

TRANSATLANTIC POLICY NETWORK (T P N)

Completing the Transatlantic Market

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Second Annual Report

*This report is intended to summarise the points made and idea raised during a series of discussions.
It does not necessarily reflect the views of any individual participant or organization.*

***TPN WOULD LIKE TO EXPRESS WARM THANKS FOR THEIR GENEROUS CONTRIBUTION, SUPPORT
AND INVOLVEMENT TO ITS MEMBERS AND THE GERMAN MARSHALL FUND OF THE UNITED STATES***

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Executive Summary

Winston Churchill once said that those who build the present only in the image of the past will miss out entirely on the challenges of the future.

Governments on both sides of the Atlantic have long been aware of the trade, regulatory and investment barriers that impede a deeper and wider Transatlantic Market. In 1995, the American administration joined with the European Commission to launch the New Transatlantic Agenda, intended, in part, to strengthen economic ties. Transatlantic dialogues among business, labor and consumers soon followed. Over the years, complimentary initiatives were instigated by successive U.S.-EU summits. And the U.S. Congress and the European Parliament agreed on the creation of a Transatlantic Legislators Dialogue in 1999.

However, in the absence of any formal commitments binding all parties concerned to common goals, progress was limited. The voluntary, *bottom up*, building-block approach to cooperation pursued by various American and European regulatory agencies deepened bureaucratic ties and personal relationships between regulators. But it produced few tangible results of broad benefit to business or citizens.

In 2007, under the leadership of German Chancellor Angela Merkel, the United States and the European Union agreed to create the Transatlantic Economic Council, a complementary, politically-led, *top-down* approach to transatlantic cooperation, a new overarching framework for dialogue and action. The aim of this approach is to remove barriers to trade and investment across the Atlantic, to prevent new barriers from emerging and to reduce regulatory compliance costs.

Pursuit of this goal will stimulate economic growth in the transatlantic economies. It will set a high standard for the removal of trade, investment and regulatory impediments in all global markets. It will enhance the competitiveness of both the European and American economies. And it will necessarily oblige legislative and regulatory authorities in both Europe and the United States to take into consideration from the outset the impact their acts may have on transatlantic economic relations and to ensure that their respective governmental bodies involved have the necessary budgetary and organizational resources to work closely with each other.

For this Transatlantic Market initiative to succeed, the Congress and the White House in the United States and the main institutions of the European Union—the European Parliament, the Council and the Commission-- need to be more closely involved than ever before in transatlantic economic relations. Only they can apply a sense of political focus and bureaucratic urgency to the roadmap. And only they can avoid diverging, conflicting and burdensome legislation and regulations that would impede progress toward that goal. In this effort, Congress, the White House and the institutions of the European Union must work closely with the individual American state governments and the member states of the European Union.

In pursuit of these goals, the 2008 U.S.-EU summit should:

- Reaffirm the intention to complete the Transatlantic Market by 2015, validated by the results of the forthcoming sector-by-sector study;
- Further affirm its political commitment to create a roadmap, indicating by December 31, 2008 in what timeframe the specific sector actions will be taken, beginning with the period 2008-2011.
- Agree on the establishment of a Transatlantic Market Implementation Group comprised of a small number of members of the U.S. Congress and European Parliament, members of the U.S. cabinet and EU commissioners, and heads of U.S. and EU regulatory agencies, which will be closely aligned with the activities of the TEC: to follow up on the sector-by-sector study of barriers to transatlantic trade and investment, to flesh out the roadmap for completing the Transatlantic Market and to ensure that steady progress is made toward realizing the target date for creation of the Transatlantic Market.
- Officially involve leading members of the U.S. Congress and the European Parliament in the summit process;

In the 2008-2009 timeframe, to demonstrate continued U.S.-EU commitment to creating the Transatlantic Market, Brussels and Washington should:

- Resolve significant transatlantic differences over financial services.
- Complete the second phase of the Open Skies agreement removing investment restrictions for European and American air carriers in the transatlantic market.
- Agree in principle to establish in Brussels a regulatory impact assessment process comparable to that in Washington.

PART I: The Background

The Concept

An Unfinished History

Inspiration for completion of the Transatlantic Market can be found in the histories of both the United States and Europe. In the 19th century a single American economy was stitched together out of separate state and regional markets for goods and services. In the late 20th century in Europe a single European market was constructed, beginning in 1957 and dramatically accelerated by 1992 through a sector-by-sector approach to economic integration. These efforts to maximize welfare by the removal of barriers to commerce were supplemented by institutions—such as the Federal Reserve and various regulatory agencies in Washington and the European Central Bank and the European Commission in Brussels--that fostered and sustained economic integration. It is that experience, at times halting but ultimately fruitful, that provides both the inspiration and the context for recent efforts to deepen and broaden the transatlantic economic area to achieve the eventual free movement of capital, goods, services and people.

In 1995, in Madrid, American and European leaders agreed on a new Transatlantic Agenda, which envisioned creation of a New Transatlantic Marketplace. EU-U.S. consultations were set up to dismantle obstacles to trade and investment and to strengthen cooperation on issues such as competition policy. Nongovernmental dialogues were also launched between members of the consumer, environmental, labor and business communities. The Transatlantic Business Dialogue, which has been particularly active since its inception in Seville in 1995, has offered practical recommendations addressing nearly all outstanding transatlantic economic concerns. In particular, in 2004 the Business Dialogue explicitly called for creation of a barrier-free transatlantic market in which goods, services and capital could be efficiently exchanged.

In 1997, EU and U.S. leaders signed a Mutual Recognition Agreement, intended to lead to comparable standards and testing, initially for six products. Progress was slow.

In 1998 the European Commission suggested an ambitious negotiating package to the United States to realize the New Transatlantic Marketplace. The Commission's proposal envisaged widespread mutual recognition of standards and certification, a reduction of industrial tariffs to zero by 2010, a bilateral free trade area in services, the establishment of a new dispute settlement procedure and strengthened bilateral cooperation in areas such as trade facilitation. The initiative was never fully embraced by the United States and failed to win the support of several EU members, most notably France, which was concerned about the potential implications of the proposed agreement for the politically sensitive issue of agricultural subsidies.

In 1998, a far more modest Transatlantic Economic Partnership agreement was signed, with scant success.

In 2004, U.S. and EU leaders called for a stakeholder consultation involving businesses with a vested interest in a deeper transatlantic economic relationship. At the same time a study for the European Commission concluded that transatlantic economic integration was plagued by a dearth of high-level

political support, an insufficient public profile, low priority within the bureaucracy, insufficient transparency, inadequate support by the EU member states and lack of involvement of the U.S. legislative branch of government.

In 2005, in response to these criticisms and stock taking, Washington and Brussels launched the Transatlantic Economic Integration and Growth Initiative. This effort was to focus on product standards and consumer protection, market access for services, regulation of financial markets, including direct investments, competition policy, government procurement and intellectual property rights. The 2006 EU-U.S. summit affirmed these goals.

Meanwhile, regulatory cooperation efforts made steps forward. The 2005 summit established a high level U.S.-EU forum to develop a joint regulatory work plan based on mutual best practices. In addition, a dialogue was established between the European Commission and the U.S. Office of Management and Budget on transparency and methodologies for impact and risk assessment. By 2006 both bodies reported some progress, paralleled by useful cooperation in the Financial Markets Regulatory Dialogue on accounting standards and the supervision of financial institutions.

Both European and American legislators are increasingly supportive of deeper transatlantic economic ties. In 2004 and again in 2005, the European Parliament passed resolutions supporting completion of the Transatlantic Market by 2015. Furthermore, the Parliament also agreed that the transatlantic partners should update the 1995 New Transatlantic Agenda, replacing it with a “Transatlantic Partnership Agreement” to be implemented from 2007. These ideas were further endorsed in reports by Elmar Brok MEP and Erika Mann MEP approved by the European Parliament in May, 2006. And in December, 2006, the U.S. Senate passed a resolution calling for completion of the Transatlantic Market by 2015. It called for a jointly-funded, cooperatively-led study of existing barriers to transatlantic trade and investment, including sector-by-sector estimates of the costs and benefits of removing such obstacles and a timetable for their removal.

An Idea Whose Time Has Come

Multilateral trade liberalization is the optimal means of maximizing the benefits of increased trade and investment for the people of Europe, the United States and the rest of the world, especially the poor living in developing countries. In this light, TPN is strongly committed to opening markets through multilateral negotiation and places the highest priority on successfully completing the Doha Development Round at a high level of ambition..

But the Doha Development Round, which was launched in 2001, has yet to produce meaningful, tangible results. Differences over agriculture and market access for manufactured products and services have stymied progress, indefinitely postponing the benefits of new trade liberalization. Completion of the Round and its ultimate level of ambition remain uncertain.

Meanwhile, the prolonged nature of the Doha Development Round and its unsure prospects have prompted both Washington and Brussels to pursue bilateral trade liberalization initiatives through preferential trade agreements with a wide range of countries in Africa, Asia and Latin America. These arrangements are suboptimal in economic terms. They often involve small economies and exclude key business sectors. But their pursuit underscores the compelling attraction of any effort to remove barriers

to trade and investment, however limited its economic impact. The delays and challenges experienced in the Doha Development Round have made a proliferation of American and European preferential trade agreements almost inevitable. These initiatives inherently increase the costs businesses face in coping with competing standards in various parts of the world. They frequently result in lowest common denominator agreements that do little to spur additional trade and investment. And competing efforts to craft preferential trade agreements raise the specter of new transatlantic frictions, as the European Union and the United States vie for special deals with emerging market economies.

At the same time, the transatlantic economic dialogue pursued by the United States and the European Union has produced repeated political resolutions but scant real results in the marketplace, frustrating the business community in particular. To cite one of many examples, with no set target date for completion, progress in the Regulatory Dialogue has been slow and there is no clear prospect for its completion. Furthermore, the Dialogue's procedures for setting goals and benchmarking achievements are opaque. No structure is in place to allow for the oversight or input by elected political representatives on either side of the Atlantic.

These trade and investment liberalization initiatives have additional urgency because of their economic and strategic significance and because they promote long-standing values shared by the United States and the European Union. The transatlantic market is the anchor of the global economy. It is the world's largest, deepest and most integrated economic space. As such, it provides the economic foundation for European and American diplomatic and security initiatives that contribute to global stability. Moreover, Europe and the United States have developed in recent years market principles—based on transparency, accountability, a limited role for the state in the economy—that have spurred economic growth while promoting democratic institutions and practices. These transatlantic economic values are the foundation of European and American economic and political success and should be reinforced and promoted.

But the transatlantic market is no longer the world's most dynamic economic area. Over the last decade, the European Union's economy has grown at an average rate of 2.4 per cent per year. By comparison, the U.S. economy has grown by 3.2 per cent annually. Over the same period, China grew by 8.1 per cent per year and India expanded at an annual rate of 5.9 per cent.

As mature economies, Europe and American can be expected to grow more slowly than emerging markets. But the consistent underperformance until recently of the European economy in comparison with its American cousin and the gap between transatlantic economic performance and that being experienced in China and India suggests a pressing need to sharpen competitiveness in the transatlantic market and remove trade, investment and regulatory barriers to maximize growth in both Europe and the United States. Moreover, in the absence of world standards, the United States and the European Union are competing to have their respective rules and regulations applied in third country markets. The net effect of this zero-sum game is that emerging economies, such as China and India, often play Europe off against America, developing their own technical standards, rules for financial markets and other regulations, and thus complicating business for everyone.

The Validation

A Strong Economic Base With Formidable Potential

Commercial relations between the United States and the European Union are already deeply integrated. Together they account for about three-fifths of the global economy and more than two-thirds of foreign direct investment. The transatlantic economy alone generates roughly \$4 trillion a year in commercial activity and employs up to 14 million workers who are either engaged in European-American trade or who owe their jobs to transatlantic investment.

In 2007, trade across the Atlantic in goods alone exceeded \$600 billion, a record. Europeans bought \$247 billion worth of American exports, nearly four times what the Chinese bought from the United States and 13 times more than what the Indians bought. Similarly, in 2006, the European Union sold the United States 268 billion Euros in merchandise, four times what it sold China and 11 times what it sold India.

But it is foreign investment that is the driving force in the transatlantic economic relationship. In 2005, the last year for which data is available, European investment into the United States totaled 29 billion euros, compared with a total of 8 billion euros in EU investment in China and India together. In 2007, U.S. companies invested \$128 billion in the European Union, a record, accounting for nearly 50 per cent of American investment outflows that year. And American investment in Europe considerably outweighed U.S. investment elsewhere. For example, between 2000 and 2006, U.S. investment in the United Kingdom alone was eight times American investment in China. And these investments have proven quite successful. American affiliates earned \$147 billion in profits in Europe in 2006, accounting for roughly half of U.S. global earnings that year. European affiliate earnings in the U.S. reached \$89 billion in 2006, a six-fold increase since 2001. What is more, these figures do not merely represent a momentary snapshot but are part of a sustained, decade-long trend of significant investment by EU and U.S. companies in the transatlantic market area.

Nevertheless, Europe and the United States have so far failed to integrate the breadth and depth of the transatlantic economic relationship into their policy making, legislative and regulatory systems. The most prominent examples of this shortcoming are the Sarbanes-Oxley Act in the United States, which reformed public accounting standards, and the EU's REACH Regulation, which affected the testing and approval of chemicals. Both initiatives were developed with little public input and created, or risk to create, considerable difficulties for transatlantic businesses, complicating companies' efforts to raise capital and to manufacture everyday goods.

Another example of the failure to work together in the transatlantic market is found in the automotive sector, where American and European carmakers sell identical vehicles in the United States and in Europe, but need to meet differing standards and undergo separate costly testing and approval procedures that often reflect differences in regulatory procedures more than they do differences in the public's environmental and safety concerns.

The potential benefits of removing such barriers to commerce in the transatlantic economy are significant. If obstacles to transatlantic business were eliminated, Americans' per capita income would be boosted by up to 2.5 per cent and Europeans' by up to 3 percent, the equivalent of two years growth

in Europe, according to a 2005 OECD study. Deregulation, not tariff cuts, would be the main source of these potential economic gains.

The Role of TPN

Throughout this slow march toward completion of a Transatlantic Market, the Transatlantic Policy Network has been a forum for dialogue within the transatlantic policy community with an aim of strengthening the EU-U.S. partnership. Since its founding in 1992, TPN has advocated deeper and broader economic ties between the European Union and the United States. It has conducted seminars for policy makers and business leaders focused on completing the Transatlantic Market since the early 1990s. As a result, TPN has been involved in creation of the New Transatlantic Agenda, the Transatlantic Business Dialogue, the Transatlantic Economic Partnership and the Transatlantic Economic Council.

- In pursuit of those goals, in 1994, TPN published “Toward Transatlantic Partnership: A European Strategy”, which established the linkage between political, economic and security interests in the European-American relationship and underscored the vital principle that the collective participation of the European Union is the only way for a broad and balanced EU-U.S. partnership to be developed.
- In 1995, TPN published “Toward Transatlantic Partnership: The Partnership Project”, which clarified the need to focus on specific economic and political issues to broaden the transatlantic partnership. In particular, it recommended negotiations for a transatlantic political and economic treaty by the end of the decade. These first two TPN documents were used by the EU’s Spanish presidency in formulating guidelines for the New Transatlantic Agenda signed in 1995.
- In 1998, TPN produced “Toward Transatlantic Partnership: The Cooperation Report”, which called for stronger political leadership on both sides of the Atlantic to provide impetus for closer ties. It recommended the signing of a broader EU-U.S. framework treaty in 2007 and helped shape the Transatlantic Economic Partnership agreement signed that year.
- In 2003, TPN published: “A Strategy to Strengthen Transatlantic Partnership” in direct response to a perceived deterioration in transatlantic relations. It suggested a 10 point, 10-year action plan to strengthen transatlantic economic, political and defense/security cooperation and recommended completing the Transatlantic Market by 2015.
- In 2007, TPN released “Completing the Transatlantic Market”, which called on elected officials to provide greater top-down leadership to spur progress on transatlantic integration and proposed a sector-by-sector analysis of obstacles to achieving that goal. Both aims were achieved in creation of the Transatlantic Economic Council and decisions made at the 2007 U.S.-EU summit.

PART II: Current Developments

The Political Context

The process of completing the Transatlantic Market requires high-level political commitment. Creation of a single transatlantic market also needs engagement by the European Parliament and the U.S. Congress and participation by business and other stakeholders focused on a common objective. No such goal can be achieved without sustained political involvement at the executive, legislative and stakeholder level on both sides of the Atlantic.

Recent U.S.-EU summits have increasingly provided impetus to transatlantic economic integration, reinvigorating the relationship with a broader constituency and a new sense of purpose. In 2007, for example, leadership on both sides of the Atlantic, spurred by German Chancellor Angela Merkel, created the Transatlantic Economic Council, a political body comprised of members of the U.S. cabinet and members of the European Commission, charged with overseeing and accelerating government-to-government cooperation with the aim of advancing transatlantic economic integration. In its first year, the TEC oversaw partial mutual recognition of accounting standards and the first phase of a long-awaited liberalization of transatlantic aviation. It launched a sector-by-sector analysis of obstacles to creating a Transatlantic Market. And, most important, it established the principle of top-down political leadership in an effort to further integrate the transatlantic market.

These efforts closely track recommendations in the 2007 TPN report “Completing the Transatlantic Market”, which called on elected officials to provide greater political leadership on transatlantic integration and proposed a study of the impediments to that goal.

But creation of the Transatlantic Economic Council is only the first step toward completing the Transatlantic Market. Members of the U.S. Congress and the EU Parliament now have limited participation in the summits. A more formal, extensive role would broaden the political base of support for closer transatlantic ties on both sides of the Atlantic. Moreover, greater involvement of those legislators who approve the regulations and the budgets needed to enforce them would send a strong signal to regulators and to the business community that regulatory convergence is now a political priority.

The sector-by-sector study of obstacles to transatlantic trade and investment, funded by the European Union, will provide the first detailed evidence of the benefits to be gained from a Transatlantic Market. Brussels and Washington must follow up on the findings from that study to fulfill business and consumer expectations that such barriers will be removed.

But a target date for completion of the Transatlantic Market remains to be set. A 2015 goal for a single market would both publicly and politically recommit current and future EU and U.S. leaders to an ongoing effort to deepen and broaden European-American economic ties in a timeframe that is relevant to both consumers and business.

There is also a need to spell out to both European and American constituencies the importance to both parties of economic and regulatory cooperation. See the attached two page memo (Annex I).

The Window of Opportunity

Europe and America face multiple mutual challenges as the first decade of the 21st Century draws to a close. Their economies need constant reinvigoration, best done jointly, to ensure a rising standard of living for all and a sharing of the benefits of prosperity with the world. Both sides of the Atlantic face new competitive challenges from Asia. Reversing global warming and the broader preservation of the environment can only be achieved through cooperative action. And the threat terrorism poses to domestic and international stability can only be successfully overcome if Europe and the United States stand together.

The economic slowdown challenging the global market in 2008 and the threat that recession could spur protectionism around the world add new urgency to transatlantic economic integration efforts. Tariff and non-tariff barriers to trade and investment are taxes that slow economic activity. Their removal can fuel recovery. And proactive efforts to engage with the world can counterbalance domestic political pressures to erect new barriers to such engagement.

Frustration with progress in the Doha Development Round, the growing threat of the European Union and the United States signing low-ambition, preferential trade agreements in competition with each other, the competitive challenge and market opportunities posed by China and India and the danger of rising protectionism in a period of economic slowdown affirm that the creation of a Transatlantic Market is an idea whose time has come.

The recently renewed momentum toward deeper transatlantic economic integration risks slowing in the years ahead, however, as the United States engages in a prolonged presidential election campaign in 2008, followed by months of transition to a new administration in 2009, and Europe faces European Parliament elections and installation of a new European Commission in 2009. Political leadership of the transatlantic market effort is likely to be distracted until 2010, reinforcing the need for medium and long-term integration goals that regulators and career officials can pursue in the interim. This time can also serve as a period of reflection and refocusing to ensure completion of the transatlantic market by the middle of the next decade.

France, which assumes the six-month presidency of the European Union in July, 2008, can play a pivotal role in this transitional period. French president Nicolas Sarkozy has long supported economic reform and better relations between Europe and the United States. By making transatlantic economic integration a priority of the French presidency, president Sarkozy can signal to the next American administration Europe's ongoing willingness to strengthen alliance economic and strategic ties.

At the same time, the Doha Development Round is at a critical juncture. Either the Round will be completed in 2008 or it will be indefinitely delayed. In either case, past concerns that an ambitious transatlantic economic initiative would somehow damage prospects for the Round will no longer apply. Rather than pose a threat to the multilateral system, efforts to remove trade, investment and regulatory barriers across the Atlantic can serve as a model and inspiration for future market liberalization activities in the World Trade Organization. Never in recent years has there been such a conjunction of economic, policy and political forces conducive to an effort to create a Transatlantic Market. Now is the time.

PART III: The Way Forward

The Implementation

To deepen and broaden the transatlantic economic relationship in a timeframe that is both politically credible and economically relevant, European and American leaders should commit themselves to:

- creating a Transatlantic Market by 2015
- follow up on the sector-by-sector study of the costs and benefits of removing transatlantic barriers to trade and investment
- establish a roadmap for achieving that goal and appoint a small U.S.-EU Transatlantic Market Implementation Group comprised of elected and appointed officials to oversee the study and the implementation of the roadmap (Annex II).

This must naturally be closely aligned with the activities of the TEC. With the full commitment of the European Commission and the U.S. administration, including regulatory officials, and a more active role for members of the European Parliament and the U.S. Congress, the process of creating a Transatlantic Market will be an integral step in the evolution toward an eventual Transatlantic Partnership agreement, embracing the economic, political and strategic totality of the EU-U.S. relationship.

The Target Date

At the 2008 U.S.-EU summit, the President of the European Council, the President of the United States and the President of the European Commission should agree to a target date of 2015 for completion of a Transatlantic Market between the United States and the European Union. A target date will focus directly disparate efforts at deepening the transatlantic economic relationship by creating bureaucratic and political accountability. The goal should be to pursue tariff free trade (worldwide) and dramatically reduce regulatory compliance costs and non-tariff barriers to transatlantic trade and investment through an institutional framework of U.S.-EU cooperation.

The Sector-by-Sector Study

In 2007 the European Union launched a study of existing obstacles to creating a Transatlantic Market. Modeled on the 1988 Cecchini Report on the economic barriers to creating a European single market, this Transatlantic Market report will provide detailed information on the cost of existing European and American barriers to trade and investment and the benefits of removing such obstacles. Its findings should also provide a roadmap for further analysis and the development of a detailed game plan for systematically eliminating barriers to business. Transatlantic leaders should endorse the report and jointly fund and cooperatively lead a follow up effort.

A Transatlantic Market Implementation Group

To ensure continuity, broad bureaucratic involvement and political accountability, the 2008 U.S.-EU summit should agree on the creation of a Transatlantic Market Implementation Group comprised of a small number of members of the U.S. Congress and European Parliament, members of the U.S. cabinet and EU commissioners, and heads of U.S. and EU regulatory agencies. Their responsibility will be to oversee the follow up to the sector-by-sector study of barriers to transatlantic trade and investment, to flesh out the roadmap for completing the Transatlantic Market and to ensure that steady progress is made toward realizing the 2015 target date for creation of the Transatlantic Market.

The Issues Roadmap

In the 2008-2010 timeframe, the United States and the European Union should:

The Transatlantic Economic Council

- Officially involve leading members of the U.S. Congress and the EU Parliament at the 2008 U.S.-EU summit. To add legitimacy and substance to their participation, they might include chairmen of the appropriate regulatory committees of both bodies and be appointed by the leadership of both legislative bodies and officially report back to that leadership. At that meeting, an institutional framework should be created to engage relevant members of both legislative bodies in the current EU-U.S. regulatory dialogue on an ongoing basis. The goal should be to turn the dialogue between regulators into a forum for action that takes into account the concerns of constituent stakeholders, including business and consumers.
- Should formally report to the European Parliament and the U.S. Congress about the results of each TEC meeting and its plans and goals for the future.
- Use the TEC meetings to begin an informal political dialogue about the long term economic and business challenges facing the transatlantic market, such as China, India, sovereign wealth funds, climate change.
- Reaffirm at the 2008 summit their intention to completion of the Transatlantic Market and commit to create a roadmap and fix a date for completion of that Market based on the results of the sector-by-sector study.

The Regulatory Dialogue

- The European Commission should have in place a regulatory impact assessment process comparable to that performed by the U.S. Office of Management and Budget. Parallel approaches to weighing the effect of proposed regulations and the mutual obligation to share them would facilitate the transatlantic regulatory dialogue by providing regulators with similar reference points for assessing the consequences of their actions on the transatlantic economy. The first issue addressed might be biofuels.
- The U.S. Office of Management and Budget should require all U.S. regulatory agencies to explicitly assess the international trade and investment effects of their regulatory actions and post that information online, much as the U.S. Department of Transportation already does.
- The United States and the European Union should strengthen the competition policy dialogue to develop comparable rules of the road for corporate activity in the transatlantic market.
- Agree to a framework for resolving reinsurance problems involving the draft EU Solvency II directive and the state-based approach to insurance regulation in the United States.

- The American administration and the EU Commission should agree on a framework for developing compatible rules affecting new technologies that are not yet regulated in Europe and the United States. This effort might include nanotechnology, optical technology, information technology or radio frequency identification devices, issues of great concern to business and consumers on both sides of the Atlantic. For such products, it should prove easier for Europe and the United States to develop new regulations in tandem, rather than to try to resolve regulatory differences once regulations are already in place.
- Resolve differences so that product recall information can be shared and begin to develop comparable rules governing the safety of imported products.
- Develop a common, open, technology-neutral standard on eAccessibility for the blind, deaf and infirm.
- Pursue standardization, digitization and interoperability of patient health care records, with appropriate privacy protections, to reduce medical errors, to facilitate real-time transatlantic sharing of information on contagious diseases and to improve health care productivity and cost-containment.
- Make progress toward patent harmonization, including facilitating an EU patent, and enhanced cooperation between patent offices, greater coordination in dealing with counterfeiting and piracy, extension of patent life and the elimination of the conflict between the U.S. first-to-invent system and the European first-to-file patent system.
- Complete joint analysis of the potential impact of regulations on transatlantic trade in chemicals and chemical products and of how any such impacts might be reduced while maintaining a high level of protection of health and the environment. Agree on a joint methodology for assessing chemicals' hazards and risks, enable the confidential sharing of information on chemicals by U.S. and EU regulatory authorities and deepen regular exchanges between the U.S. Environmental Protection Agency and the new European Chemicals Agency.

Investment

- Agree, in light of recent global financial market turmoil, on a framework for deeper coordination between European and American financial regulatory agencies. As part of that commitment, they should promulgate common standards on banking, reinsurance and stock market listing and delisting rules and increase the transparency of hedge funds.
- Following up on efforts by the International Monetary Fund to develop a code of conduct for Sovereign Wealth Fund investors and by the Organization for Economic Cooperation and Development to come up with best practices for investment receiving countries, European and American leaders should agree on a comparable code of conduct and best practices governing the Sovereign Wealth Fund investment in the transatlantic market.

- Europe and the United States should finally resolve remaining transatlantic differences over accounting standards, promoting investment and the efficient allocation of capital within the transatlantic market.
- Complete the second phase of the Open Skies agreement removing investment restrictions for European and American air carriers in the transatlantic market to demonstrate the practical benefits of an eventual transatlantic investment accord.

Energy and the Environment

- Conduct enhanced cooperative research and development of hybrid and hydrogen-powered vehicles, energy-saving building technologies and more efficient power plants.
- Develop international biofuels standards in consultation with other key third countries.
- Launch a dialogue on standards setting for carbon capture.
- Promote private-public sector partnerships to support R&D and implementation work, particularly between large and SME companies, supply chains etc.

Secure Trade

- Resolve transatlantic differences over the security of cargo container trade to ensure the continued free flow of goods within the transatlantic market while guarding against terrorism.

The Legislators' Dialogue

- Engage Members of the European Parliament and the U.S. Congress more directly in joint consideration of pressing transatlantic concerns by creating one or more transatlantic, issue-specific caucuses on shared challenges such as climate change, internet policy, agriculture, financial issues or China. Look to schedule parallel hearings on specific issues in both the European Parliament and the U.S. Congress.

In the 2011-2015 timeframe, the United States and the European Union should:

The Regulatory Dialogue

- Commit to develop comparable regulatory decision-making processes, with, at minimum, agreement on underlying principles and regulatory objectives, mutually compatible transparency, including an early warning system for new regulations under development, similar timeframes, appeal procedures and post-regulatory monitoring. The goal should not be to harmonize regulatory processes. European regulatory oversight is political in nature. American oversight is juridical. But the objective should be to make transatlantic regulatory decision making more compatible to facilitate the development of future rules for currently unregulated products and processes.

- Develop a framework for resolving differences in international standards setting bodies so that there can be collaboration in these forums whenever possible.
- Establish a system of mutual recognition of automotive products with functional equivalence to ensure comparable automotive test procedures, emissions and safety regulations.
- Agree to a framework for establishing a parallel process for granting approval for pharmaceuticals.

Investment

- Establish a date certain for creating a transatlantic capital market.
- Negotiate an investment agreement that opens most sectors of the transatlantic economy to reciprocal capital flows.

Manufacturing

- Reaffirm their commitment to multilateral trade liberalization by pursuing tariff-free trade worldwide in key manufacturing sectors of importance to the transatlantic economy. This effort could be modeled on the 1997 Information Technology Agreement, which eliminated all tariffs on electronics products once countries accounting for substantially all world trade in that sector were in agreement. Sectors that might be considered for such a transatlantic zero-tariff initiative include, but should not be limited to, chemicals, environmental technologies, auto parts and construction equipment. This effort would build on the results of the Doha Development Round.

Environment

- Agree to a transatlantic market for green products, including zero tariffs and the mutual recognition and certification of products.

Multilateral Trading System

- Address lessons learned from the Doha Round to improve functioning of the World Trade Organization, with special emphasis on a mutual rules of the road for negotiating bilateral trade agreements and what more the United States and the European can do to foster growth in the least developed economies through trade and investment.

People and Commerce

- Agree to the freer movement of people for work, study, residence and tourism. This might include visa-free, short-term travel, a frequent business traveler program to ease the security constraints on those who crisscross the Atlantic in the course of their normal business and a trusted traveler program for low-risk tourists. Efforts should also be made to enhance the short-term movement of skilled workers within the transatlantic market.
- Create a green lane to expedite cargo shipments by trusted shippers should be created using the most advanced container tracking and scanning technologies to ensure safety.

Why the Completion of the Transatlantic Market is a major political priority

The Transatlantic Market – an introduction

Over the past decade, the transatlantic economic relationship has experienced an unprecedented period of robust trade and investment. Today, our economic partnership is driven by both our ever-deepening bilateral economic integration and our common interests in the ever-broadening globalisation agenda.

Why the transatlantic market matters - key facts and figures:

The transatlantic economy generates an estimated \$4 trillion in commercial activity per yearⁱ. The Transatlantic Market today accounts for over 60% of global GDP and roughly 40% of world trade

- ***Investment:*** EU-US investment flows today account for over 60 % of global foreign direct investment (FDI)
 - US investment in Europe rose to a record \$128 billion or 59% of total US FDI outflows in 2006
 - This continues a long-term trend, with US investment in Europe since 2000 accounting for 53% of total US overseas investment
 - European investment in the US represented 75% of total US investment inflows
 - On a comparative basis, the US investment position in Ireland of \$83 billion was larger than US investment stakes in Brazil, Russia, India and China combined (\$73 billion) while Europe invested considerably more in the state of California alone than in China in 2006
- ***Foreign Affiliate activity:*** US and European companies posted record earnings from their affiliates on the other side of the Atlantic
 - European affiliate income in the US reached \$89 billion in 2006
 - Europe accounted for 40% of US service exports (worth \$136 billion) and 44% of US service imports in 2006.
 - US affiliate income increased by 20% to \$147 billion in 2006, roughly 50% of total US affiliate income
- ***Jobs:*** The transatlantic economy supports an estimated 14 million jobs on both sides of the Atlantic
 - European firms directly employed 3.5 million Americans in 2005, nearly 70% of the 5.1 million US workers employed by majority-owned foreign affiliates in the US.
 - US companies directly employed 3.8 million European workers in 2006, with more than 1.9 million in manufacturing jobs – a number that has remained stable since 1990.

Why strengthen the Transatlantic Market?

- Europe and the US face a competitiveness challenge: China and India are likely to account for 50% of the global GDP by 2060.
- Many non-tariff barriers impede further transatlantic trade and investment, while the creation of new barriers remains a constant risk.
- Not least, the post-war multilateral economic institutions and systems are under increasing strain, while an ambitious result to the Doha Development Agenda trade negotiations seems increasingly problematic to achieve. With hopes for a positive outcome yet for Doha, the question still remains, “what next?” The answer is clear: complete the transatlantic market to stimulate transatlantic and global growth, and serve as a foundation and model for wider economic integration.
- ***Implications for growth, prosperity and jobs:***
 - The OECD (2005) estimates a 3%-3.5% increase in EU and US GDPs from even limited measures to remove US-EU non-tariff barriers, with commensurate increases in “insourced” jobs on both sides.
 - Such an increase in GDP would equal up to a year’s cumulated additional earnings for an individual over an average 40-year working lifeⁱⁱ

Completing the Transatlantic Market through Economic and Regulatory Cooperation

Why strengthen EU-US economic and regulatory cooperation?

- With a transatlantic economy worth \$4 trillion, the EU and the US have a significant stake in each other's prosperity. Economic stability, growth and competitiveness, investment and jobs on one side of the Atlantic are heavily impacted by the business developments on the other side. Problems that initially seem to be of a purely EU or US nature quickly become "transatlantic" problems.
- In this deeply integrated transatlantic market, policy and regulatory decisions on either side of the Atlantic cease to be merely domestic. They often have a direct impact on businesses and consumers throughout the transatlantic area.
- Removing existing transatlantic regulatory barriers and preventing the creation of new impediments would help stimulate transatlantic trade and investment, enhance competitiveness and further deepen integration – the very integration that has been the engine behind prosperity and job growth on both sides of the Atlantic for more than a decade.

What is the Framework for Advancing Transatlantic Economic Integration?

- At the 2007 EU-US Summit, the United States and the European Union committed themselves to strengthen their regulatory cooperation with the aim of removing transatlantic regulatory barriers. To oversee this process, the Framework agreement established the Transatlantic Economic Council (TEC)

Why the Transatlantic Economic Council (TEC)?

- The TEC was created by the EU and US Presidencies as the high-level engine to drive completion and joint oversight of the Transatlantic Market.
- It now serves as a permanent venue for regular accountability for progress in regulatory cooperation at working levels and a discussion forum on common global economic issues and interests.
- Assistant to the President Daniel M. Price and European Commission Vice-President Günter Verheugen currently co-chair the council, which hosts two summits and frequent working level interaction each year.
- The Transatlantic Business Dialogue (TABD), the Transatlantic Legislators Dialogue (TLD) and Transatlantic Consumers Dialogue represent key stakeholders on the Advisory Council of the TEC

What has the TEC done so far?

Since the initial TEC summit in November 2007, encouraging progress has already been made.

- The TEC has removed reconciliation requirements for foreign firms in the US using IFRS, the international accounting standard, and is working towards allowing US firms that use US GAAP to do the same in the EU.
- US and EU regulators are working to ensure the acceptance of Suppliers Declarations of Conformity for small-scale electronics, replacing third-party testing requirements in the US for minimal risk products.
- The US and EU announced a roadmap for mutual recognition of supply chain security schemes.
- Discussions are ongoing on reopening the EU poultry market, now closed to US imports due to differing health standards.
- There has been increased dialogue and cooperation on consumer protection policies, global investment issues, and the implementation of chemicals management policy (REACH)

This said, much work remains to be done. The TEC has identified capital markets, orphan drugs, medical devices, and chemicals as areas to be addressed both by working groups of regulators from each partner as well as through the international summits.

ⁱ All figures from Daniel S Hamilton & Joseph P Quinlan, *The Transatlantic Economy 2008*, AmCham EU & Center for Transatlantic Relations, 2008

ⁱⁱ OECD, *The Benefits of Liberalising Product Markets and Reducing Barriers to International Trade and Investment: The Case of the United States and the European Union*, Economics Department Working Paper 432, 2005

COMPLETING THE TRANSATLANTIC MARKET TPN ISSUES ROAD MAP

	2008-2010	2011-2015
Biofuels Standards	✓	
eAccessibility Standards	✓	
Reinsurance Framework	✓	
New Technologies Framework	✓	
Product Recall Standards	✓	
Safety of Imported Products Standards	✓	
Health Care Records	✓	
Patent Harmonization	✓	
Accounting Standards	✓	
Second Phase of Open Skies	✓	
Security of Cargo Container Trade	✓	
Automotive Products		✓
Pharmaceuticals		✓
Green Products		✓
Freer movement of people		✓
Expediated Cargo Shipments and "Green Lanes"		✓
TRANSATLANTIC MARKET		✓

COMPLETING THE TRANSATLANTIC MARKET TPN POLITICAL ROAD MAP

	2008-2010	2011-2015
Summit Agreement on Institutional Framework	✓	
Commitment to Roadmap	✓	
Launch of EU Regulatory Impact Assessment	✓	
Start and Deliver Sector by Sector Study	✓	
Strengthen Competition Policy Dialogue	✓	
Study on Chemical Regulations	✓	
Framework for Financial Regulatory Agencies	✓	
Code for Sovereign Wealth Fund Investors	✓	
Cooperation on New Energy Technologies	✓	
Carbon Capture Standards Study	✓	
Caucuses on Shared Challenges	✓	
Comparable Regulatory Processes Established		✓
Resolving Differences in International Standards Framework		✓
Establish a Date for a Transatlantic Capital Market		✓
Investment Agreement		✓
Improve Functioning of the World Trade Organization		✓
TRANSATLANTIC MARKET		✓