



TPN

TRANSATLANTIC POLICY NETWORK

Archived Document

COMPLETING THE TRANSATLANTIC MARKET

Third Annual Report

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A WORLD OF CHALLENGES AND OPPORTUNITIES

Executive Summary

With the US elections last year and the European Parliament elections this year, the transatlantic agenda has stalled, including the Transatlantic Economic Council and Transatlantic Market.

Furthermore, the Great Recession has shaken the transatlantic market unlike no downturn since the Great Depression, demonstrating once again that the economic fate of Europe and the United States are inextricably intertwined and that the need for closer economic cooperation has never been greater.

Much of the crisis originated in the transatlantic financial market, which accounts for nearly three-quarters of global capital markets. Only European and American leadership can ensure that the practices that led to the recent turmoil do not recur, that in the future markets function in a stable and efficient manner and that any reforms do not create new barriers to financial services.

At the same time, as major trading powers, the European Union and the United States, which account for over half of world trade, have a common stake in resisting protectionism and in furthering trade liberalization by completing the Doha Round to spur economic recovery.

The election of US President Barack Obama, who has immense popularity in Europe, and the election of a new European Parliament and the impending selection of a new European Commission has created new opportunities for fresh initiatives in transatlantic relations.

With the need for European-American cooperation never greater and a reenergized political environment now is the time to push on the acceleration that progress is made on the Transatlantic Market and the Transatlantic Economic Council to ensure markets between the partners are open and contribute to global growth.

For this reason, the Transatlantic Policy Network proposes that:

- The Transatlantic Economic Council be strengthened by involving it more deeply in agenda-setting for the annual US-EU summit, that its work be more transparent and accountable to the various stakeholders in the transatlantic relationship and that it report regularly to the European Parliament and to the US Congress about the results of each TEC meeting and its plans and goals for the future.

- At the 2010 US-EU summit, the President of the European Council, the President of the United States and the President of the European Commission establish a roadmap for completing the Transatlantic Market, with target dates for accomplishing various goals along that path and a target date for achieving the Transatlantic Market.
- A small US-EU Transatlantic Market Implementation Group comprised of elected and appointed officials in the executive and legislative branches be established to oversee the implementation of the roadmap.

Economic Challenges

The global economic crisis of 2008-2009 posed a challenge for the transatlantic economy not seen since the 1930s. It was both a crisis of nearly unprecedented proportion and an opportunity to build a more sustainable and integrated transatlantic market.

The European Union's economy was expected to contract by 4 per cent in 2009, although signs of an early, shallow recovery in France and Germany may slow the descent. The United States economy was expected to shrink 2.8 per cent, with the recession ending in the second half of 2009. With the United States and the European Union accounting for 42 per cent of global GDP, this transatlantic downturn contributed to a record falloff in world trade and trouble for the entire world.

This shared plight underscored the deep integration of the European and American economies in the first decade of the 21st century. And it belied the notion of decoupling, so widely believed just a few years ago. Never before had Americans and Europeans had such a mutual interest in weathering a common economic storm. The Great Recession was evidence that the economic fate of Europe and America were inextricably intertwined. The need for closer transatlantic economic cooperation was never as urgent as it is today.

Many of the problems afflicting the economy stemmed from shortcomings in transatlantic economic integration. While the financial crisis may have begun with the downturn in US housing prices and the implosion of the US financial derivatives market, European banks held even more bad debt than their American counterparts. The rules of the road for financial transactions had not kept pace with the tremendous increase in global financial activity, led by surges in transatlantic investment, mergers and acquisitions and issuance of securities. Without a common European and American approach to assessing risk, rating bonds and prudential supervision, imprudent activities in one region reverberated across the transatlantic economy and throughout the world.

In the wake of the ensuing financial crisis, the G20 group of major economies pledged to establish a new Financial Stability Board, which would include the European Commission; to reshape regulatory systems to identify and to take account of macro-prudential risks; to extend regulation and oversight to all systemically important financial institutions, instruments and markets, including hedge funds; to improve the quality, quantity and international consistency of capital in the banking system; to achieve a single set of high-quality global accounting standards; and to extend regulatory oversight and registration to credit rating agencies.

At the same time, the European Commission began to move forward on reform of bank capital requirements, European supervision of credit rating agencies, strengthening of accounting rules, standardization and simplification of derivative security products and strengthening of common rules on investment funds. And the United States began an overhaul and consolidation of its financial sector supervision. In the months ahead, these parallel reform efforts will best be done in close collaboration to avoid inconsistent rules for what is already effectively a single transatlantic capital market.

The United States and the European Union account for about three-quarters of global financial markets. They have a particular responsibility to ensure those markets function in a stable and efficient manner and that reforms do not create new barriers to financial services. None of this can be accomplished without strong and coordinated European and American leadership.

As major trading powers, the European Union and the United States account for over half of world trade and have a common stake in the fate of global commerce. Both have a deep self-interest in promoting growth around the world to generate new sources of demand outside of the transatlantic market. Any rise in protectionism—such as a hike in tariffs, new export subsidies or buy national provisions in economic stimulus packages—threatens both European and American business interests and jobs.

At the same time, both Europe and the United States have subsidized their banking sectors and their auto industries in an effort to stem the bleeding and jumpstart economic growth. Ensuring that any such government intervention does not discriminate against foreign investors or distort competition is a mutual priority in such an integrated market. And common exit strategies are needed for unwinding the state's role once the current crisis is past.

Europe and the United States also have a mutual interest in the reduction of the unsustainable global current account imbalances that contributed to the recent financial crisis. In the last year, the transatlantic imbalance has all but disappeared. But the United States continues to run a large deficit with China and Europe's is growing. How both sides of the Atlantic put their current account balances with the rest of the world on a more

sustainable footing – through movements in the exchange rate, expansion or curtailment of trade opportunities – will do much to determine future global economic stability.

And climate change poses both transatlantic economic challenges and opportunities. Reducing greenhouse gas emissions will be expensive, technologically difficult and could distort international competitiveness. Yet European and American firms have the knowhow to meet this challenge, to contribute to the slowing of global warming and to take advantage of new market opportunities for green technologies. Close cooperation between Washington and Brussels will be necessary to make the Copenhagen climate change summit in December 2009 a success.

The Political Opportunity

The election of Barack Obama as president of the United States opened a fresh chapter in transatlantic relations. The new administration in Washington is committed to the US-EU relationship, in particular to reinvigorating the ongoing dialogue about deepening and broadening the transatlantic market. The American people are hungry for positive US leadership in the world, are broadly favourable toward working more closely with Europe and want action to improve the economy.

For its part, the European Union has gone through its own political renewal. European parliamentary elections in June 2009 renewed the mandate of the only political leadership that represents the entire continent. Previous European parliaments have repeatedly endorsed creation of a transatlantic market. The new European Commission takes office in late 2009 with invigorated authority to conduct new trade and regulatory discussions with the United States. Overwhelming majorities of Europeans support president Obama, have high expectations for his global economic leadership and have a renewed willingness to work more closely with the United States.

The emergence of new political leadership on both sides of the Atlantic and the convergence of common economic and security challenges are an opportunity for new strategic thinking from a transatlantic perspective. The time is ripe for an EU-US strategic vision on a range of issues: security and terrorism, globalization, energy, environment and climate change, demography and immigration and global governance.

On the economic front, Europe and the United States have long demonstrated their shared commitment to market liberalization through multilateral trade negotiations, which are the optimal means of maximizing the benefits of increased trade and investment. TPN is strongly committed to successful completion of 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. And prospects for the negotiations' rapid conclusion remain uncertain.

Meanwhile, the prolongation of the Doha Development Round has 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. These competing efforts to craft preferential trade agreements raise the spectre of new transatlantic frictions, as the European Union and the United States vie for special deals with emerging market economies. But their pursuit underscores the compelling attraction of even a limited effort to remove barriers to trade and investment.

At the same time, since 1995, Brussels and Washington have engaged in a bilateral effort to dismantle transatlantic obstacles to trade and investment and to encourage regulatory convergence. The resilience of this dialogue through disputes over bananas and chickens, rising anti-Americanism in Europe and foreign policy disagreements over Iraq is testimony to the economic importance of the transatlantic market to both Europe and the United States and to the mutual commitment in both Brussels and Washington to strengthening economic ties despite the distractions. And, with the stalemate in the Doha Round, this transatlantic effort is a laboratory for removing the regulatory barriers that are part of the impediment to completion of the multilateral negotiations.

If the transatlantic economic dialogue did not exist, the European Union and the United States would have to invent it. The transatlantic market provides the economic foundation for European and American diplomatic and security initiatives that contribute to global stability. EU-US deliberations promote long-standing values shared by the United States and the European Union. These market principles—transparency, accountability, a limited role for the state in the economy—have spurred economic growth, while promoting democratic institutions and practices.

Nevertheless, to date, the transatlantic economic dialogue has produced repeated political resolutions, but insufficient results in the marketplace, frustrating the business community in particular.

PART I: TRANSATLANTIC MARKET INTEGRATION

The Transatlantic Market has its antecedents in the 19th century when European investment built American steel mills and railroads, and American cotton was spun in British mills, and American beef was often the main course for Sunday dinners in Berlin and Paris. Today's Transatlantic Market reflects an even deeper integration.

In 2008, trade across the Atlantic in goods alone exceeded \$600 billion. Europeans bought nearly four times as many American merchandise exports as did the Chinese and 15 times more than that bought by the Indians. Similarly, in 2007, the European Union sold the United States nearly four times what it sold China and more than 9 times what it sold India.

But it is foreign investment that is the driving force in the transatlantic economic relationship. The United States is the recipient of nearly three-quarters of European foreign direct investment and Europe more than half of US overseas investment. Four million Europeans now work for American companies and 3.6 million Americans for European firms. The output of US affiliate companies in Europe and European affiliate firms in the United States is equivalent to the GDP of Mexico or South Korea.

And the services economies of the United States and Europe represent the sleeping giant in the transatlantic economic space, with European countries accounting for five of the top ten export markets for US services providers. And sales of services by European affiliates in the United States more than double US services imports from Europe, a sign of the growing presence of EU services providers in the American market.

Yet many of the potential benefits of deeper transatlantic economic integration have yet to be fully realized. The elimination of all obstacles to transatlantic business would lift Americans' per capita income by up to 2.5 per cent and Europeans' income by up to 3 per cent, according to a 2005 OECD study. Deregulation, not tariff cuts, would be the main source of these potential economic gains.

Early efforts on each side of the Atlantic to create single continental markets have now morphed into a concerted effort to form an integrated transatlantic market. In the 1800s, a US economy was stitched together out of separate state and regional markets for goods and services. In Europe in the second half of the 20th century, a single European market was similarly constructed, beginning in 1957 with the Treaty of Rome and then accelerated in 1992 through a sector-by-sector approach to economic integration.

These attempts 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-US 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, labour 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 US leaders signed a Mutual Recognition Agreement, intended to lead to comparable standards and testing, initially in six sectors with an aggregate trade volume estimated at the time of \$50 billion. 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. Also, in 1998, a far more modest Transatlantic Economic Partnership agreement was signed, with scant success.

In 2004, US 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 US 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-US summit affirmed these goals.

Meanwhile, regulatory cooperation moved forward. The 2005 summit established a high-level US-EU forum to develop a joint regulatory work plan based on mutual best practices. 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. In addition, a dialogue was established between the European Commission and the US Office of Management and Budget on transparency and methodologies for impact and risk assessment. And in 2008 the European Commission and the US Office of Information and Regulatory Affairs developed a Joint Paper on Impact Assessment. The Commission subsequently integrated all the elements of that paper's recommendations in its impact assessment guidelines.

In 2008, the European Union agreed to recognize as equivalent US accounting principles, beginning resolution of a long-standing dispute. The United States has yet to reciprocate. Brussels and Washington agreed to a roadmap to advance global patent harmonization, on enhanced cooperation on testing for cosmetic ingredients and other food and pharmaceutical-related issues and on sharing import safety information. However, the broader transatlantic dialogue was stymied by disagreements over trade in poultry products.

Throughout this period, both European and American legislators have been 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 US 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. And in 2009 a resolution of the Committee on Foreign Affairs of the European Parliament called for a new Transatlantic Partnership Agreement by 2012.

And the transatlantic business community continues to push for deeper economic integration. The US National Association of Manufacturers and Business Europe are studying the advantages and disadvantages of a transatlantic free trade agreement. The US Coalition of Services Industries has suggested pursuit of a transatlantic free trade area in services. With the European Union already having a free trade agreement with Mexico and negotiating one with Canada, some formal arrangement with the United States is becoming economically and politically more compelling.

A free trade agreement and the creation of a Transatlantic Market are complementary rather than contradictory goals. They can be pursued in tandem. But a Transatlantic Market actually is a more ambitious undertaking, because it explicitly deals with regulatory obstacles to economic integration and leads to the creation of a single transatlantic capital market. While the renewed interest in a free trade agreement highlights the compelling attraction of deepening and broadening the transatlantic economic area, the completion of a Transatlantic market must remain the overriding goal of the US and EU administrations.

PART II: THE TRANSATLANTIC ECONOMIC COUNCIL

In 2007, US President George W. Bush and German chancellor Angela Merkel agreed to create a Transatlantic Economic Council as a permanent, high-level group tasked with “rationalizing, reforming, and, where appropriate, reducing regulations”, “achieving more effective, systemic and transparent regulatory cooperation” and “removing unnecessary differences between our regulations to foster economic integration.”

The TEC has proven to be an indispensable forum for the deepening of EU-US economic integration. Since its inception, the TEC has advanced transatlantic regulatory co-operation further and faster than any previous bilateral initiative. Some longstanding issues have been settled, such as the partial mutual recognition of accounting standards, and others have been teed up for resolution, such as 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. The TEC has also enhanced the EU-US dialogue on a range of international economic issues of broader strategic importance. It has established the principle of top-down political leadership of the transatlantic economic integration effort. And, as an ongoing process, it has preserved momentum toward creation of a transatlantic market during the 2009 political transitions in the European Commission, the European Parliament and the US government.

The potential payoff is substantial. The US Chamber of Commerce and Business Europe estimate that the TEC agenda, if achieved, would add more than \$10 billion to the transatlantic economy thanks to reductions in cost, avoidance of regulatory burdens and new opportunities to grow markets.

In the light of the challenges now facing the transatlantic market, it is time to significantly raise the level of ambition. The TEC should build up its potential to become the central platform for transatlantic economic cooperation, giving support to the ongoing bilateral dialogues and initiatives where this is needed, without duplicating them.

Although it is still in its early stages, there are lessons to be drawn from TEC’s experience that could improve on its performance and its results. To date, the TEC’s three sessions have too frequently been venues for technical discussions, rather than focusing on broad economic integration. The political leadership involved in the TEC has debated long-standing trade disputes rather than discussing critical long-term mutual challenges. Moreover, all political principals with a stake in the transatlantic economy should participate in the TEC, to give them ownership of the TEC process. At the same time, the transparency of individual cooperation projects needs to be enhanced.

Now, in the wake of a global economic meltdown, expectations are high for more deliverables from the TEC. The dialogue must become an instrument of recovery and

revitalization for the transatlantic market and the global economy. The TEC should take the lead in the cross-border regulatory cooperation called for by the G20 at its summits in November 2008 and April 2009 and thus remove suspicions about the political will to go beyond mere declarations. It can also continue to drive the vitally important cooperation efforts of individual non-financial regulatory agencies. As such, it can serve as a broad systemic risk mitigation mechanism. In addition, by deepening and broadening regulatory cooperation across the Atlantic, the TEC can reduce the risk of destabilizing US-EU trade and investment disputes and rising protectionism, thus reducing market uncertainty during the crisis and in its aftermath. And a better functioning and higher profile TEC can reassure financial markets that the transatlantic political and economic partnership will not fragment under pressure and will emerge from the current downturn even stronger.

To continue to play its essential role and to continue its political convening power, the TEC needs political ambition. And that involves a concrete goal to create a Transatlantic Market by a date certain.

PART III: THE ROLE OF TPN

Since its founding in 1992, the Transatlantic Policy Network has been a forum for dialogue within the transatlantic policy community. Its goal has been to strengthen the EU-US partnership through deepening economic ties between the European Union and the United States. TPN seminars for policymakers and business leaders were instrumental in the creation of the New Transatlantic Agenda, the Transatlantic Business Dialogue, the Transatlantic Economic Partnership and the Transatlantic Economic Council.

- 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-US partnership to be developed.
- In 1995, TPN released “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-US 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 defence/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 US-EU summit.
- In 2008, TPN produced “Completing the Transatlantic Market: 2nd Edition”, which reaffirmed TPN’s commitment to completing the Transatlantic Market by 2015;

anticipated concerns about the financial crisis by calling for resolution of transatlantic differences over financial services; and called for strengthening the TEC through greater involvement of Members of Congress and the European Parliament.

PART IV: TOWARD THE FUTURE

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:

- Focus the immediate transatlantic economic dialogue on the leadership Europe and the United States can provide in strengthening global financial markets, avoiding protectionism and minimizing regulatory overreach in the wake of the global financial crisis.
- Strengthen the Transatlantic Economic Council by empowering it as a consultative mechanism, addressing new regulatory issues and other obstacles to transatlantic economic integration as they appear.
- To better inform the TEC process, map the differences in the roles, responsibilities, capacities and rule-making procedures of both EU and US regulatory bodies and their oversight in the European Parliament and US Congress.
- In 2010 set a detailed roadmap for completion of a Transatlantic Market comprised of a comprehensive list of all issues to be resolved, with target dates for their resolution.
- Build that roadmap upon the sector-by-sector study of the costs and benefits of removing transatlantic barriers to trade and investment conducted by the European Commission.
- Appoint a small US-EU Transatlantic Market Implementation Group comprised of elected and appointed officials in the executive and legislative branches to oversee the implementation of the roadmap.
- Based on this roadmap, set a target date for completion of the Transatlantic Market.

All such efforts must be closely aligned with the activities of the TEC and involve members of the European Commission, the US administration, including regulatory officials, and members of the European Parliament and the US Congress. And the creation of a Transatlantic Market will be a step toward the eventual signing of a Transatlantic Partnership agreement, embracing the economic, political and strategic totality of the EU-US relationship.

Dealing With the Crisis at Hand

Sharing the largest economic space in the world, Europe and the United States have a particular responsibility and self-interest in working together to respond to the global downturn. Every effort should be made to coordinate recovery efforts, to rapidly put in place financial regulatory reforms agreed to by the G20, to avoid distortionary and discriminatory subsidies of failing firms, to not raise trade barriers and to work with third countries to keep markets open and to continue to reduce regulatory obstacles to growth.

Strengthening the TEC

To enhance its effectiveness and credibility, the TEC needs to be more transparent in its agenda-setting and accountable to the various stakeholders in the transatlantic relationship, including business and members of the European Parliament and the US Congress. The TEC needs to be more deeply involved in the agenda-setting and operation of the annual EU-US summit. An institutional framework should be created to engage on an ongoing basis in the EU-US regulatory dialogue the relevant members of the European Parliament and the US Congress, including chairmen of the appropriate committees with regulatory oversight in both bodies. And the TEC should formally report to the European Parliament and the US Congress about the results of each TEC meeting and its plans and goals for the future.

Establishing a Roadmap

At the 2010 US-EU summit, the President of the European Council, the President of the United States and the President of the European Commission should establish a roadmap for completing the Transatlantic Market, with target dates for accomplishing various goals along that path.

Setting a Target Date

TPN has long advocated a 2015 date for completion of the Transatlantic Market. Given current global economic conditions, the political transitions on both sides of the Atlantic and the EU study on the costs and benefits of transatlantic market integration, setting of a date should follow articulation of a detailed roadmap. Based on this roadmap, European and American leaders should then set a target date for achieving the Transatlantic Market to create bureaucratic and political accountability in the effort to deepen the transatlantic economic relationship.

A Transatlantic Market Implementation Group

To ensure continuity, broad bureaucratic and political involvement, the 2009 US-EU summit should agree on the creation of a Transatlantic Market Implementation Group comprised of

a small number of members of the US Congress and European Parliament, members of the US cabinet and EU commissioners and heads of major US and EU regulatory agencies. Their responsibility would 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 that goal.

The Issues Roadmap

The 2010 roadmap should include the following immediate goals 2010-2012:

The Regulatory Dialogue

- In pursuit of their G20 commitment to build a more sustainable financial system, Europeans and Americans should closely coordinate their initiatives to strengthen investment rules, revise bank capital requirements, supervise credit agencies and consolidate financial sector supervision.
- The TEC should redouble its efforts to mobilize departments and agencies on both sides of the Atlantic to search for areas where regulatory friction can be reduced or avoided. The European Union and the United States should accelerate efforts to put in place a comparable regulatory impact assessment process. 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 United States and the European Union should strengthen the competition policy dialogue. The global economic crisis will lead to a restructuring of the business landscape as firms disappear, merge, grow and shrink their market shares. Countries will also be tempted to use competition policy to defend national champions. As the two jurisdictions that set the global standard for competition policy, the US and EU need to revisit the rules for government subsidies, what constitutes the relevant market and what is a dominant position in that market.
- The EU and US should agree to a framework for resolving reinsurance issues involving the EU Solvency II directive, the state-based approach to insurance regulation in the United States and any new American regulation of insurance.
- The American administration and the EU Commission ought to come up with 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.

- Develop a common, open, technology-neutral standard on e-Accessibility 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 US first-to-invent system and the European first-to-file patent system.
- Resolve the dispute over supplier's declaration of conformity for electrical products.

Investment

- Agree, in light of recent global financial market turmoil, on a framework for deeper, ongoing 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.
- European and American leaders should agree on a comparable code of conduct and best practices governing Sovereign Wealth Fund investment in the transatlantic market, 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.
- 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.

Financial markets

- The United States and the European Union should commit to coordination of domestic financial sector regulatory and supervisory measures, avoid contradictory

reform efforts, share their long-standing experience in financial market supervision and crisis management with each other and with policymakers worldwide.

- Revive and enhance the US-EU Financial Markets Regulatory Dialogue and give it a more prominent role in systematically discussing all aspects of financial market policymaking.

Energy and the Environment

- Make energy and climate change a priority issue for the TEC to speed the transition to a greener, cleaner and low-carbon transatlantic economy.
- Adopt a robust work plan to drive transatlantic collaboration on research and development of a smart electricity grid, hybrid and hydrogen-powered vehicles, energy-saving building technologies and more efficient power plants.
- Develop international bio-fuels 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 and supply chains.
- Develop best-practice standards for emissions trading and benchmark criteria for national allocation plans for emission rights, to avoid transatlantic competitive distortions.

Secure Trade

- Commit to the creation of smart ports to ensure the security of cargo container traffic. Address the ambitious US goal of scanning all containers entering the United States by developing a multi-layered, risk-based approach to container safety and develop common approaches to further strengthen supply chain security to permit the continued free flow of goods within the transatlantic market while guarding against terrorism.

Security Technology Cooperation

- Collaborate on joint defence and homeland security technology initiatives to maximize the economies of scale inherent in a \$1 trillion transatlantic defence market at a time when defence budgets on both sides of the Atlantic are under growing pressure, and the cost of research and development continues to rise.

The Legislators' Dialogue

- Engage Members of the European Parliament and the US Congress more directly in joint consideration of pressing transatlantic concerns by focusing on shared challenges such as climate change, internet policy, agriculture, financial issues or China.
- This could be done by involving those who have the expertise on the relevant committees concerned. Encourage relevant committees of the European Parliament and the US Congress to designate one member to act as the liaison with its counterpart.
- Look to schedule parallel hearings on specific issues in both the European Parliament and the US Congress.
- Lay the groundwork for eventual creation of a Transatlantic Assembly of legislators from both sides of the Atlantic to discuss mutual regulatory and economic concerns.

In the 2013-2015 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.

- Build on the experience gained by the FDA and the EMEA in the medical product equipment regulatory area by embedding a senior-level agency representative or expert within each other's offices in a range of regulatory agencies to share ideas and to gain insights into each other's regulatory cultures and procedures.

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.
- To that end, achieve mutual recognition of securities regulation.

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 modelled 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

- Using lessons learned from the Doha Round improve the functioning of the World Trade Organization, with special emphasis on 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

- Commit to the freer movement of people for work, study, residence and tourism through a smart visa program. This might include visa-free, short-term travel, a

frequent business traveller program to ease the security constraints on those who crisscross the Atlantic in the course of their normal business and a trusted traveller program for low-risk tourists. Efforts should also be made to enhance the short-term movement of skilled workers within the transatlantic market.

ANNEX I

TPN ISSUES ROAD MAP

	2010-2012	2012-2015
Reinsurance Framework	✓	
New Technologies Framework e-Accessibility Standards	✓	
Health Care Records	✓	
Patent Harmonization	✓	
Declaration of Conformity for Electrical Products	✓	
Accounting Standards	✓	
Second Phase of Open Skies	✓	
Domestic Financial Regulatory and Supervisory Measures	✓	
Enhance US-EU Financial Markets Regulatory Dialogue	✓	
R&D for Energy Efficiency	✓	
Bio-fuels Standards	✓	
Promote PPPs to Support R&D and Implementation	✓	
Best Practice for Emissions Trading & Benchmark Criteria	✓	
Smart Ports for Security of Cargo Container Trade	✓	
Collaboration on Technologies in Joint Defence Market	✓	
Automotive Products		✓
Pharmaceuticals		✓

Medical Product Equipment Regulatory Area Agency	✓
Tariff-Free in Key Manufacturing	✓
Green Products Market	✓
Freer Movement of People	✓
TRANSATLANTIC MARKET	✓

ANNEX II

COMPLETING THE TRANSATLANTIC MARKET TPN POLITICAL ROAD MAP

	2010-2012	2012-2015
Commitment to Roadmap	✓	
G20 Commitments on Sustainable Financial System	✓	
Accelerate Efforts on Regulatory Impact Assessment	✓	
Strengthen Competition Policy Dialogue	✓	
Framework for Financial Regulatory Agencies	✓	
Code for Sovereign Wealth Fund Investors	✓	
Cooperation on New Energy Technologies	✓	
Carbon Capture Standards Dialogue	✓	
Joint Consideration on Shared Challenges	✓	
Committee Expertise Liaisons	✓	
EP - US Congress Parallel Hearings	✓	
Lay groundwork for Creation of Transatlantic Assembly	✓	
Comparable Regulatory Processes Established		✓
Resolving Differences in International Standards Framework		✓
Establish a Date for a Transatlantic Capital Market		✓
Investment Agreement		✓
Securities Regulation		✓
Improve Functioning of the World Trade Organization		✓
TRANSATLANTIC MARKET		✓