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SEMINAR ON RELATIONS WITH THE UNITED STATES

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2009 will be a year of transition in the EU-US relationship, with the arrival of a new Administration in Washington and the changeover in Brussels institutions from the middle of the year. Nonetheless, the United States remains the European Union's largest trade and investment partner, with EU exports at €261.5 billion and investment flows at €72 billion in 2007. As such, relations with the US will remain a high priority for BUSINESSEUROPE this year.

The main focus of our efforts will be in re-starting and moving forward the work of the Transatlantic Economic Council. The TEC is the most serious effort to date by the EU and US to tackle the regulatory barriers that companies face in each other's markets. It is still a developing institution but has great potential.

The next months will see whether the new US Administration will continue to place value on the Transatlantic Economic Council process. If President Obama moves quickly to appoint a senior US co-Chair, the existing momentum will help towards delivering a number of concrete results for companies in 2009.

Key areas of TEC work for European companies include cargo scanning legislation, the broad better regulation agenda the need to avoid the creation of new regulatory barriers through the responses to the economic crisis.

There are a number of more strictly trade issues about which BUSINESSEUROPE is also concerned.

1. The American Recovery and Reinvestment Act signed yesterday by President Obama, includes Buy American provisions. Apart from the immediate impact on European manufacturers of the limitations included in the bill, the business community in Europe and the United States is concerned that the US appears



to make a gesture towards protectionism. This could have a knock-on effect around the world at a time when all should seek to avoid such measures. Some improvement was made to the law but the final legislation remains unclear as to the acceptability or not of the use of non-US goods in stimulus funded projects. Unfortunately, this will likely lead to de facto discrimination against non-EU goods.

2. BUSINESSEUROPE also notes the measures limiting recourse to skilled non-US workers that have been appended to the Troubled Assets Relief Programme. The measures will make it more difficult for financial institutions accepting TARP funds to contract foreign skilled workers. This is an unfortunate step though it does seem that the legislation allows some leeway for companies. Again, this may send a negative signal to the world about protectionist impulses but will hopefully remain limited in its scope.
3. There is also some concern in the business community about the recent escalation of the beef hormones dispute, in particular due to the use of the carousel procedure, which reduces predictability for companies who are innocent bystanders to the dispute. The new US measures would enter into force on 27 March.

For all of these measures we urge the European Commission to remain in close contact with the US authorities. A negotiated solution should be sought to the beef dispute, which has dragged on for too long. For the stimulus related issues the Commission should monitor closely the implementation of these measures to ensure fair treatment. BUSINESSEUROPE, it should be noted, is also raising with the Commission the wider protectionist issue, both around the world and within the EU itself.

I feel I should also refer to some of the statements that have been made about the possibility of moving towards a transatlantic free trade area. Certainly, BUSINESSEUROPE is sympathetic to the idea, given the importance of the US as a trade and investment partner. We draw attention however, to the difficulties that have plagued previous efforts in this direction – both political and substantive. Any new efforts to push for this goal must be founded on rigorous political, legal and economic analysis. They must also be transatlantic efforts, receiving broad support in the business community on both sides if there is to be any prospect of progress. Any such drive should also clearly be carried out in complement to, or indeed as part of, the existing Transatlantic Economic Council process.

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