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TOWARD A STRATEGIC VISION

FOR THE

TRANSATLANTIC MARKET

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PREFACE

CALL FOR A TRANSATLANTIC JOBS AND GROWTH INITIATIVE

The need for closer economic cooperation between Europe and the United States has never been more timely or more necessary. We both need urgently to stimulate jobs and growth. Given the interlocking nature of our current problems, the size of our shared market and the scale of transatlantic direct investment, a determined effort to remove all remaining barriers to transatlantic trade and investment by 2020 can make a major contribution to jobs and growth on both sides of the Atlantic.

A recent study the Organisation for Economic Cooperation and Development (OECD) concludes that the elimination of non-tariff barriers to transatlantic trade and investment would boost US GDP by up to 2.5 per cent and EU GDP by up to 3 per cent annually. Eliminating remaining tariffs on transatlantic trade would provide further important stimulus in affected sectors.

In order to fully realize this untapped potential for new jobs and growth, we call for a comprehensive Transatlantic Jobs and Growth Initiative, including a road-map for the removal of remaining non-tariff barriers to trade and investment by 2020 and steps towards zero tariff levels on transatlantic trade.

A Transatlantic Jobs and Growth Initiative should be put in place at the next US/EU Summit in late November in Washington DC.

October 2011

INTRODUCTION

America and Europe are economically troubled. European growth prospects are haunted by the euro area sovereign debt crisis. The United States (US) faces stubbornly high unemployment and a troubling trajectory for government debt. And both economies lack consumer and investor confidence.

The Great Recession, followed by economic stagnation in both Europe and the United States and the prospect of a euro area sovereign debt crisis have shaken the transatlantic market unlike any event since the Great Depression, demonstrating once again that the economic fates of Europe and America are inextricably intertwined and that the need for closer economic cooperation has never been greater.

In an important step, on September 27, 2011, the European Parliament approved a "New trade policy for Europe under the Europe 2020 Strategy", which recommends supporting a "comprehensive 'Transatlantic Growth and Jobs Initiative', which would include plans for the removal of remaining non-tariff barriers to trade and investment by 2020 ("the Transatlantic market"), and steps towards zero tariff levels in some product areas as proposed earlier this month by the US Chamber of Commerce. Such an initiative should be included on the agendas of the next meetings of the Transatlantic Economic Council (TEC) and the US-EU summit".

A commitment by the United States and the European Union (EU) to such a bold program would signal to global financial markets that both transatlantic partners are committed to promoting grown and jobs and to boosting the global economy in its time of need.

This document sets out how the transatlantic market component of a comprehensive transatlantic growth and jobs initiative can be achieved by 2020.

EXECUTIVE SUMMARY

The United States and the European Union both need jobs and growth. Given the interlocking nature of their problems and the size of their shared market, these twin economic objectives can best be achieved working together by launching a transatlantic jobs and growth initiative anchored in an effort to remove all barriers to transatlantic trade and investment by 2020. Never has such an initiative been more timely or more necessary.

Moreover, much of the current 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 their capital market is a transmission belt for growth, not contagion and that the practices that led to the recent turmoil do not recur, that the euro sovereign debt crisis does not spread, that in the future financial markets function in a stable and efficient manner and that any reforms of those markets do not create new, unnecessary barriers to the delivery of 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 spurring economic recovery through vigilance against protectionism and through further trade liberalization through completion of the Doha Round and complementary efforts to remove trade barriers regionally and bilaterally, especially across the Atlantic.

Recent political developments have laid the groundwork for fresh initiatives in transatlantic relations. The Obama administration has embraced the US-EU dialogue and is committed to deepening and broadening the transatlantic market. For its part, the European Union has gone through political renewal. The Lisbon Treaty has given the European Parliament new authority and stature, especially with regard to trade agreements. The European Commission has renewed authority to conduct trade and regulatory discussions with the United States.

With the need for European-American cooperation never greater, now is the time for the Transatlantic Economic Council to accelerate progress toward a Transatlantic Market to create jobs, to stimulate economic recovery, to deepen European-American market integration and to contribute to global growth. To ensure that this effort produces meaningful and timely benefits for both our businesses and our citizens, we need a mutual vision and must focus on outcomes, not process; timetables, not talk.

The need to build a strategy for an overall approach to US-EU relations is of increasing importance. Indeed, time is short for the transatlantic leadership to have a major influence on global trading issues given the likely decline in their percentage of the global economy expected over the next decade.

With this in mind, at the 2011 US-EU summit, US and EU leaders are urged to take the following specific measures:

- Launch a growth and jobs initiative intended to respond to the euro crisis and the American economic slowdown by fast-tracking the removal of transatlantic barriers to trade and investment.

- Instigate a joint analysis of global trends, deliverable at the 2013 summit, to form the basis for future strategic discussions within the TEC on a range of issues, from jobs and growth to demography to climate to China. Such a joint analysis should be updated on a regular basis.

- Direct their respective officials to begin drafting a roadmap for a growth and jobs initiative anchored in the creation of a Transatlantic Market by 2020, with target dates for accomplishing various goals along that path. The roadmap to be reviewed and approved at the following US-EU summit.

- Facilitate the goal of creating a roadmap by drawing up a joint study from information already available, setting out the economic benefits of such a course of action.

- To this end, the 2011 US-EU summit should encourage the Transatlantic Economic Council (TEC) to be restructured, streamlined and strengthened. The revitalized TEC, during 2012, to:

    - Become the forum in which Europe and the United States implement a jobs and growth agenda and coordinate their response to systemic consequences of the euro crisis and America's ongoing economic woes.

    - Provide broad policy guidance on both bilateral and global issues, thinking strategically;

    - Be more deeply involved in agenda-setting for the annual US-EU summit;

    - Monitor the technical work that is the substance of the transatlantic agenda, while the principals should focus their efforts at their annual meeting on broader strategic concerns;

    - Narrow its immediate agenda to focus more on jobs and growth, financial reform, energy and green technologies, protection of intellectual property, the digital agenda, and innovation.

Procedurally, the TEC should:

- Make its work more transparent and accountable to the various stakeholders in the transatlantic relationship;

- Involve leaders from both the European Parliament and the US Congress;

- Issue a public report about the results of each TEC meeting and its plans and goals for the future;

- Create 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;

- As a strategic shared vision is developed, care should be taken to involve all the major actors in its elaboration. As part of this process, it is recommended that all these major actors should be brought together during 2012 to ensure proper coordination and cooperation between all those concerned before the following US-EU summit.

1. STRATEGIC CHALLENGES

Overview of Strategic Challenges

In 2025 world production will almost have doubled in relation to 2005. The US and European markets will no longer dominate the world. The emerging and developing countries, which accounted for 20 per cent of the world's wealth in 2005, will account for 34 per cent by 2025. The European Union will no longer be the world's largest exporter. The centre of gravity of world production and world trade will have moved to Asia. The gap between the rich and poor will have grown, exacerbating social and political tensions. And collaboration across borders, enabled by the vastly enhanced power of digital communications tools and technologies in the hands of a new generation, will be transforming the economic and social environment around the world.

At the same time, the world's population will grow to 8 billion, and three-fifths of those people will be Asian. Europe will become the region with the oldest population, and both Europe and the United States will face an even larger budgetary burden thanks to the pension and health care needs of their ageing populations. Migration, already a volatile issue in the United States, will become a major challenge, with one-in-seven Europeans likely to be a migrant by 2025.

By the end of the first quarter of this century, global demand for fossil fuel is likely to grow by 60 per cent. Both Europe and the United States will face growing competition for energy from China, India and other emerging markets, leading to new strategic frictions. The burgeoning use of carbon-emitting fuels will hasten global warming, creating food shortages and health problems.

The world in 2025 will be one in which economic, political and strategic power is more evenly distributed. This multi-polar, digitally-connected world could prove contentious. Moreover, the economic success of undemocratic regimes could pose new challenges for the democratic values shared by Europe and the United States. And there will be ongoing questions about how to best deal with terrorism, failed states and unstable regions in the Middle East and Africa.

The multilateral institutions formed after World War II — the United Nations, the World Bank, the International Monetary Fund, the World Trade Organization—were created for a bi-polar world in a different era. It is as yet unclear what global governance arrangements will be necessary to best deal with these challenges in the future.

The Transatlantic Dimension

The future of American and European societies and economies and the relative position of the transatlantic region in the world is also being shaped by tectonic trends: globalization, demography and immigration, energy and climate change, international security and global governance.

Over the years, NATO has periodically developed a new strategic concept based on the evolving security environment it faces in order to shape its work and interaction. The most recent was released at the November 2010 Summit in Portugal.

The uncertainties exposed by the financial crisis, the euro crisis, the long-term threats of energy shortages and global warming, all suggest that the European Union and the United States should similarly engage in a joint assessment of these issues and a strategic dialogue about them to develop a common analysis and plan of action for dealing with an evolving world.

Sixteen years after Washington and Brussels signed the New Transatlantic Agenda, ushering in a new era of transatlantic cooperation on economic issues, it is time to introduce a new and permanent strategic dimension into US-EU relations, reflecting the new responsibilities conveyed on the European Union institutions by the Lisbon Treaty, new challenges posed by the euro crisis and the radical changes that have occurred in the world over that period that now require a broader common transatlantic vision and common set of strategic goals.

Both the United States and the European Union have, individually, already begun some of this strategic analysis. The US National Intelligence Council has published *Global Trends 2025: A World Transformed*. The EU Institute for Security Studies has issued a report on *The New Global Puzzle. What World for the EU in 2025*, published in 2006. And the EU Commission has published the document *The World in 2025*. It is now time to bring such parallel analysis together in a joint effort to better understand global strategic trends and to develop a joint approach to dealing with these challenges. As a first step, the EU and the US cooperated to produce in October 2010 a well-researched document called "Global Trends 2025: At a critical juncture". This was the first time that the EU and the US have done such a joint exercise together.

2. THE ECONOMIC CHALLENGES

Overview of Economic Challenges

To paraphrase Leo Tolstoy, America and Europe are both economically troubled, each in its own way. In 2009, in the wake of the Great Recession, the euro area contracted by 4.3 per cent. The US economy shrank by 3.5 per cent. In 2010, both economies rebounded, giving rise to hopes of renewed prosperity. But in 2011, the euro area is expected to expand by only per cent and the United States by only 1.5 per cent, giving rise to fears that transatlantic growth is stalling out, raising the spectre of a double-dip recession. As the International Monetary Fund concluded in its September 2011 World Economic Outlook: economic activity has weakened, confidence has fallen sharply, and downside risks are growing.

European growth prospects are haunted by the sovereign debt crisis that began in Greece, has spread to Ireland and Portugal and now threatens to engulf Spain and Italy. The uncertainty created by the possibility of one or more sovereign defaults, the likely knock-on effect on the balance sheets of European banks and the danger of one or more countries being forced to abandon the euro has made consumers skittish and credit both expensive and scarce, undermining economic vitality. Joblessness in the European Union is 9.5 per cent, including 21 per cent in Spain and 14 per cent in Ireland. A whole generation of European youth risk never having a job: unemployment among those under age 24 is 46 per cent in Spain, 40 per cent in Greece and 28 per cent in Italy.

In the United States, unemployment remains stubbornly high at 9.1 per cent, as does homeowner mortgage indebtedness, restraining consumer spending. Private sector investment has not rebounded since the Great Recession. And concerns about the level and trajectory of government debt have constrained government efforts at economic stimulus. The result: 14 million Americans are out of work and another 15 million are underemployed or have given up looking for a job. Long-term unemployment is at a modern high. Joblessness among African-Americans under the age of 24 is 31 per cent, among young Hispanics 20 per cent. Median income in the United States has stagnated, and income disparity has grown.

The cost of transatlantic contagion from these economic maladies would be high. American banks have $1.3 trillion dollars in outstanding loans in Europe. Europe is America's largest trading partner, the largest destination for US foreign direct investment and generates more than half the earnings of the overseas operations of US companies. Sovereign defaults in Europe and prolonged slow European growth would directly blow back on the US economy. Similarly, the United States is Europe's second-largest export market and the principal site of European foreign direct investment. US economic stagnation would sap an already weak European economy.

And the global consequences of both Europe and America experiencing a “lost decade”, in which their economies’ performance falls far short of their economic potential, are profound. With the United States and the European Union accounting for two-fifths of global GDP, a protracted slowdown would spell economic trouble for much of the world that depends on the demand generated by the transatlantic market. At the same time, with China expected to grow six times faster than either Europe or the United States in 2011, with India likely to expand five times faster and Southeast Asia three times faster, the transatlantic market risks losing its pivotal role in the global economy.

Transatlantic Dimension

- Shortcomings in Transatlantic Management

This shared plight underscores the deep integration of the European and American economies in the first decade of the 21st century. And it belies the notion of decoupling, so widely believed just a few years ago. Never before have Americans and Europeans had such a mutual interest in weathering a common economic storm. The Great Recession and now the renewed economic slowdown are evidence that the economic fate of Europe and America are inextricably intertwined and that these two economic powerhouses increasingly move in tandem. Moreover, the fact that their economic prospects are significantly less promising than those in major emerging markets such as China and India only highlights the critical importance of the European Union and the United States pursuing a transatlantic growth and jobs agenda animated by a removal of mutual barriers to trade and investment in the transatlantic marketplace.

In retrospect, many of the problems that contributed to the Great Recession and that now restrain the recovery stem 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 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. That task is, as of yet, incomplete.

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 passed an overhaul and consolidation of its financial sector supervision. Yet many of these reforms have yet to be implemented. Experience to date underscores that differences in perspective on the origins of the crisis, differences in legal frameworks, differences in regulatory philosophies and differences in timetables only reconfirms that reform efforts will best be accomplished in close collaboration to avoid inconsistent rules for what is already effectively a single transatlantic capital market. And any failure to enhance financial transparency, accountability and ease of capital mobility will undermine prospects for jobs and growth.

The recent sovereign debt crisis in Europe has exposed additional shortcomings in European economic governance. Europe's collective response to the unfolding crisis has, at times, been hesitant, discordant and inadequate. The United States has faced its own internal problems in agreeing upon a response to its debt, growth and jobs challenges. But one bright spot in this otherwise disheartening experience has been the ability of the US Federal Reserve and the European Central Bank, despite disagreeing on the prospects for inflation, to coordinate currency swaps to maintain liquidity at times of stress. Their cooperation is emblematic of the potential for transatlantic management of the economy.

- Shared Perspectives

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 the delivery of 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 and employment in Europe and America. Any rise in protectionism in response to their economic difficulties — such as a hike in tariffs, new export subsidies or buy national policies—threatens both European and American growth and jobs.

In the wake of the Great Recession, governments on both sides of the Atlantic are burdened with debilitating government budget deficits and overwhelming government debt. In the years ahead, both European and American leaders will face the need to cut government spending and raise revenues. If such moves are uncoordinated, they could undermine economic recovery in the transatlantic market and create frictions if new taxes and benefit cuts are discriminatory.

3. THE POLITICAL OPPORTUNITY

As John F. Kennedy once noted: “When written in Chinese, the word crisis is composed of two characters. One represents danger, and the other represents opportunity.” And the current economic crisis on both sides of the Atlantic presents a unique opportunity for political leadership. European and American public opinion polls show that people want growth, they want jobs and, above all, they want a reason to hope. What they lack is a sense of direction and purpose from their leaders.

At the same time, a majority of Europeans believe that the United States should exert strong leadership in world affairs. And an even larger majority of Americans look to the European Union to show such leadership. Moreover, overwhelming majorities of elites in both Brussels and Washington agree that the US and the EU should lead on the world stage. And a plurality of both Europeans and Americans want the relationship between the European Union and the United States to become closer. The political environment in the transatlantic space is ripe for a joint European and American effort to spur growth and jobs.

US President Barack Obama has the transatlantic support to provide that leadership. Three-quarters of Europeans and a majority of Americans approve of Obama’s handling of world affairs. His unprecedented number of trips to Europe in 2009 laid the groundwork for newly productive working ties between America and Europe. The Obama administration has embraced the US-EU dialogue and is committed to deepening and broadening the transatlantic market through what US ambassador to the European Union William Kennard has called concrete “outcomes that will move the needle”. At the same time, the Obama administration has made clear its frustration with the slow pace of decision-making in Brussels. Clearly, Washington wants transatlantic initiatives to produce results in a timely fashion.

For its part, the European Union has gone through its own political renewal. The Lisbon Treaty has given the European Parliament new authority and stature, especially with regard to trade agreements. The European Commission has reinvigorated authority to conduct trade and regulatory discussions with the United States. At the same time, given their experience with European economic integration, Europeans understand the symbolic and practical value of structure and mutually-agreed-upon goals that can drive the process of deepening a transatlantic market.

<u>The Need for Political Leadership</u>

The convergence of common economic challenges on both sides of the Atlantic are an opportunity for a transatlantic growth and jobs agenda. 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 as a means to spur trade and fuel economic development.

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 danger 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 removing barriers to trade and investment, even if they are on a bilateral or regional basis, as a means to reinvigorate economic growth.

Emergence of the Transatlantic Market as a Goal

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, a wave of 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. The growth and jobs crisis on both sides of the Atlantic gives new impetus to this effort and also a rationale for recasting it. And, with the stalemate in the Doha Round, this transatlantic effort is a laboratory for removing some of the regulatory barriers that are impediments to completion of the broader multilateral negotiations (see Annex).

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.

US-EU deliberations promote long-standing values shared by the United States and the European Union. These principles—transparency, accountability, a limited role for the state in the economy—have spurred economic growth around the world, 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. It has focused too much on process and not enough on producing deliverables in a timely fashion. And leaders on both sides of the Atlantic have failed to link their efforts to the public's desire for growth and jobs. Enhanced trade and investment and regulatory convergence have been pursued as systemic goods, rather than as practical initiatives that can deliver tangible economic benefits to citizens in a timely fashion. That must change.

4. TRANSATLANTIC MARKET INTEGRATION

The Transatlantic Market has long fuelled jobs and growth in both Europe and the United States. It has its antecedents in the 19th century, when European investment built American steel mills and railroads, employing hundreds of thousands of Americans, and American cotton was spun in British mills, supporting jobs for workers in Manchester and Birmingham.

Today's Transatlantic Market reflects an even deeper integration, which is the source of even more jobs and an even greater impetus for growth. In 2010, trade across the Atlantic in goods alone exceeded $600 billion. And Europeans bought three times as many American merchandise exports as did the Chinese and 15 times more than that bought by the Indians. Similarly, the European Union sold the United States nearly two times the goods it sold China and nearly seven times what it sold India.

But it is foreign investment that is the true driving force in the transatlantic economic relationship. It dwarfs the trade relationship and is thus essential for American and European job creation and prosperity. The United States is the recipient of nearly three-quarters of European foreign direct investment and Europe more than half of US overseas investment. Three and a half million Europeans now work for American companies in Europe, and a similar number of Americans work for European firms in the United States. Such investment drives trade, with a third of US exports to the EU and three-fifths of its imports from the EU, accounted for by intra-company trade.

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.

The Benefits of Reducing Transatlantic Trade and Investment Barriers

Yet many of the jobs and much of the growth that could flow from deeper transatlantic economic integration have yet to be fully realized. According to a 2005 OECD study, the elimination of all obstacles to transatlantic business would prove quite beneficial, lifting Americans' per capita income by up to 2.5 per cent and Europeans' income by up to 3 per cent. Notably, it is the reduction or elimination of regulatory barriers, not tariff cuts that would be the main source of these potential economic gains, highlighting the necessity for a wide-ranging transatlantic regulatory dialogue.

Furthermore, a 2009 study done for the European Commission, *Non-Tariff Measures in EU-US Trade and Investment*, found that eliminating half of the non-tariff trade barriers and regulatory divergence across the Atlantic would exceed the economic boost the European

Union and the United States could receive from current offers on the negotiating table in the Doha Round regarding manufacturing, services and sectoral agreements.

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.

Time to take action

The creation of a Transatlantic Market, rather than a traditional transatlantic free trade agreement, would be the more ambitious undertaking because it would explicitly deal with regulatory obstacles to economic integration and would lead to the creation of a single transatlantic capital market. For this reason, to build on renewed interest in deepening and broadening the transatlantic economic area, completion of a Transatlantic Market should remain the overriding goal of the US and EU administrations.

The EU already has a free trade agreement with Mexico, one with South Korea, and it will, by next year, have a Comprehensive Economic and Trade Agreement, as well as a framework agreement, with Canada, and may start negotiating a deal with Japan. The United States already has free trade accords with Canada, Mexico and one soon with South Korea. In this growing web of economic integration, it is economic folly that there is no formal commitment to further economic integration between the European Union and the United States.

Furthermore, as the US builds up a Trans-Pacific Partnership framework with Asian countries, it may well be useful for the EU and the US to build up an Atlantic partnership framework with countries in South America and Africa. Doing this independent of each other would be a prescription for friction. A joint effort to better integrate the transatlantic market with those to its south could reap great economic benefits for all involved.

5. TOWARD THE FUTURE

Transatlantic Economic Council

Time to raise ambitions

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 US-EU 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 and second phases of a long-awaited liberalization of transatlantic aviation.

TEC was instrumental in launching the EU's sector analysis of obstacles to creating a transatlantic market. The TEC has also enhanced the US-EU 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 from the TEC's work 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. Furthermore, the 2009 European Commission study, Non- Tariff Measures in US-EU Trade and Investment, found that for the EU, removing all actionable non-tariff measures would increase the GDP by €122 billion per year and improve exports by 2.1%. For the United States, the benefits of removing actionable non-tariff barriers would add €41 billion per year to the economy and boost exports by 6.1%.

In the light of the severe economic challenges now facing the transatlantic market, it is time to significantly raise the level of ambition for the TEC. The TEC should become the central platform for transatlantic economic cooperation, giving support to the ongoing bilateral dialogues and initiatives where this is needed, without duplicating them. At the same time, the TEC needs an agenda more focused on creating jobs and growth, delivering results in a timely fashion. To that end, the engagement of the principals involved in the TEC must be better utilized.

There are already important lessons to be drawn from TEC's experience that could improve on its performance and its results. To date, the TEC's sessions have too frequently been venues for detailed discussions, rather than focusing on broad economic integration. Too-often 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, with jobs and growth the public's priority on both sides of the Atlantic, 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. To do that it needs a shorter, more focused, more timely agenda. The TEC should also take the lead in the cross-border regulatory cooperation called for by the G20 summits 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 in the aftermath of the crisis. 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 even stronger.

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

Achieving this objective would be miraculous under current circumstances. The major players involved have no strategic framework. Having no clearly defined jobs and growth goal, their selection of issues to be discussed is often haphazard and uninspiring. Sometimes the most difficult subjects—such as European opposition to importation of chlorine-treated American chickens--are dealt with first, stymieing progress. For the Transatlantic Market project to succeed, it is essential to have a shared strategic vision among all concerned and a sense of urgency, especially given the increasing competitiveness of Asian countries in the global system.

Based on a shared vision of where to go, carefully chosen objectives should then lead to joint actions. Priority needs to be given to initiatives that can boost jobs and growth in the short term, such as removal of all tariffs on goods traded across the Atlantic.

But the long-term health of the transatlantic economy cannot be forgotten. The recently published study by the European Commission reveals that the removal of all non-tariff barriers to trade across the Atlantic would provide three times as much in economic benefits for Europe and the United States as completion of the Doha Round. But many of these regulations, it is true, will be difficult to change immediately. They are firmly embedded in legislation on both sides of the Atlantic. It will no doubt be easier to target new sectors such as the digital agenda or green technologies to make rapid progress. But what is crystal clear is that this programme will not be achievable without close involvement of legislators on both sides of the Atlantic: to keep the agenda on track, to provide oversight of the regulatory agencies involved in the talks and because Congress and European Parliament will have to approve much of what is decided.

Once the TEC has been able to establish a rolling four-year programme, based on a shared vision, it will be essential to bring all the major actors onto the same stage. Currently, the Transatlantic Business Dialogue, the Transatlantic Legislators' Dialogue and the other dialogues set their own agendas, priorities and meeting places, with no coordination between them for the subjects they discuss.

Action should be taken in particular in the following two domains:

Focus the TEC agenda

Establishing a long-term programme in outline will enable the Transatlantic Leadership to build up a rolling four-year programme for defining the strategic framework priorities for achieving the Transatlantic Market goal. It makes sense to narrow the Transatlantic Economic Council's agenda by focusing on achievable, timely ends and empowering it as a consultative mechanism, addressing new regulatory issues and other obstacles to transatlantic economic integration as they appear, but with a major emphasis by the principals on an annual strategic dialogue about broad challenges facing the US-EU relationship.

The immediate TEC agenda should be narrowed to a few mutually supported, high priority issues:

Jobs and Growth: Identify immediate initiatives that Europe and the United States can take together or in parallel in the short run to spur job creation and revive growth. This should target removal of trade and investment barriers: such as all tariffs on goods or tariffs on a defined set of goods; liberalization of one or more service sectors; removal of investment restrictions for European and American air carriers in the transatlantic market and further opening of public procurement markets.

Financial Reform: Focus on the leadership Europe and the United States can provide in strengthening global financial markets, avoiding protectionism, minimizing regulatory overreach in the wake of the global financial crisis and dealing with shared strategic issues.

Energy and Green Technologies: Enhance R&D cooperation, coordinate technical standards and testing for emerging products such as the electric car to ensure that the transatlantic market sets the global standard for these new technologies.

Intellectual Property: Coordinate protection of intellectual property rights for emerging technologies; align US and EU policy on counterfeit goods and protecting intellectual property rights in third countries; and encourage cooperation between regulators and legislators on patent reform.

Digital Agenda: The new US administration and the renewed EU institutions are moving rapidly to establish strategic policy agendas intended to exploit the transformational power of digital tools and technologies. On the EU side, a major focus will be the European "digital single market". These initiatives must be pursued wherever possible, with a full focus on transatlantic market challenges and opportunities.

Innovation: Transform the current transatlantic innovation dialogue into an innovation action council with a detailed agenda to encourage entrepreneurship, enhance education and promote research and development.

Strengthen 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 US-EU summit. An institutional framework should be created to engage on an ongoing basis in the US-EU 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. 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. 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.

The Implementation

Coping with the aftermath of the Great Recession

Sharing the largest economic space in the world, Europe and the United States have a particular responsibility and self-interest in containing the eurozone crisis and reviving growth on both sides of the Atlantic. 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, to not raise trade barriers, to work with third countries to open markets, to calibrate fiscal retrenchment to avoid a double-dip recession and to continue to reduce regulatory obstacles to growth.

To spur job creation and economic growth through deepening and broadening the transatlantic economic relationship in a timeframe that is both politically credible and economically relevant, European and American leaders should:

Joint Analysis of Global Trends

At the 2011 summit, US and EU leaders should launch a joint analysis of global trends, deliverable at the 2013 summit, which would form the basis for future strategic discussions within the TEC on a range of issues, from job creation to demography to climate change to China.

Establish a Roadmap and Set a Target Date

Given current economic conditions, the political and bureaucratic delays inherent on both sides of the Atlantic and the benefits highlighted by the European Commission sector-by-sector study on the costs and benefits of transatlantic market integration, a target date for achieving the Transatlantic Market should be set.

As ambitious goals require detailed roadmaps to give the transatlantic public and business community a sense of purpose, direction and pace, the 2011 US-EU summit should direct European and American officials to begin drafting a roadmap for completing the Transatlantic Market by 2020, with target dates for accomplishing various goals along that path. This roadmap should be reviewed and approved at the 2012 US-EU summit.

TPN has long advocated a 2015 date for completion of the Transatlantic Market. 2020 is now a more attainable goal for removal of all barriers to trade and investment. A target date should create bureaucratic and political accountability in the effort to deepen the transatlantic economic relationship.

Create a Transatlantic Market Implementation Group

To ensure continuity, broad bureaucratic and political involvement, the 2011 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 implementation of the Transatlantic Jobs and Growth Initiative, to follow up 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.

Associate All Major Policy Players

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 US-EU relationship.

As a shared vision and a road map is thought through, bring all actors together from the business and political worlds with administrators to provide a sense of destination and purpose.

The Issues Roadmap

The 2012 roadmap should include the following goals for 2012-2015:

Jobs and Growth

- In the face of the economic crisis, both Europe and the United States need a number of short-term deliverables that have a quick and substantial impact on jobs and on market confidence. Any Transatlantic agenda must deliver such if it is to be relevant to the needs of both Europeans and Americans and to be credible in the public eye. To that end, officials should seek to remove all tariffs on goods or the tariffs on a defined set of goods; liberalize one or more service sectors; remove investment restrictions for European and American air carriers in the transatlantic market and further open public procurement markets.

Financial markets

- The United States and the European Union should establish a transatlantic working group that involves both members of the relevant bureaucracies and relevant members of the European Parliament and the US Congress to share experiences and insights and to coordinate responses to the ongoing euro crisis.

- 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.

- Develop common standards for emerging green technologies, such as the electric car, to enable transatlantic manufacturers to become the world leaders in these industries.

- 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.

Intellectual Property

- Make progress toward patent harmonization, including facilitating an EU patent, and enhanced cooperation between patent offices and greater coordination in extension of patent life.

- Develop a joint agenda for dealing with counterfeiting and piracy around the world and bring joint legal action against such abuses at the World Trade Organization.

Digital Agenda

- Converge policy and regulation affecting digital market access and participation across the Atlantic (and where possible beyond), notably in the areas of intellectual property, consumer protection, network access, network security and internet governance, and standards (for example, for e-health).

Innovation

- Focusing on the building blocks of an innovative transatlantic economy – education, research and development, entrepreneurship – lay out and implement a short-term action plan to boost innovation on both sides of the Atlantic. This to-do list might include educational enhancement and exchanges, incentives to do R&D within the transatlantic market, limits on venture capital and reform of bankruptcy laws and other impediments to start-up companies.

In addition, the TEC should continue its work in the following areas:

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 further strengthen the competition policy dialogue. The global economic crisis has led to a restructuring of the business landscape: firms have disappeared, merged, grown and shrunk their market shares. 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, and 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.

- 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 work toward 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 third 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.

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.

- Develop common approaches to further strengthen supply chain security, also in the area of air cargo, to permit the continued flow of goods within the transatlantic market while guarding against terrorism. The ACAS pilot for air cargo, recently introduced in the US, allowing for advanced data risk assessment could be considered as a standard to be used both in the EU and US.

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 jobs and growth, climate change, internet policy, agriculture, financial issues and China.

- Ensure that legislators on both sides of the Atlantic help to establish a strategic vision together with other active players involved in the TEC, aligning where possible common agendas on a set of issues to be discussed.

- Encourage relevant committees of the European Parliament and the US Congress, under the guidance of their chairmen, to coordinate their actions where they have issues in common and to discuss, possibly scheduling parallel hearings on such issues.

- One Member of each relevant committee should be designated to act as the liaison person with its counterpart on the other side of the Atlantic. The European Parliament has established an office in Washington DC A similar action to establish a Congressional office in Brussels would help deepen legislative cooperation.

- Strengthen the current legislators' dialogue by enhancing plans to begin small group work between members of Congress and members of the Parliament on specific issues.

- Coordinate European Parliament and Congressional visits to China, India and similar countries to ensure a common understanding of the issues and to present a common front on mutually important problems.

- 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 and to hold to account the executive on both sides of the Atlantic.

<u>The Issues Roadmap</u>

In the 2016-2020 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 and students within the transatlantic market.

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ANNEX

Progress to date (1995 - 2011)

In 1995, in Madrid, American and European leaders agreed on a New Transatlantic Agenda, which envisioned creation of a New Transatlantic Marketplace. US-EU 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.

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 stocktaking, 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 US-EU 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 Chamber of Commerce has called for the elimination of all barriers to goods traded between Europe and the United States as a first step toward a full free trade agreement. The US Coalition of Services Industries has suggested pursuit of a transatlantic free trade area in services. The Transatlantic Business Dialogue advocates the establishment of a Barrier-Free Transatlantic Market as the best means to boost economic growth, trade, job creation and investment across the Atlantic. 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.