



**BUSINESSEUROPE STRATEGY ON  
AN EU-US ECONOMIC AND TRADE PARTNERSHIP**

**Executive Summary**

BUSINESSEUROPE recommends the launch of ambitious EU-US Economic and Trade Pact (ETP) negotiations in the following areas:

- Trade in goods, eliminating all industrial tariffs as well as non-tariffs barriers;
- Trade in services, covering all modes of supply and removing all equity caps;
- Protection of investment;
- Trade and public procurement
- Protection of Intellectual Property;
- Regulatory cooperation with clearly defined objectives and appropriate timeframes, building on and including the results of the TEC.



The purpose of this paper is to establish a BUSINESSEUROPE Strategy on how to strengthen the economic and trade relationship of the European Union (EU) and United States (US). This Paper will notably contribute to the work of the High Level Working Group on Jobs and Growth that was established at the November 2011 EU-US Summit in Washington. In this context, BUSINESSEUROPE calls for:

- The launch of negotiations of an EU-US Economic Trade Pact (ETP) as soon as possible;
- The launch of a scoping exercise aimed notably at sectors ready to move forward on regulatory matters;
- The continuation of the Transatlantic Economic Council (TEC) process during the negotiations and the inclusion of its results in the forthcoming agreement;
- The conclusion of a comprehensive agreement, covering all relevant economic, trade and investment issues;
- The pursuit of the transatlantic cooperation on global issues with the view to engaging with third country trading partners.

## **I. REAL ECONOMIC OPPORTUNITIES TRUMP POLITICAL CHALLENGES**

Due to the huge volume of Transatlantic trade and investment, studies indicate that a EU-US Economic Trade Pact (ETP) could generate much more economic growth (at minimum 0.5-1% of additional GDP) than any current EU free trade negotiation, and almost as much as, if not more than, a multilateral trade agreement (*Economic figures and references in the separate Background Paper*).

Transatlantic investment flows generate deep economic integration with significant intra-firm trade. Estimates suggest that intra-firm trade represents more than one third of total transatlantic trade. With such an intertwined trade and investment structure, there will likely be additional trade facilitation gains to be found, notably from the elimination of the industrial tariffs as an important component of an ETP. In addition, the competitiveness gains obtained by the implementation of an ETP for European and US companies would be significant relative to competitors from emerging countries. Such an agreement would also provide an opportunity to establish open and non-discriminatory global standards and regulation for many goods and services.

To improve the competitiveness of the transatlantic economy, the EU and the US should remove or reduce all types of barriers. An agreement should cover trade in goods, (tariffs and Non Tariffs Barriers or NTBs), trade in services, investment protection, the availability of free and transparent access to public procurement markets, and stronger regulatory cooperation.

The transatlantic economy also requires strong protection of Intellectual Property Rights (IPR), in particular patents, copyrights and related issues. Seamless cross-border data flows are a further essential element of the modern global economy, particularly between the EU and the US. Therefore data protection policies should not establish new barriers that are costly to implement and could impair jobs and growth creation.

The political feasibility of such an agreement will depend upon a number of factors:

- Convincing politicians that gains from an ETP will create jobs and growth in our respective economies.



- Focusing on achieving realistic trade liberalisation results within a reasonable time frame.
- Ensuring that sensitive issues can be addressed appropriately or dealt with at a later stage. A proper assessment will have to identify issues that will have a positive cost-benefit ratio for the industry on both sides of the Atlantic.
- Ensuring that the TEC (i) continues to play its key role in defining forward-looking issues for regulatory cooperation, (ii) improves its efficiency by expanding to new issues, and (iii) adopts political deadlines to foster results in dialogues and cooperation processes. Where possible, results arising from the regulatory cooperation process should be included in a future agreement.

To summarise, an economic and trade agreement with the US would be a significant economic boost for both sides. BUSINESSEUROPE therefore strongly urges the EU to actively pursue this initiative and calls upon all national political leaders from the EU Member States and the European Parliament to advance in this direction. BUSINESSEUROPE also invites the US Administration and the US Congress to invest political will into a new venture with the European Union and to make a clear political commitment for a comprehensive agreement.

## **II. BUSINESSEUROPE STRATEGY**

BUSINESSEUROPE suggests the launch of negotiations towards an ambitious, deep and comprehensive EU-US Economic and Trade Pact (ETP) that would go well beyond a mere free trade agreement. This section will present the content, process and timeframes that BUSINESSEUROPE would like to see in reaching for such an agreement.

### **1) The content of the agreement**

BUSINESSEUROPE suggests the launch of negotiations of an EU-US Economic and Trade Pact (ETP). The ETP should result in significant opportunities for business, generating economic growth and creating jobs on both sides of the Atlantic.

The parties should undertake, through the work of the High Level Working Group on Jobs and Growth, a wide scoping exercise so as to clearly define the coverage of the negotiations. The scope should be as wide as possible and respect the international obligations of the parties, notably Article XXIV of the GATT and Article V of the GATS. It should also identify priority sectors to advance most rapidly.

BUSINESSEUROPE favours an ETP that:

- Strives for broad political agreement between the US and the EU towards radically deepening EU-US economic and trade integration.
- Establishes clear timelines for relevant projects to be negotiated and defines a process for reaching agreements on each topic. Given the depth and the breadth of the EU-US economic relationship, BUSINESSEUROPE would recommend a period of two years for completing the ETP. A few areas might be deferred but should be advanced at a future, agreed upon, next stage.
- Incorporates the Transatlantic Economic Council (TEC) process. The progress on regulatory cooperation should actively continue during the ETP negotiations and should be expanded to new areas with a focus on regulation of industries and services of the future.



The following items would be economically meaningful for a comprehensive agreement:

- A standstill clause preventing new barriers from arising in the course of the negotiations.
- A commitment to bind all currently applied legislation and regulations in manufacturing and services sectors.
- Full elimination of all industrial tariffs without exception although short transition periods might be considered.
- Ambitious liberalisation of agricultural trade barriers with as few exceptions as possible although transition periods might be necessary.
- The elimination of non-tariff barriers to trade in goods, with a clear and binding calendar.
- The adoption of measures to simplify customs procedures (trade facilitation) and to improve cooperation on security.
- A commitment to improve market access and national treatment in all modes of provision of services and to remove all remaining equity caps.
- A prohibition of exports taxes and other exports barriers.
- A strong investment protection component with commitment to respect the already agreed high level principles and rules for transatlantic investments, with a state-of-the-art investor-to-state dispute mechanism, including a clear and well defined time frame for arbitration.
- A significantly more open market for public procurement going beyond WTO GPA commitments in terms of coverage and lowering existing thresholds. National treatment at all levels of government and administration must be ensured.
- The adoption of definition and disciplines on state-owned enterprises.
- A strong Intellectual Property Rights regime going beyond WTO TRIPS through active regulatory and enforcement cooperation, and with clear rules to protect the free flow of cross border data.
- Integration of already agreed and to be agreed TEC Regulatory cooperation principles (ICT, investment, mutual recognition of trusted trader programmes, electric vehicles) into binding commitments. In addition, the ETP should remain open to integrating new regulatory cooperation commitments as they develop in the TEC dialogue.
- A commitment to pursue the work of the High Level Regulatory Cooperation Forum (HLRCF) and similar mechanisms, – such as the EU-US Financial Markets Regulatory Dialogue (FMRD) for the financial services sector, to further improve coordination between regulatory authorities. The agreement should stimulate regulatory agencies to step up cooperation and where possible convergence of regulatory approaches and mutual recognition of regulatory data compliance.
- The adoption of a transparency chapter including the setting up of a legislation monitoring mechanism and an effective early warning system and dispute settlement mechanism.

BUSINESSEUROPE acknowledges that the EU and US could struggle to find common ground over long standing issues of disagreement. Such hurdles must be recognized and apprehended in a positive way to ensure that the momentum of trade liberalization is maintained.



**2) The road map towards an agreement**

We need to learn the lessons of past transatlantic initiatives that have failed to deliver on their promises. In a new global context where transatlantic leadership is increasingly challenged, like in the stalled WTO Doha round, where the rise of highly competitive countries in Asia is making our companies less competitive on global markets and with the economic crisis taking its toll on employment in Europe and in the United States, we need strong political leadership to carry this project forward.

The “High-Level Working Group on Jobs and Growth” - led by U.S. Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht – is the right instrument to build up political support and economic arguments to successfully launch negotiations on an Economic and Trade Pact by the next EU-US Summit. Business support in the EU and in the US will be essential to ensure that the highest levels of the EU and the US Government are informed of the huge job potential of this project.

**3) The road map for BUSINESSEUROPE**

- This Strategy Paper will be brought forward by the recently established Transatlantic Task Force of BUSINESSEUROPE Presidents and will be presented to American counterparts in Washington on 20 March 2012 at the US Chamber (*see below for more precise calendar*).
- A joint EU-US Business position will then be elaborated and presented to both administrations, if possible by May 2012, in advance of the interim report of the High Level Working Group.

**4) Events Calendar of BUSINESSEUROPE action<sup>1</sup>**

International Relation Committee (IRC) preliminary debate	26 October 2011
EU-US Summit – Creation of the High Level Working Group on Jobs and Growth	28 November 2011
BUSINESSEUROPE Council of Presidents (CoPres) decision	2 December 2011
US Network Meeting – Follow up of CoPres Decision	17 January 2012
BUSINESSEUROPE/US Chamber Joint	2 February 2012

<sup>1</sup> Other actions and events will be added in due time.



Contribution to US Federal Register	
Executive Committee (ExCo)	16 February 2012
International Relation Committee (IRC) – EU-US Strategy Implementation	28 February 2012
Council of Presidents Task Force visit to Washington	19-20 March 2012
BUSINESSEUROPE/US Chamber Joint Contribution to European Commission Consultation on the HLWG's work	Deadline: 23 April 2012
Possible EU-US Summit	18 May 2012 – G8 Meeting – Chicago
Interim Report of the HLWG	June 2012
Council of Presidents	14-15 June 2012
Expected Final Decision of the HLWG	December 2012

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SUBJECT : Background paper for the BUSINESSEUROPE strategy on an EU-US Economic and Trade Partnership

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This document is aimed at providing background information to the BUSINESSEUROPE Strategy Paper on the EU-US Economic Partnership that is developed in the context of the discussion of the EU-US High Level Working Group on Jobs and Growth created at the EU-US Summit that took place in Washington on 28 November 2011.

## **1) ECONOMIC BACKGROUND**

The transatlantic commercial relationship is by far the largest in the world, with the United States and the European Union surpassing \$4.3 trillion in trade, investment and sales by foreign affiliates of companies in one another's markets, representing over 50% of global GDP and 30% of global trade. U.S. companies have over \$1 trillion invested in the EU. In Ireland alone, the stock of U.S. FDI totalled \$165 billion at the end of 2009 — more than the U.S. total for China, India, Russia, and Brazil combined. EU investment in the U.S. supported 3.6 million jobs in 2008. EU investment in California alone supported 287,000 jobs, while its investment in New York supported 255,000 jobs.

When we look at the trade in goods between the EU and the US, the EU good exports to the US in 2010 were €242.1 billion and the EU goods imports from the US in 2010: €169.5 billion. The main sector for EU export is Machinery and transport equipment €93.305 million (38.5% of total); Chemicals and related products €60.491million (25%) and Miscellaneous manufactured articles 27.461million (11.3%). As for the EU imports from the US, the main sectors are Machinery and transport equipment €66.266 million (39.1%), followed by Chemicals and related products €39.393 million (23.2%) and Miscellaneous manufactured articles 22.981 (13.6%). For more statistics, click [here](#).

Transatlantic investment flows generate deep economic integration with significant intra-firm trade. For instance, half of all US foreign affiliates are in Europe and 60-per cent of the assets held by US foreign affiliates are in Europe. The equivalent figure for EU affiliates in the US is 75-per cent. Estimates suggest that intra-firm trade represents more than a third of the total transatlantic trade.



The European Union and the United States are the largest sources of, and hosts to, foreign direct investment. These benefits are demonstrated repeatedly by the \$2.34 trillion of EU foreign direct investment in the United States and €2.7 (\$3.6) trillion of US FDI in the European Union. Indeed, the unique nature of this bilateral economic relationship stems in part from the fact that two-thirds of this investment is represented by the \$1.93 trillion that U.S. firms have invested in the EU and the \$1.48 trillion European firms have put into the United States. In 2009, the US invested €97.3 billion in the EU, while the EU invested €79.2 billion (28% of total EU extra outward FDI). It is to be noted that when we look at the destination of the EU-FDI flows from and to the USA in 2005 (*last year available*), the USA have invested 115% into services sectors. On the other direction, EU FDI outward flows show that the EU invested 72% in services sectors (*source: Eurostat*). These figures clearly show that investment in services sectors are of crucial importance in the EU-US relations.

As far as trade in services is concerned, the EU is the largest trading partner of the US, and vice versa. 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, and importing €131 billion.

The total volume of trade between the EU and the US (goods and services – exports and imports) is €667.8 billion. 66% of EU exports are goods, while 34% are services, which is much more than the average of 25%. As for the EU import, goods represent 56.4%, and services share goes up to a surprising 43.6%, which is an exception in the EU pattern, where the worldwide average is below 25%.

Public procurement is a more and more important issue in the EU and US economic relationship. It is reminded that the US are still currently running a “Buy America” policy and that the EU has a public procurement market open to competition worth €340 billion while the US similar market is only of €40 billion.

A strong protection of Intellectual Property Rights (IPR) is crucial for the transatlantic economy, in particular patents, copyrights and other related issues. Free cross-border data flow is another essential element of the today’s modern global economy, particularly between the EU and the US. For example, it is estimated that a convergence of IPR regulations between the EU and the US would generate an increase in national incomes of € 0.8 billion (\$1.1 billion) in the EU and \$4.8 billion (€3.7 billion) in the US.

Finally, it is important to recall that the OECD estimates that the economic crisis will have long-lasting negative effects on the Transatlantic economy (the US economy is expected to grow at 2% and the EU around 1% in 2012) and on employment (+8% unemployment in both economies). Against this backdrop, the EU and the US must look at ways to increase opportunities for economic growth in their bilateral relationship.

## 2) POLITICAL BACKGROUND





While economic challenges abound for the EU and the US administrations, there is positive momentum in EU-US relations and a genuine effort is being put into the Transatlantic Economic Council (TEC) across a wide range of regulatory issues.

The 2011 EU-US Summit took place in Washington on the 28 November 2011 followed by the Transatlantic Economic Council (TEC) leaders meeting on 29 November 2011. This TEC meeting has advanced cooperation on concrete issues like standards for electric vehicle charging, mutual recognition of trusted trader programmes for customs security and dealing with investment challenges in emerging countries. The High Level Regulatory Cooperation Forum (HLRCF) also met on 28 November. This forum is gathering regulators from both sides of the Atlantic in various sectors (Chemicals, Pharmaceuticals, Environmental, etc.) and is encouraging exchange of views of how to best regulate but allowing at the same time more transatlantic business.

The primary element of interest that came out of the Summit, from a trade and investment perspective, was that of Leaders directing the Transatlantic Economic Council to establish a “High-Level Working Group on Jobs and Growth”, which is to be led by U.S. Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht.

The White House has released a Fact Sheet on the High-Level Working Group ([enclosure 1](#)) originally found [here](#). The Fact Sheet details that the High Level Working Group is tasked to identify policies and measures to U.S.-EU trade and investment. Leaders have also asked the Working Group to work closely with all public and private sector stakeholder groups, and to draw on existing dialogues and mechanisms, as appropriate. The working group will focus on 5 issues:

- Conventional barriers to trade in goods, such as tariffs and tariff-rate quotas;
- Reduction, elimination, or prevention of barriers to trade in goods, services, and investment;
- Opportunities for enhancing the compatibility of regulations and standards;
- Reduction, elimination, or prevention of unnecessary “behind the border” non-tariff barriers to trade in all categories;
- Enhanced cooperation for the development of rules and principles on global issues of common concern and also for the achievement of shared economic goals relating to third countries.

Upon completing its analysis, the Working Group will also consider and recommend the practical means necessary to implement any policy measures identified. It will provide an interim update to Leaders on the status of its work in June 2012 and produce a final report with findings, conclusions, and recommendations to Leaders by the end of 2012; “these could include a range of possible initiatives, from enhanced regulatory cooperation to negotiation of one or more bilateral trade agreements” (quote from Fact Sheet).



Also of note is the EU-U.S. Transatlantic Economic Council Joint Statement released on the 29 November and can be found [here](#). The statement sets out 2012 priorities for reducing regulatory barriers to trade and investment. A longer Joint Statement from the Summit, which touches on all manner of bilateral subjects, can also be found [here](#).

### **3) BUSINESSEUROPE BACKGROUND ACTIVITIES**

The WTO 8<sup>th</sup> Ministerial Meeting took place on 15-17 December 2011 in Geneva, with some progress on new accession including Russia and on GPA Review, but none on the multilateral negotiations front. While BUSINESSEUROPE remains supportive of multilateralism, it is now clear that the WTO Doha Round negotiations will not be concluded within a reasonable time frame, notably because of Presidential elections in the US in November 2012 and the change of the Chinese Leadership also in November 2012. Given that most economic growth from the Doha Round for the European Union economy would have been generated by further transatlantic trade liberalisation, the possible failure requires European business community to look for alternative ways to pursue those trade opportunities. One option might be a bilateral agreement with the US.

An additional reason for this ongoing reflection on future EU-US trade and economic relationship is the changing attitude of the US Administration toward the EU. Increasingly, Administration representatives have been sounding out the possibility of pursuing some kind of trade agreement with the EU. This change in attitude may notably reflect pressure from the US Chamber of Commerce, which originally proposed a Transatlantic Zero Tariff Agreement (TAZA) and now proposes a more far-reaching Economic and Trade Pact (ETP) covering goods, services and investment, or concerns over the loss of competitiveness of US industry during the economic recession.

In light of these changes, it was essential to reflect upon these various opportunities and how BUSINESSEUROPE should tackle this issue. In the course of 2011, the International Relations Committee of BUSINESSEUROPE has engaged in a discussion for the past year on how to deepen Transatlantic Relations following a US Chamber of Commerce proposal to cooperate in supporting a TAZA. Although no consensus emerged on whether or not to support the TAZA, this discussion allowed member federations to explore the issue very seriously and to conclude on three points.

- A decision to move forward on any type of trade agreement with the US would require the highest level engagement from BUSINESSEUROPE and its membership.
- While we consider the simplicity of sector specific proposals like the TAZA interesting (there are also proposals for “services-only” or “investment-only” agreements, etc.), this would be too narrow to generate enough business and political support to move forward.



- The EU and the US are already strongly integrated in nearly every sector. The remaining barriers and impediment to extend the business activities are essentially of regulatory nature. Therefore the work that has already been achieved by the Transatlantic Economic Council should be fully integrated into any process and more sectors should be included for further strengthening the regulatory coherence between the two blocs.

#### 4) **LIST OF REFERENCES RELATED TO THE ISSUE**

- [European Commission \(2011\) 'Trade and Investment Barriers Report 2011. Engaging our Strategic Economic Partners on Improved Market Access: Priorities for Action on Breaking Down Barriers to Trade'](#).
  - [Erixon, Fredrik & Bauer, Matthias \(2010\) 'A Transatlantic Zero Agreement: Estimating the Gains from Transatlantic Free Trade in Goods', ECIPE Occasional Paper No 4./2010](#)
  - [Daniel S. Hamilton and Joseph P. Quinlan - The Transatlantic Economy 2011 - Annual Survey of Jobs, Trade and Investment between the United States and Europe – May 2011](#)
  - [Fredrik Erixon and Lisa Brandt \(2011\) - Transatlantic Task Force on Trade - Working Paper: " Ideas for New Transatlantic Initiatives on Trade"](#)
  - [Messerlin, Patrick & van der Marel, Erik \(2009\) 'Leading with Services: The Dynamics of Transatlantic Negotiations in Services', Paris: GEM/Sciences Po](#)
  - ["Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis": Study by ECORYS for DG Trade, European Commission, December 2009](#)
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