



EUROCHAMBRES

Connecting **business to Europe**

Position Paper

March 2012

EUROCHAMBRES' VIEWS ON A NEW TRASATLANTIC ECONOMIC INITIATIVE



CONTRIBUTION FOR THE HIGH LEVEL WORKING GROUP ON JOBS AND GROWTH

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 93% of which are SMEs – through members in 45 countries and a European network of 2000 regional and local Chambers

Main Points of EUROCHAMBRES's Position:

- ⇒ **EUROCHAMBRES recognizes that the changing international economic landscape, the substantial challenges our economies are currently facing and the impasse in trade negotiations at the multilateral level, calls for swift, ambitious and innovative solutions to boost international trade and investment, particularly by enhancing transatlantic economic relations.**
- ⇒ **EUROCHAMBRES calls on the High Level Working Group not to exclude a priori any negotiating method. In light of current experiences EUROCHAMBRES stresses the importance of avoiding negotiating fatigue at all costs, including looking into means of making EU internal procedures less cumbersome, as European economic actors need tangible results.**
- ⇒ **EUROCHAMBRES supports the coverage of the different sub groups established within the High Level Working Group and proposes specific elements to be considered for each of the areas of envisioned cooperation. For all cases the private sector and business organizations, like the Chambers of Commerce should have an active role in shaping a new EU-US initiative.**
- ⇒ **EUROCHAMBRES firmly believes that any new transatlantic initiative needs to build on the work already accomplished within the framework of the Transatlantic Economic Council (TEC).**

1. Background:

At the EU-US Summit meeting on the 28th of November 2011, it was decided that the Transatlantic Economic Council was to establish a High-Level Working Group on Jobs and Growth, led by EU Trade Commissioner Karel de Gucht and US Trade Representative Ron Kirk. The Working Group has the task to identify policies and measures to increase EU-US trade and investment so as to support economic growth and job creation.

The Working Group will recommend the practical means to implement any policy measures identified, which could range from enhanced regulatory cooperation to the negotiation of one or more bilateral agreements. The Working Group is scheduled to release an interim report in June and a final report at the end of this year.

EUROCHAMBRES intends this paper to be a first contribution to the High Level Working Group.

2. EUROCHAMBRES views on the Transatlantic Economic Relationship

With the ongoing blockage of the Doha negotiations, and no swift conclusion in sight, EUROCHAMBRES is increasingly supporting to seek for alternative ways to achieve, at least partly, the level of liberalization which was aimed for at the multilateral level. Therefore without losing sight and without withdrawing support for the negotiations in the WTO, it is only natural that the EU Business Community is now looking at the continent's biggest trading partner and close ally - the United States - to explore possibilities to reinvigorate together the transatlantic economic relationship, and thereby hopefully leading the way, towards an enhanced future global framework of multilateral trade rules.

In terms of trade flows, there is no bigger trading block in the world than the one between the US and the EU. Investments on both sides of the Atlantic and the resulting economic benefits there from are

unmatched. However unnecessary trade obstacles, divergent standards and regulations, a relatively closed public procurement market, among others, still continue to be significant obstacles for companies of all sizes on both sides of the Atlantic to successfully penetrate in each others market and fully exploit the economic potential offered.

In the current economic situation, EUROCHAMBRES strongly believes that the time has come to use all available resources possible to boost the US-EU economic relations. EUROCHAMBRES believes that time over substance is not the right approach towards strengthening our relationship. However we do also believe that negotiating fatigue is to be avoided at all costs, as an efficient use of our resources and the mandate to deliver jobs and growth in accordance with the Europe 2020 Agenda, the mandate of the Transatlantic Economic Council (TEC) and the High level Working Group on Jobs and Growth, requires all players not to embark on a lengthy “scoping exercise” to determine which issues to tackle and when, thus failing to exploit the momentum in our bilateral relations.

Therefore EUROCHAMBRES at this stage suggests to the High Level Working Group not to exclude a priori any possible negotiating method, be it through a traditional single undertaking, being this the long term practice of the EU in negotiating Trade Agreements with its partners, or through a more innovative modular approach –negotiating different modules at possibly different speeds-, as we believe that the issues of high concern to European business can be adequately tackled under both. In general the European Chambers fully support exploring new ways and means to make the internal EU procedures, ranging from the negotiation up to the final ratification of FTA’s more effective, less cumbersome and less time demanding.

3. Towards an ambitious EU–US initiative.

EUROCHAMBRES agrees with the priorities identified by the High Level Working Group to concentrate on standards and regulations, tariffs, non-tariff barriers (NTB’s), investment, services as well as public procurement and intellectual property protection as priority areas for enhanced cooperation. We also fully support the establishment of Sub-Groups to explore more in depth the forms of cooperation that could be envisioned in the priority areas that were identified by the High Level Working Group.

Moreover, at EUROCHAMBRES we firmly believe that any strengthening of the transatlantic economic relationship should necessarily build on the progress already achieved within the framework of the Transatlantic Economic Council (TEC), as it reflects many years of transatlantic cooperation in the economic area.

The different Sub-Groups dealing with the specific areas of cooperation should according to **EUROCHAMBRES**:

- ⇒ Take into account the feasibility and the time frame for the implementation of the instruments considered. For the particular case of a modular approach, proposals should consider priority levels and time frames for negotiations in the different fields.
- ⇒ Consider the experience and particular knowledge of economic actors through business representatives and the private stakeholder in general.

Within the fields identified by the High Level Working Group, **EUROCHAMBRES** suggests the following elements to be included:

I) Regulatory cooperation:

The field of regulatory cooperation has been identified by many European businesses as the main obstacle for effective market access to the US and should therefore be made a priority when it comes to launching an ambitious EU-US initiative. The EU and the US have highly developed regulatory systems with similarly high standards of protection. Regulatory agencies on both sides of the Atlantic have already cooperated together for many years, yet there is still a lot of room for improvement. Besides enhancing overall regulatory cooperation, EUROCHAMBRES specifically calls for:

- ⇒ Pushing strongly for the elimination of NTB's, taking duly into consideration the input from business organizations and the private sector in general, as a deep understanding of the purpose and functions of different regulations in the different sectors, is something best understood by stakeholders directly concerned. Hence their input should substantially influence negotiating priorities.
- ⇒ Mutual recognition of compatible regimes in goods to be substantially strengthened based on a "negative list" approach (recognizing and accepting each others standards in all sectors except the exempted ones).
- ⇒ Establish a legal mechanism for regulators to recognize the equivalence of decisions made by their counterparts.
- ⇒ Create a mechanism to prevent future regulatory divergences

II) Conventional Trade Barriers:

As a typical relationship among highly developed countries, the EU-US relationship is characterized by a low average tariff level with some tariffs peaks in sensitive sectors such as agriculture or textiles. An increased liberalization in this sector should:

- ⇒ Aim at a zero tariff agreement in all sectors. If necessary foresee limited carve outs and/or transitional periods.
- ⇒ Given that US-EU trade is characterized by a substantial intra-firm trade, even low tariffs are increasing company's production costs, thus hindering their overall competitiveness on the international market place.
- ⇒ Keep administrative burden as low as possible, and aim to link procedures on rules of origin to the ones negotiated with Canada under CETA.
- ⇒ Aim to provide for similar certification and notification requirements for both Canada and the US.
- ⇒ Clarify US Customs procedures, which are often perceived as cumbersome, sometimes even capricious according to persons and locations involved.
- ⇒ Further harmonize custom tariff numbers and the Harmonized System Codes

III) Services:

Services are of crucial significance to both the US and the EU, making up about 76,8% and 73,1% of their respective GDP's. Bilateral trade amounted to roughly 241 bn in 2009. Yet trade openness in goods does not match the trade openness in services. Therefore trade liberalization in this area could create significant economic gains for both parties. In this context EUROCHAMBRES calls on the High Level Working Group to:

- ⇒ Aim for substantial "GATS + commitments" through a "negative list" approach, possibly using the GATS framework as a basis for negotiations.

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- ⇒ Assess the possibility of concluding in parallel sectoral services agreements should different service sectors prove to be stumbling blocks in the negotiation of a comprehensive deal in services.
 - ⇒ Strive for visa facilitation for high skilled workers

IV) Investment:

Investment levels on both sides of the Atlantic are unrivalled and estimates suggest that over 14 million “transatlantic jobs” were already created. EUROCHAMBRES advocates to:

- ⇒ Build on the Joint Statement of Principles on the Treatment of Foreign Investment elaborated by business organization on both sides of the Atlantic; including EUROCHAMBRES.
- ⇒ Include the highest possible standards of protection for investors, including but not limited to: non discrimination principles, fair and equitable treatment, full protection and security, provisions on compensation for direct and indirect expropriation, free transfer of capitals and returns, effective investor-state dispute settlement, among others¹.

V) Government Procurement:

Government procurement is estimated by the WTO to represent a value equivalent to 15-20% of GDP in most countries, the US and the EU being no exception. However comprehensive access to public procurement for investors on both sides of the Atlantic is still not granted. EUROCHAMBRES thus suggests that:

- ⇒ Commitments should go beyond what has been already agreed in the Government Procurement Agreement (GPA) at the last WTO Ministerial Conference in Geneva last year.
- ⇒ Access to public procurement at the sub federal level should be aimed for and both sides should push for a broader scope of areas to be covered.
- ⇒ Where possible, synergies to the Government Procurement chapter under CETA should be explored.

4. Conclusion:

EUROCHAMBRES emphasizes and calls on all key stakeholders to be ambitious and pragmatic when engaging in a weighting of options to boost the EU-US relationship, so as to produce tangible results for the EU business community in a manageable timeframe covering all areas identified by the High Level Working Group on Jobs and Growth.

We would thus like to recall that the opportunities and potentials gains for all EU economic operators that could result from a boost in our transatlantic relationship, are far too important to be left untapped or not fully exploited.

EUROCHAMBRES remains at the full disposal of the High Level Working Group on Jobs And Growth to support it wherever possible in its work on the different sectors.

¹ ECH believes that should a so-called modular approach be the preferred method of negotiation, then Services and Investment have to be looked at together as overlaps in both sectors are unavoidable and effective policy solutions require a comprehensive approach stretching over both sectors.

EUROCHAMBRES is the sole European body that serves the interests of every sector and every size of European business and the only one so closely connected to business. EUROCHAMBRES has member organisations in 45 countries representing a network of 2,000 regional and local Chambers, with over 19.8 million member companies. Chamber members employ over 120 million people.

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