



26 March 2010

To : Philippe de Buck

FROM : International Relations Department

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SUBJECT : **Note for German Marshall Fund Brussels Forum**

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### **Background: Summary of the Transatlantic Economy Report**

- EU-US is still the largest “commercial artery”: \$4.28 trillion in affiliate and export sales & 14 million workers.
- Europe still much more important as a market for the US than Asia combined.
  - Combined US affiliate earnings in China and India in 2008 were 20% less than in Germany.
  - US investment flows fell all over the world in 2009 but fell much more sharply in China (-185%: a *divestment*) than in Europe (-44%)
  - US investment in Ireland in 2000-2009 was three times that in China.
- The same is true in the other direction
  - EU investment in 2008: €1.1 trillion in the US; €47 billion in China & €19.3 billion in India.
  - The crisis meant a reduction in sales by some EU countries in the US (France: -30%; UK -12%) but not Germany (up 230%)
- Trade was hit by the crisis (EU exports down 24%; EU imports down 20%).
- US trades more with Asia (\$1.2 trillion) now but EU still vital (\$1.1 trillion).

### **Speaking Points**

#### *Reaction to the report*

- Always encouraging to see that the EU-US relationship remains strong, even in the context of the crisis. The work of Joe Quinlan and Daniel Hamilton has been invaluable over the years to highlight this fact.
- The figures on investment flows are particularly interesting – transatlantic flows are much more robust than flows the either the EU or the US towards Asia. This shows that our companies remain confident in each other’s markets. It



also tells us that our companies, as local producers in effect, are very much affected by the regulatory and legislative environment in the EU and the US.

- Trade flows – bilaterally and all around the world – have taken a serious hit in this crisis and the report shows that for the transatlantic relationship this is also the case. The crisis has demonstrated how important trade is for our growth and prosperity and this should urge the EU and US to continue on a liberalization path.
- The data also tell us, though, about how the world is changing for trade. The US trade relationship with Asia is now larger than its relationship with Europe. It could be added that for Europe, China is now our largest source of imports, having displaced the US. China and other Asian emerging economies are playing a greater role in world trade and will continue to do so.
- Global, rules-based systems on everything from trade to intellectual property rights to standards regimes become ever more important in this context. Such systems will not be maintained or developed without strong EU-US cooperation.

### *Business views on the transatlantic relationship*

- From the business community there has always been and continues to be a strong view that this relationship must be nurtured and strengthened. BUSINESSEUROPE has a very close relationship, a strategic partnership, in fact, with our US counterpart, the US Chamber of Commerce in this regard.
- We agree that the transatlantic relationship needs to deliver on a range of issues:

- Regulatory challenges

- On both sides of the Atlantic we are engaged in the most significant reform of financial regulation for decades. Reform is certainly needed given what we have experienced. Nonetheless, The EU and U.S. should exert pressure to avoid fragmentation of the transatlantic market for financial services and encourage a proportionate regulatory response to the crisis.
- When it comes to energy and climate issues, there may be some differences of opinion between us – even in the business community – on how best to move towards a low carbon economy. In Europe we would very much like to see a strong cap and trade system being put in place in the US, for example.

However, business is acutely aware of the opportunities that energy efficient products and the renewable energy sector create for our economies. The EU and U.S. are best placed to ensure that regulatory barriers do not hold back companies seek to



trade and invest on a global scale in these goods and services. We need to work together.

- BUSINESSEUROPE is also working closely with the US Chamber on the whole area of secure trade. This is an area where we should be able to make progress – on 100% scanning and on trade-security partnership programmes, for example – where innovative technological solutions can deliver results that guarantee security

## ○ Innovation

- Innovation is vital for our future prosperity. The EU and U.S. have much to learn from each other in this area. Just a look at the differences in venture capital markets shows this to be the case. We should also work together to ensure that high tech opportunities, such as nanotechnology and the digital economy are fully realized. In such areas the EU and U.S. should foster collaborative research and avoid regulatory divergence that would limit innovation.
- Innovation will not happen, of course, without strong intellectual property rights in our own jurisdictions and around the world. Enforcement in key emerging markets and global patent harmonization are just two areas where more can be done.

## ○ Trade

- The crisis has shown us the importance of fighting protectionism. Thanks to strong pressure from the business community, the worst has been avoided. But we must be vigilant domestically and with countries who have taken unfortunate actions in the future
- An ambitious and balanced conclusion of the Doha Round would be the single biggest contribution any of our governments could make to a strong global recovery. The EU and U.S. do not see eye to eye on the Round at present. We must encourage them to come to a good working relationship as without this no conclusion that delivers market access for business will be achieved.



## *Government action*

- The business community is close together on all of these issues. So much so that we ask ourselves sometimes why our governments are not closer together?
- EU-US cooperation is strong, but when you look, as we are doing today, at the strength of the business relationship, we see that so much more can be done.
- I thank the German Marshall Fund for organizing this hugely impressive event bringing our decision makers together. It's very encouraging to see the important economic delegation from the US – Ambassador Kirk, Deputy Secretary Hightower, and Undersecretary Hormats.
- What we need to see now is a further intensification of these contacts. The best way to do that is to get the Transatlantic Economic Council up and running. The Council, established in April 2007, has had a difficult year in 2009, with transitional government on both sides. It is, without doubt however, the most significant effort ever made between the EU and the US to enhance their cooperation. It must be maintained and strengthened.
- BUSINESSEUROPE and the US Chamber, with a coalition of other organizations – European American Business Council, Transatlantic Business Dialogue and the American Chamber of Commerce to the European Union have yesterday written a letter to the EU and US officials calling for results in the TEC process. We hope for a very positive reaction and will certainly continue our work.
- Thank you for your attention.