

BUSINESSEUROPE



JOBS AND GROWTH



**THROUGH A
TRANSATLANTIC ECONOMIC
AND TRADE PARTNERSHIP**

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WHO

ARE WE?



BUSINESSEUROPE's members are 41 central industrial and employers' federations from 35 countries, working together to achieve growth and competitiveness in Europe.

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Jürgen R. Thumann
President of BUSINESSEUROPE

Despite the rise of rapidly emerging economies, the EU and the US remain the core of the world economy. Our ties are larger, more prosperous, more tightly linked, more aligned in terms of free markets and open societies.

***BUT WE CAN AND MUST
DO EVEN MORE, EVEN BETTER.***

To get out of the economic crisis, to create jobs and generate growth again across the Atlantic, we need to increase the competitiveness of our companies, and to remove obstacles that are preventing our businesses from taking advantage of transatlantic market opportunities.

The “High Level Group on Jobs and Growth” set up at the 28 November 2011 EU-US Summit should strive to unleash Transatlantic trade and investment potential.

This report has been developed to contribute to the work of the EU – US “High Level Working Group on Jobs and Growth”. It highlights the economic benefits of liberalizing trade and investment and adopting better and smarter regulation across the Atlantic.

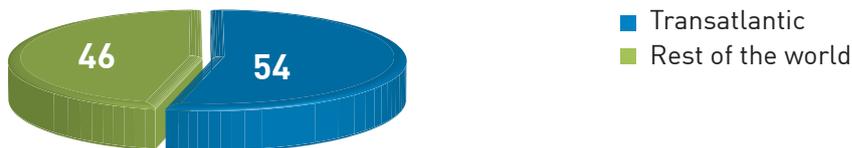
A handwritten signature in black ink that reads "Jürgen Thumann". The signature is written in a cursive, flowing style.

TRANSATLANTIC ECONOMY



Despite the financial crisis, the **US and EU remain by far the two largest markets in the world**: accounting for 54% of global GDP (see Chart 1); 28% of global trade in goods and 43% in services. Annual bilateral trade amounted to €668/\$876 billion in 2010¹. The transatlantic economy is one of the most integrated in terms of trade and investment. European and American firms employ more people in each other's markets than anywhere else in the world. The 'transatlantic' work force represents some 36 million employees.

Chart 1 Share of Transatlantic economy in the world - GDP %

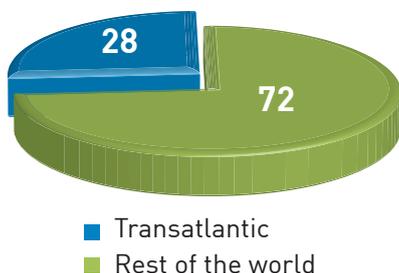


Source: ECIPE – a New Era for Transatlantic Trade Leadership (February 2012)

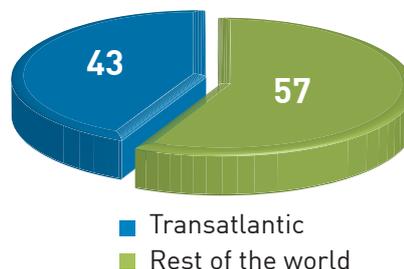
The US is the EU's largest export market accounting for 18% of EU exports of goods and 25% of US services exports. The EU accounts for 21% of US merchandise exports and 35% of US exports of services (see Chart 2).

Chart 2 Global Trade

Global Trade in Goods - %



Global Trade in Services - %



Source: WTO International trade statistics 2011

¹ Source : WTO International trade statistics 2011 and ECIPE a New Era for Transatlantic Trade Leadership (February 2012)



“ *It is time for transatlantic relations to grant European and American companies reciprocal full market access through the elimination of tariff and non-tariff barriers to allow them to trade and invest freely without discrimination.* ”

**Emma Marcegaglia, President CONFINDUSTRIA,
and CEO of Marcegaglia**

However, the share of transatlantic trade is slowly diminishing, due to the high growth in emerging economies like China, Brazil and India. The recent financial and economic crisis has accelerated this trend. The time has come to take initiative to further improve the competitiveness of the transatlantic economy and to create growth and jobs. Tariff elimination could increase trade by 7-18% while reducing regulatory barriers would go even further and could generate huge potential gains for employment.

JOBS ESTIMATES FOR TARIFF LIBERALIZATION²

If EU exports to US increase by between 7 – 18% due to tariff elimination

⇒ **An estimated 200,000 – 520,000 new jobs could be created in the EU.**

If US exports to EU increase by between 8 – 17%

⇒ **An estimated 190,000 to 400,000 new jobs could be created in the US.**

JOBS ESTIMATES FOR NON-TARIFF BARRIERS²

The reduction of 10% of non-tariff barriers (NTBs) would provide a growth dividend of €24.4 billion (\$31,6 billion) in the EU (+0.19288% GDP) and of €8.2 billion (\$10.6 billion) in the US (+0.07026% GDP)

⇒ **In the EU, an increase of 0.19288% GDP represents an estimated 440,000 jobs.**

⇒ **In the US, an increasing of 0.07026% GDP represents an estimated 110,000 jobs.**

² Source : BUSINESSEUROPE estimates

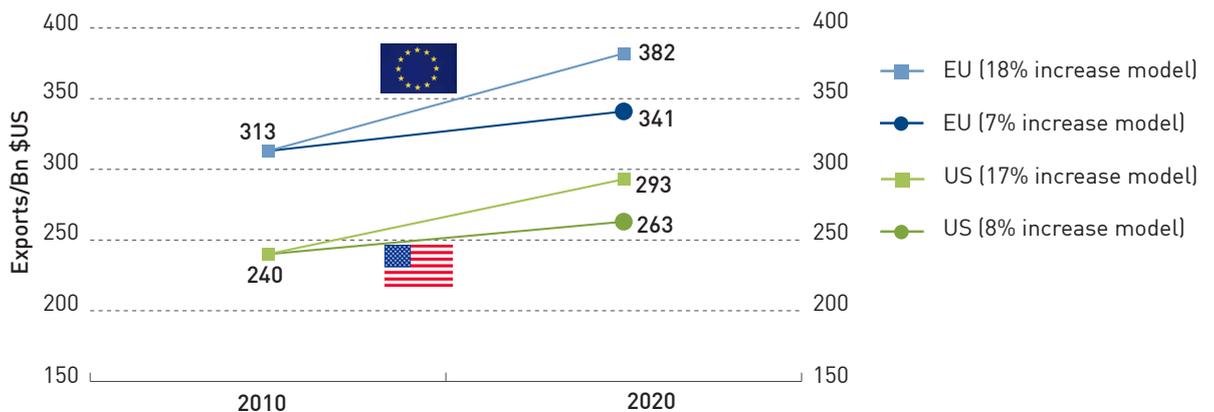


TARIFF AND NON-TARIFF BARRIERS

Tariffs between the EU and the US are comparatively low (5-7% average). But transatlantic free trade in goods could still deliver sizeable gains due to high trade volumes. Transatlantic tariffs also operate as an anti-competitiveness tax because bilateral trade between the EU and the US is to a large extent composed of intra-firm trade. The elimination of tariffs will therefore generate huge competitiveness gains.

A recent study showed that EU exports to the US could increase by between 7–18% (or €21/\$28 billion–€52/\$69 billion) depending on the scenario. As for the US, exports to the EU could rise by 8–17% (or €17/\$23 billion–€40/\$53 billion) (see chart 3).

Chart 3 Tariff Elimination Benefits



Source: ECIPE – Transatlantic Task Force on Trade

The removal of non-tariff barriers (NTBs) will also make a significant contribution to transatlantic trade and competitiveness and be very beneficial for consumers. Estimates show that removing barriers could increase consumer income by 0.1% to 0.7% in the EU and by 0.1% to 0.3% in the US. Eliminating NTBs would also have positive effects on the wages of skilled and unskilled workers because key manufacturing sectors would be able to significantly expand their economic activity.

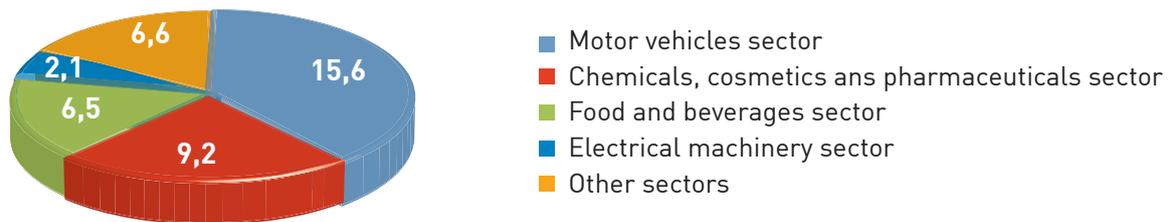


“Coming from the large-scale retail sector I know that every penny counts to remain competitive. To keep industrial tariffs between ourselves is therefore downright counterproductive, considering how many companies on one side of the Atlantic are owned on the other side. It’s like shooting ourselves in the foot over and over again.”

Kenneth Bengtsson, President of the Confederation of Swedish Enterprise

For the EU, the main gains of removing NTBs per sector would be in motor vehicles sector (see Chart 4).

Chart 4 Sector-level effect EU (\$bn)



\$bn in increased income

Source: ECORYS Nederland BV – Non-Tariff Measures in EU-US. Trade and Investment – An Economic Analysis

For the US, the main gains of removing NTBs per sector would be in electrical machinery sector (see Chart 5).

Chart 5 Sector-level effect US (\$bn)



\$bn in increased income

Source: ECORYS Nederland BV – Non-Tariff Measures in EU-US. Trade and Investment – An Economic Analysis

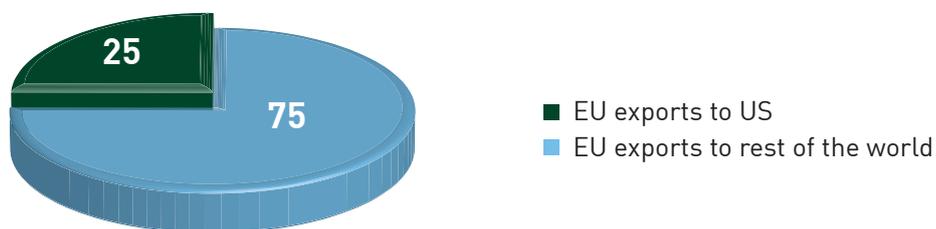


MARKET ACCESS IN SERVICES



The transatlantic services market is by very far the biggest in the world (43% of global trade in services). The total volume of cross border trade in services between the two blocks in 2010 is €256.2 billion, with the EU exporting €125.2 billion to the US (see Chart 6), and importing €131 billion from the US (see Chart 7).

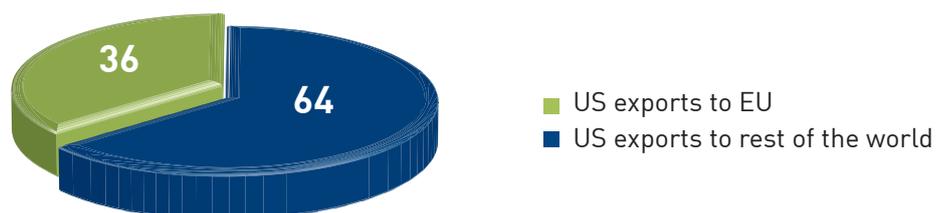
Chart 6 EU export of services - % - 2010



Source: SciencesPo - "Leading with services". The dynamics of transatlantic negotiations in services

An economic and trade pact should improve market access and national treatment in all services modes (cross-border, consumption abroad, establishment abroad and movement of natural services providers).

Chart 7 US exports of services - % - 2010



Source: SciencesPo - "Leading with services". The dynamics of transatlantic negotiations in services



“ *Services liberalization is the next frontier of transatlantic economic integration. We have huge opportunities in areas like cleaner energy, information technologies, logistics and financial services. So let’s go for it.* ”

Jesper Møller, President of the Confederation of Danish Industry

Given the high level of integration of the two markets, the way forward also lies in regulatory cooperation aiming at mutual recognition, regulatory convergence or the adoption of international standards.

Increasingly, knowledge-based services, including business, financial, computer and information, insurance, audio-visual and telecommunication services can readily be delivered around the world via advanced communication networks. An Economic and Trade Pact should guarantee the free movement of data between the two sides of the Atlantic to foster more trade in services and generate new waves of economic growth.

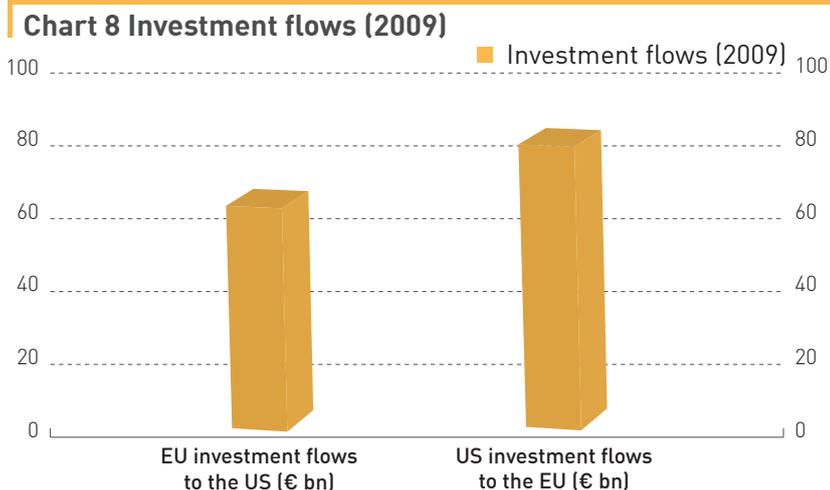
Around 20% of the total production of services in the US and the EU is actually restricted by regulation which prevent transatlantic trade in services.³

Removing these barriers could boost services trade by 10-20% or \$20-\$40 billion or an estimated 170,000 - 350,000 jobs for the Transatlantic economy.

³ Sciences Po - “Leading with services”. The dynamics of transatlantic negotiations in services



TRANSATLANTIC INVESTMENT AGREEMENT



Source: ECIPE – Transatlantic Task Force on Trade

The EU – US relationship depends heavily on investment (see Charts 8 and 9). While the US has investment treaties with a large number of EU member states, it does not with the EU as a whole. The Lisbon Treaty provides the EU with an opportunity to extend investment protection to all transatlantic investors on an equal footing.

A transatlantic investment agreement would be an important part of an economic and trade pact, granting legal security to US and EU investment on both territories, liberalizing new areas for investment, and strengthening international investment law.

The US and EU can gain substantially in terms of growth and jobs from further investment and greater integration, and set up worldwide accepted principles on investment. This is essential to help integrate emerging markets into the global rules-based trade and investment system.

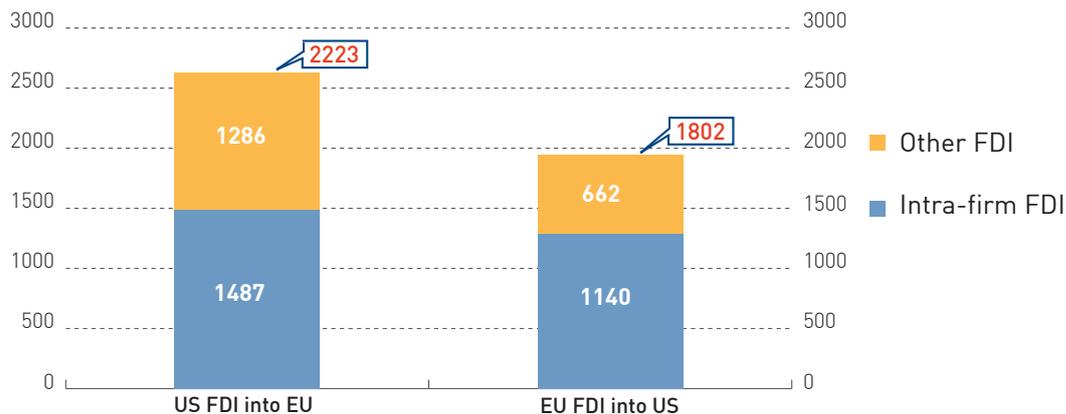


“ We are encouraged by the resolve of US and EU leaders to take further steps towards an integrated transatlantic market. Such a vision is necessary to revitalize transatlantic leadership in addressing critical current issues such as economic growth, job creation, free trade, investment, and effective regulation around the world.”

Hans-Peter Keitel, President of the Federation of German Industries

Due to the already high degree of transatlantic investment, an agreement that enshrines the highest level of investment protection will strengthen the US-EU economic relationship.

Chart 9 Two-thirds of US and EU Foreign Direct Investment (FDI) are Intra-firm FDI - (2009 - €)



Source: ECIPE – A Transatlantic Zero Agreement: Estimating the Gains from Transatlantic Free Trade in Goods

If Transatlantic Agreement investment stocks increased by only 1%, around 180,000 jobs could be created on each side of the Atlantic.



GOVERNMENT PROCUREMENT AGREEMENT



Public procurement is another important issue in the EU and US economic relationship.

Currently, the EU has substantially larger GPA commitments than the US in terms of coverage and of thresholds allowing foreign competitors to bid for EU public procurement. €340 billion of EU public procurement is open versus only €40 billion in the US (see Chart 10). Although in practice, the US market is more open than its GPA commitments, EU SMEs would benefit from a stronger bilateral partnership on procurement. The US also applies a “Buy America” policy that creates legal uncertainty for EU companies – especially SMEs.

To rebalance this, the EU and the US have established a special bilateral group to find ways to substantially open markets further. BUSINESSEUROPE is committed to supporting this move forward.

An economic and trade pact would provide a real opportunity to further open markets and to allow fair competition for a better use of tax-payers’ money.

The transatlantic public procurement market should not only cover all federal government level purchases, but also all sub-federal, local authorities and public entities.

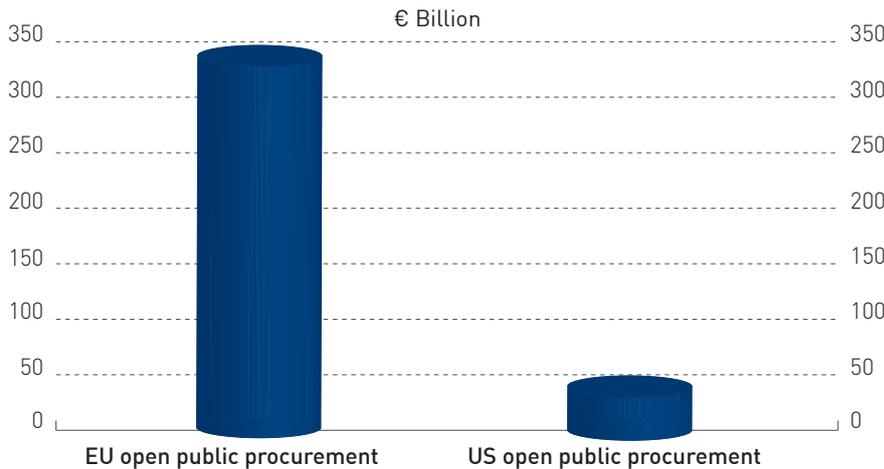


“ *Our companies face tougher competition from emerging market companies in procurement projects. Through reciprocal procurement liberalization, we can give our companies an edge in global competition, foster more transatlantic consortia in procurement projects and set the gold standard for open markets in this field.* ”

Laurence Parisot, President of the Mouvement des Entreprises de France

A significantly more open public procurement transatlantic market, allowing fair competition, going beyond GPA commitments in terms of coverage and below existing thresholds must be ensured.

Chart 10 Public Procurement Markets



Source: Who'sWhoLegal – Research Trends and Conclusions: Public Procurement 2011

Free and transparent access to public procurement markets should be a cornerstone of the agreement.



TRANSATLANTIC IPR LEADERSHIP

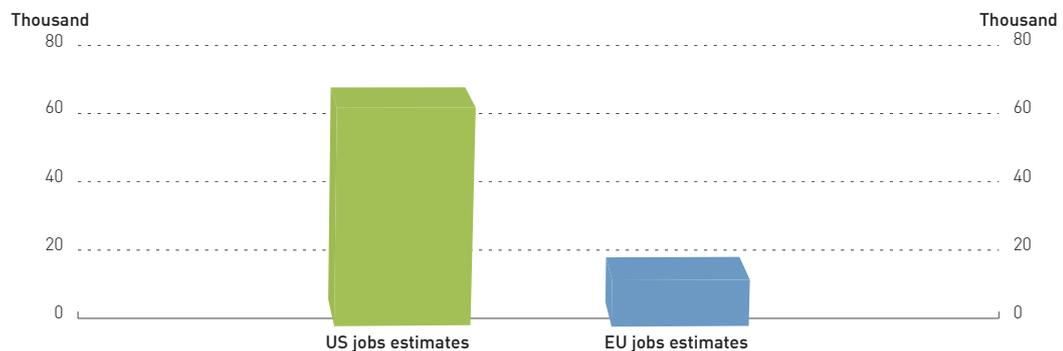


Intellectual Property Rights (IPR) protection is a key instrument to promote research and development, innovation, more jobs, prosperity and growth for the US and EU economies.

IPR is a critical part of the global trade and investment regime. It is essential to the ability of companies to innovate, create value and address societal needs. However, we have witnessed a growing trend in several multilateral fora and emerging markets towards a weakening of the overall IPR framework. In this context, closer transatlantic cooperation and IPR leadership are urgently needed.

It is estimated that a convergence of IPR regulations between the EU and the US would generate an increase in national incomes of \$1.1 billion (€0.8 billion) in the EU and \$4.8 billion (€3.7 billion) in the US which could create thousands of jobs (see Chart 11).

Chart 11 Jobs estimates creation through convergence of IPR rules



Source: Estimates of BUSINESSEUROPE



“ *Effective protection of intellectual property is the foundation of all innovation. Working together, the EU and US have the opportunity to establish international standards for a robust and transparent IPR framework that facilitates growth and jobs in the European and US economies.* ”

**Julie O'Neill, President of the
Irish Business and Employers Confederation**

The Need for Transatlantic IPR Leadership

Through a global framework on IPR protection, the US and EU could ensure a stable innovation system. US and EU cooperation has been focusing on improving enforcement of IPR in third countries (vis-à-vis emerging economies). This should continue and intensify.

At the same time, more political leadership and coordination are needed to safeguard the global IPR protection framework.

The EU and US should work together towards:

- ⇒ **Avoiding IPR erosion in the framework of the United Nations Framework Convention on Climate Change (UNFCCC) negotiations, as this would undermine our capacity to address the climate change challenge. IPR is part of the solution.**
- ⇒ **Reject initiatives to erode IPR protection in the context of World Health Organization discussions on a global R&D treaty. Innovation in this area is supported by strong intellectual property protection.**
- ⇒ **Ensure coordination in addressing lack of adequate protection against cyber theft and other trade secret misappropriation by third countries.**
- ⇒ **Scrutinize third country government policies that reduce or eliminate the ability of manufacturers to distinguish products from those of competitors through the elimination of trademark protection. This would create a dangerous precedent with far-reaching implications.**



TRANSATLANTIC ECONOMIC COUNCIL



The transatlantic Economic Council (TEC) is truly of **strategic interest to business** and to the Transatlantic relationship.

- ➔ Since the launch of the TEC, improvements were registered in transatlantic cooperation in developing and enforcing fair rules for global commerce. But there is much room for improvement!
- ➔ US-EU cooperation on the recognition of standards and testing procedures will enhance global cooperation especially in high potential areas such as e-mobility.
- ➔ TEC initiatives to support innovation must be pursued by notably stimulating cooperation between research agencies and centre. This will put our economies back on the path to growth and job creation, and to tackle challenges for the future.
- ➔ The TEC can also play a role in coordinating the implementation of new financial rules. Divergence on regulation of financial institutions activities must be minimized.
- ➔ EU-US governments and business have to cooperate in order to protect citizens and businesses from risks such as external attack or natural disasters by improving mutual trust of our customs systems. Joint border policies must build on and improve risk-based approaches to security.

The High Level Working Group on Trade and Growth must ensure that the work of the TEC will be pursued as an integral part of the economic and trade pact, and the results will be integrated and bound into the final agreement.



“ *Regulatory cooperation will make our companies and economies more competitive and help set standards for better regulation around the world. We need to show our leadership in this field.* ”

Henryka Bochniarz, President of the Polish Confederation of Private Employers Lewiatan

An integration of already agreed and to be agreed TEC Regulatory cooperation principles (ICT, investment, mutual recognition of trusted trader programmes, electric vehicles) must lead to binding commitments. In addition, the economic and trade pact should remain open to integrating new regulatory cooperation commitments as they develop in the TEC.

Ensure that the TEC

- **continues to play its key role in defining forward-looking issues for regulatory cooperation;**
- **improves its efficiency by expanding to new issues;**
- **adopts political deadlines to foster results in existing and future EU – US dialogues and cooperation processes.**

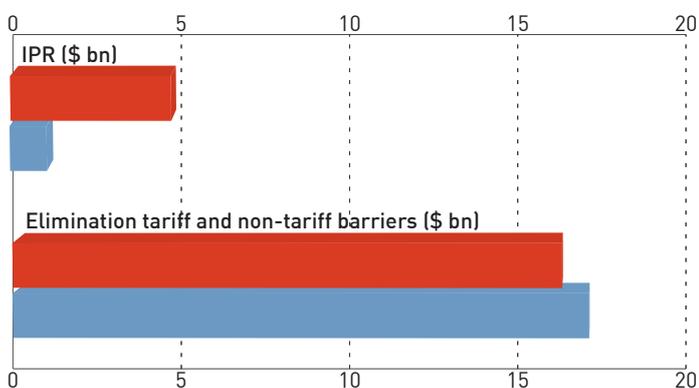


A CALL FOR ACTION

BUSINESSEUROPE recommends the launch of EU-US trade and investment negotiations in the following areas:

- 1 Trade in goods: eliminating tariff and non-tariff barriers.**
- 2 Trade in services: covering all modes of supply.**
- 3 Investment: ensuring access and protection.**
- 4 Public procurement: opening markets.**
- 5 Intellectual property rights: establishing global standards.**
- 6 Regulatory cooperation: building on the TEC.**

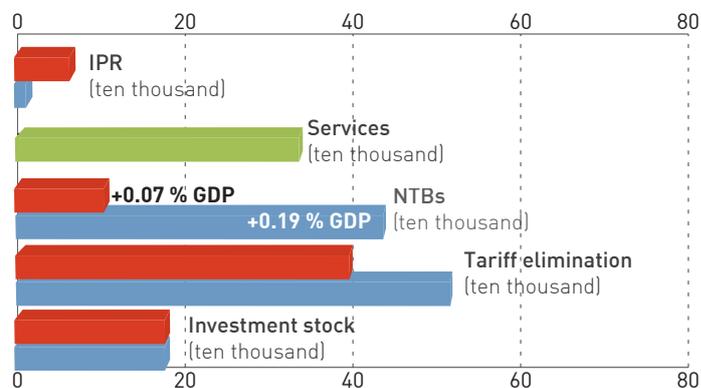
Economic potential of a transatlantic trade deal



- US (up to)
- EU (up to)

Source: Macroeconomic **BUSINESSEUROPE** estimates
 For Jobs calculations [see **BUSINESSEUROPE's website**](#)

Jobs potential of a transatlantic trade deal



- Total US (up to)
- Total EU (up to)
- Total US-EU (up to)



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