financial markets (the SEC's acceptance of the equivalence of IFRS to US GAAP and the launch of a dialogue seeking to achieve a transatlantic market for insurance).
- The TEC also progressed in the secure trade area (roadmap for mutual recognition of secure shipper programmes) and for the first time made a statement on the 100% scanning legislation, noting the Commission's dissatisfaction with the issue. In a letter addressed to the TEC, members of the US Congress also acknowledged the problem.
- Finally the TEC released a joint political statement on the value of open investment regimes.
- BUSINESSEUROPE and the US Chamber, in our joint statement of 21 May, praised the TEC leadership for its efforts but noted that outside their orbit several of their colleagues remained to be convinced of the benefits of transatlantic economic integration.

Present State of Play

The first issue to be tackled after the meeting was the poultry question. On May 29 the Commission presented a proposal to allow the use of four 'anti-microbial treatments' to decontaminate poultry carcasses, ostensibly acceding to the US requests in the area. However the proposal imposed a number of conditions for the use of the treatments which would require adaptations in the production process of US exporters. The US contends that the cost of these adaptations would be too high to be viable, meaning that in practice US chicken remains banned from the EU market.

In any case the proposal was rejected by an EU regulatory committee on June 2 by 26 votes to one. The Commission will have to bring the proposal to the Council of Ministers if it chooses to proceed further. This would happen at the end of June.

Open disagreement between the EU and the US on this issue shows that the TEC has not yet been able to deliver a successful result on this issue. There is a risk that the US government, which has regarded the poultry issue as a test of the EU's seriousness about the TEC, will at the very least reduce the political capital invested in the process. This will become clearer after the EU-US Summit and as the US moves to implement its own commitment on electrical and electronic equipment.

Speaking Points

European business strongly supports the full implementation of the Framework for Advancing Transatlantic Economic Integration agreed at the 2007 EU US Summit for the following reasons:

- *The United States is Europe's largest trading partner with exports to the US in 2006 worth almost €270 billion. EU FDI stock in the US was over €750 billion. Affiliates of US and EU firms in each others territories account for over 14 million jobs.*
- *The Framework and the TEC are collectively the most serious effort yet by EU and US governments to deal with regulatory barriers between our two economies and have the potential to deliver results on issues of major concern to EU business.*

BUSINESSEUROPE, jointly with our partners in the US Chamber, believes that the May 13 TEC meeting was a real success, demonstrating intense political commitment to the process, particularly by the Co-Chairmen and their staff and making political progress on the issues on the table.

Since our statement with the Chamber on May 21, however, BUSINESSEUROPE notes that difficulties have arisen on the key issue for the United States of decontamination treatments for poultry. While the Commission has made a proposal for substantial changes to the EU regime, the US side is not convinced that these modifications address the real problem: access to the EU market for US poultry exports. Furthermore, Member States appear extremely reluctant to make any change to the current system.

BUSINESSEUROPE believes that three points are relevant in this context:

- *Outside the core staff working on the TEC, many other actors in the EU – and no doubt, in the US – political processes remain to be convinced of the importance of the transatlantic relationship. We need to work harder to change this confrontational political culture in many areas.*
- *In particular, we must emphasise that regulatory cooperation is not a trade negotiation. If one side's regulatory approach works well, the other must be willing to acknowledge that and recognize its equivalence. European science sees no dangers from the US system of poultry production. The EU should remove this regulatory barrier to trade.*
- *Overall, however, we must remain focused on the bigger picture. The goal of the transatlantic relationship is broader than one issue. If we find that the TEC is not able to resolve this question we must learn the lessons and move on. The transatlantic relationship is too important to allow it to fall at the first hurdle.*
