

**From:** Michelle Egan [burros@erols.com]  
**Sent:** Wednesday, December 08, 2004 10:01 AM  
**To:** FN-USTR-FR0439  
**Subject:** Federal Register Submission  
Transatlantic Economic Relations: Roundtable Discussion  
Stakeholders Comments for US-EU Summit –Federal Register

Submission Michelle Egan, Associate Professor and Jean Monnet Chair of European Integration, School of International Service, American University [megan@american.edu](mailto:megan@american.edu) and [burros@erols.com](mailto:burros@erols.com)

## Introduction

The US and EU need to give each other strong incentives to continue as constructive partners instead of sources of negative press coverage and commentary. Although the economic relationship is a central component of the transatlantic partnership, it cannot be treated in isolation from broader geo-political developments, nor can style be divorced from substance in terms of our respective dealings with each other. This is an ideal opportunity to generate new positive dynamics in the transatlantic relationship with the second Bush Presidential term in the US and the confirmation of the Barroso Commission in Europe. There is much in the economic realm that deserves attention. Though most observers point to the strong bilateral trade and investment relationship, many business problems cannot be solved without cooperation and international organizations. One is business security. European and American businesses must deal with greater scrutiny of their financial transactions, visa requirements for foreign workers, intellectual property issues and piracy, and container shipping and controls. Europeans and American should work to strengthen security initiatives, and persuade others to follow their example and join their efforts. Two is promoting global trade and investment, opening markets and providing technical assistance through pooling resources and targeting areas of strategic interest. If the Europeans and Americans worked together on these issues, they would stand a real chance of achieving progress. Their action plans need to be substantial in order to have significant impact on improving the tenure of transatlantic relations. The annual US-EU summits have become dominated by bureaucratic details and often lack consistency and coherence. A constructive relationship requires consideration of economic priorities along with specific timetables and deadlines for completion. There is a need to establish transatlantic economic relations on a firm footing – and a need to respond through engagement on both sides of the Atlantic. **The cross-border movement of goods, services, capital, and intellectual property, and the overall integration of business operations, would be much improved as a result of a concerted and systematic effort aimed at addressing regulatory divergence that also focuses on issues of enforcement and compliance.**

There is a strong nexus between social stability, political participation and legitimacy and the growth and integration of a transatlantic marketplace. There is a strong need for greater consultation with a **variety of stakeholders**. Many recommendations promote the importance of a government-industry dialogue without consideration of other stakeholders that have become increasingly vocal on trade-related issues. While this promotes a dialogue on a range of issues from trade instruments to security standards that affect industry practices, it ignores the broader public concerns and in many cases undermines one segment of transatlantic cooperation that was developed in the New Transatlantic Agenda which includes citizen to citizen cooperation, dialogue and interchange.

While industry-government dialogues have proved to be beneficial in flagging issues that hinder cross-border trade, the discussions often result in long discussions about specific problems that an industry or sector encounter without much strategic thinking of possible solutions. The problem is not simply differences in regulations and standards, visa restrictions or tax regimes that hinder commercial transactions, but rather deep misperceptions and lack of awareness among many societal actors and the general public about the importance of the transatlantic economy for the global economy, and for overall productivity and growth in their respective economies. Too often the initiatives and projects involve technical and regulatory issues. These do little to engage the general public when there is a great deal of mistrust on both sides of the Atlantic. Yet they engage business and industry leaders, federal regulators, and a small array of consumer and advocacy groups rather than the general public.

## Policy Recommendations:

- 1) It is imperative that policymakers on both sides examine differences in regulatory policies that inhibit or impede deeper integration. Acknowledge that domestic economic policy is a legitimate subject for transatlantic dialogue, and that there needs to be a better integration of regulation and trade issues. There is a need to distinguish between those minor regulatory differences that create specific problems that ought to be eliminated and those that are bridgeable but require more investment of resources – those that require more political will to reach agreement. It may not be possible to overcome these differences until greater levels of trust are achieved by working on regulatory convergence in less sensitive areas.
- 2) The issue of regulatory reform has been given high priority in the European Union. Following on from the Lisbon process, successive councils have focused on regulatory reform, open method of coordination and impact assessments. This has been completely divorced from transatlantic discussions. Yet many of the proposals are pertinent for the transatlantic economic relationship (for instance a common method of assessment through quantitative indicators of administrative burdens for companies as proposed by the four presidencies of the EU in January 2004). A better understanding of the costs versus the benefits of such divergence may make coming to an agreement on resolving these issues more politically feasible.
- 2) Although we have had transatlantic trade tensions, since the inception of the European Community, many of the issues that confront the transatlantic relationship concern domestic issues that were traditionally the exclusive province of regulatory agencies not trade negotiations. There are strong differences in regulatory and trade cultures that need to be acknowledged both in terms of the negotiating strategies as well as the implementation and compliance outcomes. One possible strategy is the creation of a Transatlantic advisory committee for regulatory reform. Greater institutional leadership and support towards the issue of regulatory reform and effectiveness. This should include experts on rule-making, administrative and public management reform. This might result in codification and simplification of legislation as well as public sector management reforms. It may also deal with the internal complexity issue where there are often different signals coming from different agencies, departments and institutions on both sides.
- 3) Creation of Transatlantic Regional Dialogue. This would build on the Transatlantic Legislative Dialogue and Transatlantic Business Dialogue, which have proved to be the most effective models in operation. The EU has a Committee of the Regions which brings together the various sub-national regions, municipalities and local governments across Europe for consultation. The US has corresponding associations at the state level. Many issues of economic development take place at the local or state level so that this provides an exchange of ideas, as well as networking efforts for investment and collaboration, and greater promotion of partnerships. This would also provide opportunities to discuss issues that face local and provincial governments (for example health care, review of business support services).
- 4) Focus on alternatives to regulation such as codes of conduct – regulatory thresholds – and cooperative policy protocols. There is too much attention given to issues of harmonization and standardization. There is also considerable slippage in the use of such terms in current discussions with industry and policymakers which makes it difficult to assess whether the problems result from private industry standards (which are voluntary) and can often be assimilated into government legislation or from government regulations. Too much attention to issues of standards at the bilateral level can also be counterproductive since industry experts need to concentrate resources at the international level as well. Given that many multinationals (labor groups, consumer groups) have only a select number of individuals engaged in standard-setting, it makes sense to prioritize discussions and conserve resources by participating at the international level in order to gain strategic advantages and coordinate technical details. There are many ways to reduce the impact of regulatory differences including collaboration (such as information sharing and/or work sharing), cooperation, mutual recognition, inter-operability, harmonization and standardization. These are not mutually exclusive.
- 5) Consolidation of various initiatives (NTA, PTA etc). Specific target dates for certain actions. Remove laundry list approach. Differentiate agendas through targeted (and thematic) meetings on business and security issues; intellectual property; service liberalization etc so that there are “mid level summits” on high priority issues rather than a single annual summit that has too many issues.
- 6) Better coordination on strategies to regulate unfair trade. The annual reports on trade barriers do little to enhance the comparative leverage that both sides would gain if they were able to produce a common document on specific barriers that constitute some of the most problematic trade violations or barriers to market access. A transatlantic annual report would focus attention more on their common concerns and include policy recommendations on issues such as piracy.

- 7) TABD reports have become too long and diverse. Targeted reports with policy recommendations would have a stronger impact on negotiations.
- 8) Greater attention to issues of compliance and implementation. The mixed experience with the mutual recognition agreements serves as a good example here. The early warning systems are appropriate for new initiatives but there needs to be a more concerted effort to focus on regulatory impact assessment, benchmarking and coordination. Given that mutual recognition agreements continue to advance at the multilateral level as well as within other regional groupings, a systematic assessment of the different types of mutual recognition deserves attention. Questions and issues to consider: whether a sectoral or horizontal approach to mutual recognition can work in specific contexts; the safeguarding of the voluntary nature of guidelines and the need to clearly separate out the mandatory provisions from that of voluntary guidelines, codes of conduct, protocols etc. and acknowledgement of variation in scope of access (activities, title, timeframe, mode of delivery) for mutual recognition agreements or other elements of regulatory cooperation. Mutual recognition should be viewed as a broadening of the traditional principle of national treatment – cast in this way progress may be made on treating mutual recognition as a non-discriminatory obligation that requires some degree of coordination/harmonization.
- 10) Greater diversity in US interagency committees on transatlantic relations – the recent meeting of the interagency committee on transatlantic relations with NAM and European-American Business Council is reflective of the exclusive nature of this dialogue. These interagency committees need to reflect a broader array of stakeholders – including those with policy and academic experience outside of government or industry.
- 11) Continued use of OECD to support efforts at recognizing barriers to both goods and services; highlighting areas where mutual recognition, codes of conduct or regulatory cooperation is both most necessary and most feasible.
- 12) Better knowledge of state regulations (as distinct from federal regulations) by their respective counterparts to assess any areas that can ease transatlantic market access and business environment. In both US and EU, many takeover restrictions are state level (although there is activity on the EU takeover directive); corporate subsidies (tax breaks, depreciation allowances) are state level; public procurement tendering etc. Focusing on the business climate – and regulatory environment at the state level might yield some areas for regulatory cooperation and/or areas where negotiations might prove fruitful in opening markets.
- 13) There needs to be detailed comparative work similar to many studies undertaken by the EU in the context of single market program. Specific calls for tender for projects would stimulate a wider assessment of specific issues that are not tied to strategic actors such as TABD, US Chamber of Commerce etc. There are estimates of the transaction costs and idiosyncratic examples of problems by various firms, but there is, as yet, no comprehensive collection or systematic analysis of the data.
- 14) Reaffirm commitment to the multilateral trading system, ensuring that the Doha Round is concluded within a reasonable time frame. Need to build public support for multilateral trade round on both sides of the Atlantic. Reinforce the importance of trade liberalization for both economies.
- 15) Focus on cooperation in the wider international economy. This might include economic reform in Turkey and China; anchoring Russia and China into the broader international trading system; promotion of democracy and economic transition in Middle East and Former Soviet Union (ie support for EU role in its Near Abroad). All of this can bolster the trading system and reinforce their economic leadership.