



CREATING A BARRIER-FREE TRANSATLANTIC MARKET

with

Sen. Bob Bennett (R-Utah), Chairman, Transatlantic Policy Network, Rep. Phil English (R-PA), Member, Transatlantic Policy Network, and Co-chairman, Task Force on Trade, Rep. Jim Costa (D-CA), Vice Chairman, Transatlantic Legislators' Dialogue and House Foreign Affairs Committee, and Erika Mann, Member of the European Parliament, Committee on International Trade, and Chair, Transatlantic Policy Network - EU Steering Committee.

Sen. Bob Bennett (4.48):

Thank you very much. I appreciate the opportunity to be here. Congressman Costa and I were at the Brussels Forum, an annual event sponsored by the German Marshall Fund in Brussels in the springtime, where the issue that we're going to talk about today was, I think, front and center of the issues that came up there. The Brussels Forum was geared to a broader agenda than just that, but there was a lot of discussion about the activity of the German presidency and the European Union with respect to creating a barrier free economy between the European economy and the American economy. It was stressed that this was not a free trade agreement. Free trade agreements seem to carry a certain amount of emotion baggage with the name and are usually geared primarily towards tariff barriers. The tariff barriers between the United States and Europe are not that significant and probably do not deserve the attention of a formal free trade agreement. However, there are many regulatory barriers and these were discussed at some length. Chairman Chris Cox of the SEC was there. He and I were there on a panel with two Europeans to discuss the entire question of how we can lower regulatory barriers. It was pointed out in the material that was distributed prior the Brussels Forum, that if you produce a car which you intend to sell on both sides of the Atlantic, you have to crash it twice: once to see if it meets European standards, then again to see if it meets American standards. While the regulators, on both side of the Atlantic, will say that there is a reason for this regulation or that regulation as a practical matter, cars are not particularly safer on one side or the other. It is simply that regulators have their own ideas as to what's important and what isn't. The primary focus, we believe, should be on what it is good for the consumer on both side of the Atlantic, and that means regulations that make sense. Regulations are good in that they protect consumers' safety and environmental factors are, of course paramount, but regulations can be bad if they are adopted simply for regulations sake.

Angela Merkel, as the president of Germany, which has the presidency of the EU for this six month period, has made this one of her primary initiatives. She's discussed this with President Bush. She did so before the formal US-EU Summit, and it's our understanding that it will be fairly high on the president's agenda. We were reminded of how important the relationship between the United States and Europe is economically by the Belgian foreign minister who delivered the final address at the Brussels Forum and pointed out to us that with all of our discussion about China as a rising economic power and trading partner, that the United States trade with Belgium is four times as big as the United States trade with China. That gets lost in our concern about China. I was

privileged to lead a bipartisan and bicameral delegation, Congressman Costa was there, along with two Republican members of the House, Congressman Fortuno of Puerto Rico and Congressman Issa from California, and Erika Mann was there, as was indicated in the announcement. She, along with Congressman English, is a member of the Transatlantic Policy Network. It's my privilege to serve as Chairman of that network in this two year period. And in that capacity, Congressman English and I were in Berlin and in Brussels a few months ago and got the same message. That is that the primary focus during the German presidency will be to lower the level of barriers between the two economies on either side of the Atlantic. The target is 25%. I'm not sure how you come up with a number with respect to regulations, whether you just count out the lines in the Federal Register, or the total number of regulations, and so on, but this is a follow on of an initiative that was begun in 2005 and there are a whole list of areas where those who began this effort said that there could be a rationalization of regulations. We were told, Congressman English and I when we were there at the TPN visit a few months ago, that Chancellor Merkel was not only pushing this in the German presidency, but that she had reached ahead to the two countries that will provide the European presidency following Germany and received commitments that they will continue to push it, so we expect this will not be just a six months initiative but will, at least from the European side, run at least 18 months and we hope. With that introduction, I will be happy to yield now, in whatever order you think we should go.

MEP Erika Mann (11.23)

Thank you so much. I mean there's not much to say but let me try maybe to explain a few things about what we'd like to achieve. I mean the European Parliament and the Congress and the Senate have been working on these issues for many years. Actually it started way back on the old initiative on the Transatlantic Marketplace which was agreed, not really agreed, but negotiated between the EU and the US. Anyhow, the idea behind it is very simple one and two folded. On one side it's the idea to recognize and to acknowledge that we already have a transatlantic market that two economies are integrated to a much larger degree that we already know and understand. Since then, we worked and are getting studies done and the data have been showing how deeply this market is already integrated. And this is not just true for the global corporations and for the big corporations, which we would of course all expect, but this is true for the smaller corporations as well because they are either embedded in the system, as in the supply chain, or independently, they have their own connections and they're integrated in the transatlantic economy. Since we have the data, the argument that we as politicians should recognize the transatlantic economy becomes even more important and more relevant. There's a second story of course. I mean when you see that most of the transatlantic corporations are, of course, are the ones which control the global economy as well. Those kinds of data are relevant too, to see how much investment comes from either the European side or American side, which goes either into China or to India or other countries. This is relevant too. So you have more than just one single transatlantic story; but there, of course, are many other stories we have to tell.

Now then the implications, of course, are much harder. In the past, we have always recognized that regulatory issues are important and are relevant, and the idea, actually, to cooperate together and to work together and to find common understandings between the two sides has been there since many years. It was more of a very technical understanding in the past. So yes, we looked into safety standards, and it was called Mutual Recognition Agreements which are practically accepting the standard on one side and then, through certification procedures, it's allowed to enter into the other market but it's a very complex and a complicated picture. And finally we understood that this way of cooperating together, taking the deeply integrated market, it's not functioning very well. Because you see still from the regulatory side, either from government or from Parliament as well, you do not understand the functioning of the market. Of course regulation coming, which is not looking into the integration of the economies, it's still very nationally driven, which we do, for example, in the European Parliament. They are not looking at the effects they will

have on the other market. Just to cut a long story short, we then decided actually to invest in the idea of having and developing the idea of a greater regulatory cooperation in the future and this is practically the idea which is coming out now. It is a more binding agreement which exists in the future and which covers everything, from the classical mutual recognition agreement, which we are already familiar with, to cooperation, but to a certain degree to harmonization as well and the classical old-style harmonization to a new style of harmonization.

So, depending on the issue, depending on the area, depending on the things which are needed or the relation which is needed, that is what we would like to do. Its future oriented, it will less care about the classical “taking barriers away”, which is still important but we know how difficult this is, but it will look more into issues of not establishing new barriers, which is very difficult enough, because we have different culture, different regulatory environments, and, of course, it should make sure that the agencies are part of this systematic route as well, hopefully politicians on both sides as well, if they are not included in the systematic approach and how to avoid the establishment of new barriers it will be too difficult to achieve something positive. That is it, I’m very pleased. We’ve been working on this for seven years and I think it’s something great and positive to see it finally get accepted by the two sides. Thanks so much.

Rep. Jim Costa (17.05)

Thank you very much to the National Press Club and the Streit Council for hosting this important discussion on the day after the US-European Summit, because that’s what we’re talking about here in terms of the importance of that summit, the importance of the history that goes with it, and where we go in the future. As was noted, I am Jim Costa, I am the Vice Chairman of the Transatlantic Legislators Dialogue, led by Congressman Tom Lantos recently, and I serve on the House Foreign Affairs Committee, among the subcommittees, I serve on the subcommittee on Europe. So I am excited about this effort. Just this last week, as Senator Bob Bennett has mentioned, I had the honor and the pleasure to go under his leadership and the effort that he has been pursuing for years and has been recognized not only here in the Congress, but in the European Union, as a progressive voice for continuing to expand dialogue and, more importantly, the practical rewards of trade for both the European Union, as well as for our country. Erika Mann is a new friend who I had the chance to meet this weekend and of course we began to talk about ways we can continue to expand the efforts in the Transatlantic Legislators Dialogue.

When we talk about creating a trade-free barrier market, we have to first look at where we are today. The efforts on transatlantic trade of goods is over half a trillion dollars. It is significant. You have the two major world economies: Europe and the United States. Our exports to Europe last year totaled over 186 billion dollars and those are jobs that are created in America and those are jobs that are created in Europe. As was noted by Senator Bennett, the Belgian foreign minister, as well as the Prime Minister, underscored how significant our trade is just with Belgium, four times more than what we do with China, but it is just not Belgium. It’s Italy, it’s Germany, it’s the Scandinavian countries, the list goes on, but we do know that we can do better.

Regulatory barriers do not allow transatlantic markets and relationships to reach their full potential, as in the example that Senator Bennett noted. And there are many others. Different regulations on the each side of the Atlantic as it relates to issues of health care, health safety, environment, consumer protection, have effectively put barriers and therefore hampered the promotion of additional trade. All these steps are critical both for US consumers and European consumers. We need to come together in a sort of common sense way to create a regulatory framework that we think reflect the dynamics of both of the economies. We think that the discussion and dialogue that will be occurring today and tomorrow with the Merkel initiative, is an important step forward to reinvigorate the existing framework to improve the conditions, to reduce barriers, and therefore improving transatlantic trade while still obviously wanting to keep protections in place.

We need to look at where we can, in effect, improve the regulatory cooperation. We know that it's not a new concept. There's been discussion on that for years. But the Merkel proposal, I believe, puts teeth in the negotiations by urging binding agreements, and this was noted by Senator Bennett again. The Chancellor is looking further down the road. The presidency will be assumed by Portugal soon, and beyond. It's important to provide continuity over this effort, because that's how you get things done.

My final comments, this is in terms of the Brussels Forum, I think there was a lot of desire to look at where we go from here. Clearly there has been tremendous growth and maturity as our colleague, the European Parliamentary member Ms Erika Mann, has told you, at the European Parliament. It's only been in existence for 27 years and yet their ability to move forward on a host of issues that involve high technology, involves aspects of health care, uniformity as it relates to telecommunications are but one of many areas that the European Parliament is tackling.

So I think it's important to note, in closing, that the Transatlantic Policy Network that Congressman English and Senator Bennett and others have been working on for so long adopted a process that involves four steps, and I think those four steps are areas that we need to consider greatly: 1) Agree to a target date of 2015 to complete the transatlantic market between the United States and Europe. 2) Launch a sector by sector study of existing obstacles to create that transatlantic and to further expand that market. 3) Agree to outline a road map, because without planning, obviously the best of intentions can go astray for removing such barriers to trade investment by the year 2015. And the way that you develop that road map, I believe, is to set up a small effort between the United States and the EU Transatlantic Market Implementation Group, who are elected and appointed officials who oversee and study the implementation of that road map. Certainly this summit this week is going to talk about areas in which significant progress has been made. First of all, resolving transatlantic differences on accounting standards. Secondly, the Opens Skies agreement that removes investment restrictions from European and American air carriers in that transatlantic market, the biggest in the world.. 4) And finally, to put in Brussels a regulatory impact assessment process comparable to what we have here in Washington to mark our progress every step of the way.

Those are among the items that the Transatlantic Policy Network worked on. I'm glad to be a part of that effort with Senator Bennett and Congressman English and I look forward to working with my colleagues here, Congressman Phil English tonight. For us that's not something new, we've been working together for a number of years, both with South America and North America, with Brazil, and I continue to look forward to developing and expanding this bipartisan effort, because at the end of the time, this benefits Americans, it benefits Europeans, and again, if we are the leading economies of the world, it's for all the right reasons that we should be doing this.

Rep. Phil English (24.46)

"Thank you. I also want to thank the club and the sponsors for giving us an opportunity to discuss what I believe is currently one of the most important developments in trade policy that we've seen in many years. I say that, and many of you know me for being a member of the Ways and Means Committee, active in trade policy, former Chairman of the Steel Caucus, someone who has been a centrist on trade issues. I see the discussion that is going to come out of this summit as being particularly fertile and moving us in the direction of an initiative that has the potential to stimulate economic growth on both sides of the Atlantic through deepening the integration of the transatlantic market, by doing so using a model very different from what we used to pursue free trade agreements by seeking regulatory integration and common standards between countries that represent a major part of the world economy, we have the potential to have a mutually beneficial set of policies, but also to stimulate growth that will help the entire world economy and, I believe, all of that will lead to discussions which are going to be fertile in yielding new rounds of WTO activity.

So, I think this is an initiative with the potential for immense ambition if we have the courage to follow through and pursue it. I particularly want to salute Chancellor Merkel for taking an idea which had incubated within the TPN for many years, which had been championed by Erika Mann and others and I'm a relative latecomer to this debate. Erika and I have co-chaired a task force within the TPN on this topic and in February we had our most recent meeting in Brussels and it has been obvious that Chancellor Merkel's presidency of the EU was emerging as a real opportunity to see this idea put forward, embraced, and tested.

I am particularly excited because this is an approach that sheds the baggage that many of the trade policies in the United States have suffered under. I mean let's face it: there's been an increasing difficulty in the United States in finding a common broad-based trade policy. Increasingly, we've had difficulties passing free trade agreements that were asymmetrical, with small trading partners, and with trading partners with which we didn't have necessarily a lot economically in common. Engaging with integration with Europe, we have an opportunity to set aside some of the issues that have been hobgoblins elsewhere in trade policy: labor standards, environmental standards. It's fairly clear that when you negotiate an integrated market between developed countries and large developed markets, you're able to avoid some of the most divisive issues that inspire protectionism. So I am extremely encouraged that this debate is going to be fertile and that we have an opportunity to fundamentally make progress in trade policy by engaging in it.

There is no question that we're going to face some major challenges. The standards that we're talking about conforming are not only economic standards but many of them have cultural values embedded as well. And so this is going to take a real engagement, an attempt, I think, to pursue what will be very fertile ground but nevertheless, as we survey the field and implement this idea, we're going to find some areas that are going to be controversial.

Recently, both the EU and the US have found that the business of adapting or adopting new regulatory regimes can have unintended consequences on our trading partners. The EU has found this with their REACH initiative and the United States has found this with Sarbanes-Oxley. In my view this is an opportunity to learn from that experience and target some regulatory openings. Jim Costa mentioned Open Skies; I think that's something we can be moving forward with very quickly and we're looking to this summit to see real progress. Accounting standards ought to be normalized between our jurisdictions; that's something that is a former green eyeshade at the municipal level. That's something that makes a great deal of sense to me. And taking issues like medical devices, which have been percolating out there for a long time, these are the low hanging fruit, and from here we should be looking at things like competition policy, which is an area that we need to rationalize and I believe we can ultimately, if we're successful, take to the WTO.

This is, I believe, a great opportunity, as I said, to stimulate economic growth on both sides of the Atlantic, if we have the courage to move forward, to remove non-tariff barriers and to take advantage of the similarities between our economies. This is something that I can take to Western Pennsylvania and sell to a unionized audience. This is something that I can take to my export companies and point to them new opportunities. This is something that I can take to domestic industries that have been mature and point to this as an opening and an opportunity. This is something that I think is going to mean more jobs on both sides of the Atlantic and that's why I'm very proud to be a strong supporter of this initiative and a strong supporter of the work of the TPN. Thank you and I look forward to your questions."

Q&A:

Q) Representative English mentioned the idea of a free trade agreement between the US and the EU. Does anyone think that's possible further down the road or is it just focus on these regulatory issues?

A) Rep. English

“We’ve had discussions with TPN about a potential transatlantic FTA for years within the TPN and ultimately we’ve run up against a certain amount of resistance. We recognize that the idea of an FTA faces challenges particularly within certain parts of Europe and also the very idea of an FTA is controversial now in many parts of political opinion within the United States. What we’re hoping to do is trump that kind of opposition by going through a very different model. I believe, ultimately, personally, that an FTA between the EU and the US would be beneficial. But we also recognize that when a similar idea was floated by Mr. Aznar years ago, and prior to that by others, it ran into strong resistance. We’re looking for something that we can sell now to a broad cross-section of public opinion and the lead opinion within both the EU and the United States. We think this conception has given the fact that tariffs are already low so a traditional FTA would have benefits but regulatory integration and standard setting we think has the potential, by dropping compliance costs, to dramatically change the equation and do so quickly and with significant benefits.”

A) MEP Erika Mann

“I fully agree with Phil English. I’m detested at many times; it’s a very complex issue. And we’re still hopeful that the Doha round will be successful because then we will see the tariff reductions, the fazing out of tariffs which we need, because we have tariffs between certain industries on the transatlantic market like in the automotive industry and in other areas as well, so it would be helpful to take them away, but to do this in a free trade agreement, it’s, at this stage, highly complex and complicated, and I think even if one day we sign or start to negotiate a free trade agreement, part of this would definitely be the regulatory side as well, and so would be taking something which we would need to do anyhow.”

A) Sen. Bennett

“Let me just underline what my colleagues have said. I mean, when we talk about what can be achieved in the interim, there is so much improved trade in what is already two highly sophisticated trading partners who when we work on the regulatory framework and the standard settings so that we’re operating under the same rules so what you see the potential is for incremental progress that will only continue to increase the trade benefits for both the European Union and the United States and so it is, I think, very important to note this incremental progress, and if we stay focused in a way that has been outlined by my colleagues, much will be gained. And so we need to note that this incremental progress is very significant and if we stay focused on that incremental progress on the regulatory framework and the standards setting, we will see mutual benefits and we’ll lower the sort of concerns that Congressman English spoke of and Erika Mann in terms of the politics that play against the larger trade pacts that we put in recently both in the Congress and the European Union. And the politics is of course something that we certainly have to be mindful of.”

Q) I wondered since it sounds that this is less than an FTA in some respects but more than an FTA in other respects and probably, on the whole, more than an FTA, will it get some kind of snazzy name, maybe not at this stage, but further down the road? It's obviously going to require a lot of work and energy to keep it going and to overcome the political tendencies on both sides and the bureaucratic tendencies to draw separate regulation and to maintain that energy level past the current and next two presidencies of the EU and the US, it might need an identity, a name, role models, a sense of pride in it, and other things that keep these sort of processes going. So I wondered if any thought has been given to that, and the internal reasons for that are obvious. There is the external reason. I deal a lot with Russia and you may notice that the tone of Russia has become more anti-Western in recent months and an internal Russian discussion, they've taken some public opinion polls, one of the major arguments used for justifying the hostile anti-Western tone is that the West no longer exists and therefore we don't have to pay much attention to it. The idea being that the West only exists vis a vis an enemy, only vis a vis Russia as an enemy for that matter, so if it's not an enemy, it doesn't exist, we don't have to pay much attention to it. It might be of some value, for external as well as internal reasons, for the West to have a positive economic identity, a name like a Transatlantic Economic Space, Atlantic Economic Community. If it's not FTA, what can it be?

A) Sen. Bennett

“Right now it has a name, it obviously is not going to carry on in the timeframe you're talking about, although it might, it's called the Merkel initiative, and that's appropriate because she has launched it during the German presidency and she has been pushing for this before she became the Chancellor. We did hear at the Brussels Forum some of the attitudes that you have described with respect to Russia. The Russian ambassador to the EU was there and some of the more eye-opening comments, which kept us away, with respect to what Russia is doing and the Russian ambassador's response to those comments, as I say it was one of the more electric moments of the Brussels Forum. Without commenting on your characterization of Russia's view of the West, it is I think true that there is a clear shift in Russia's attitudes towards not only the United States but towards the rest of Europe.

The comment I was going to make on the last question, I think, perhaps is more appropriate to this one. If we do, in fact, get some regulatory resolution between the European standards and the American standards, we create a momentum that will flow throughout the rest of the world, because again, it was pointed out to us that the two economies constitute 60% of GDP, which means if you want to sell on a worldwide basis, you're going to have to make your product comply with those standards regardless of what the standards are in your various areas. Your FTA, of which you are a part, becomes less important than the market. If the market says automobiles, and we talked about automobiles, cosmetics, pet food, all kinds of things, if you want to sell into the markets that comprise 60% of the world GDP, and those markets have achieved a regulatory standard, that becomes the de facto world standard regardless of what any other privy minds say. So while we're saying this is not an FTA, and I love Congressman English's comment that it's less than an FTA, but it may turn out to be more than an FTA, we may look back on this and say that the Merkel initiative was one of the most significant things that effected world trade and did so in a very quiet sort of way. Now, it has to be institutionalized if it's going to survive. There have to be appointments on both sides in treasury, in commerce, in transportation, whatever the issue might be, the Federal Trade Commission, you have to go all the way across the board and say this will be executive appointed to work on the Merkel initiative from the FTA, this will be the executive at treasury, so there is a point man or woman in the key agencies on both sides of the Atlantic to make this work. Deputy Secretary Kennett was there at the Brussels Forum and commented to me

privately about how that work will go forward at least in the cabinet agency that he represents and I would expect that what will come out of the conversations between Chancellor Merkel and President Bush is that that kind of activity gets formalized from the very top and then the appointments start to be made.

Q) Representative English talked about low-hanging fruit and I think we see that in some of the 15 sectors that are really moving forward. How do you propose moving forward on the stalled sectors? How will that concretely take place, that is at the low-level dialogue? Or are we talking more about appointing higher-level actors who are going to be talking? Basically my question is concretely, how does that look sectorally? Are we talking about industry leaders, talking trans-national actors, or is this going from the top down?

A) MEP Erika Mann

“I mean, I think your going to need all the communities to bring them inside to this. I mean it’s not just the industry but certainly, you need it from the top level in the various ministries, otherwise it’s not going to work. But the same is true, of course, for Congress and for Parliament as well. If the relevant committees are not involved, it will not function as well, because part of the variousness we see of course stemming from relations as well, if you do not involve us, then it will not function and it will not work.

Now how do you take the ones which exist? How do you move them? I think that’s more difficult. You have to be very careful. There is, of course, some extremes. You take the Open Skies agreement, you see how it can be done. There are many other examples. The tricky point will always be once you come close to the ones which are really connected to culturally or value barriers which exist in our society, either stemming from history or from different recognitional, different values, consumer protection, or whatever kind of protection, those are the most difficult ones and I think you take them one by one, very slow, and you make sure all the communities feel comfortable with whatever kind of decision one will take and I think what is so nice about this approach is that in each case, the solution can differ. There is not a single solution you propose, it’s like, take the beef hormones for European Union to swallow, I mean it’s hardly impossible. So you find the solution here and we are close to finding one. You allow beef, it’s just not produced with hormones. You just increase the cultures, but there are many other things you can use. Take it one by one, very slow, recognize that there are sensitivities involved on both sides. Like take the case of Airbus and Boeing. I think if you would have understood this better and much earlier, I think it would not have taken much longer for it to operate here. This initiative, I think its great because you can differentiate in all circumstances.”

A) Sen. Bennett

“I concur with Erika Mann, and I want to underline her points, but I think two other areas are important for the success of this effort. One, as I mentioned it in my opening comments, strategy. That we have an agreement on both sides is critical. Strategy makes sense to be successful. It has to be well thought-out and it has to have priorities, timelines, because if you don’t determine, as Congressman English called the “low hanging fruit”, those are successes that should build on other successes, just as we will this week on what has been agreed upon in the EU summit with President Bush. But the second point that I think is important to note is that to make that strategy coherent and to have the continuity to ensure its success to the year 2015, to achieve what we would like to

achieve on both continents is to, in some fashion, incorporate, in a participatory way, the private sector. The private sector, both with our various industries and labor organizations is a key component. Sometimes when we present proposals incomplete and we don't get the buy-in, we know the obstacles that we face. That if in fact in some fashion along this process, we have those industries that involve, represent, and reflect those labor organizations, they feel like their input is being considered. Then I think the opportunity to successfully implement that strategy becomes much more doable."