



DECEMBER 22, 2004

**NAM SUBMISSION
ON ENHANCING THE TRANSATLANTIC ECONOMIC RELATIONSHIP
FEDERAL REGISTER REQUEST FOR COMMENTS
(FEDERAL REGISTER NOTICES DOC. 04-18716 FILED 8/16/04
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***IMPROVING REGULATORY COOPERATION TO CREATE
A SEAMLESS ECONOMIC PARTNERSHIP***

The National Association of Manufacturers (NAM) appreciates the opportunity to offer recommendations on how the United States and Europe can enhance the transatlantic economic relationship. The NAM represents nearly 14,000 manufacturers, from large multinational companies that operate around the world to small family-owned businesses that produce only in the United States. Many of our member companies have important trade and investment relationships in Europe.

The high level of trade, investment and business interaction between the United States and Europe makes the transatlantic economic relationship one of the most important in the world. With over \$350 billion in annual bilateral trade and nearly \$1.6 trillion in two-way investment, both America and Europe benefit immensely from this relationship. It serves to promote economic growth, create jobs and stimulate innovation. U.S. and European manufacturers have extensive trade and investment relationships, particularly in the vehicle, machinery and equipment sectors. Our members, therefore, have a keen interest in seeing that this unique transnational marketplace grows and prospers.

An open and thriving transatlantic marketplace offers other benefits for manufacturers as well. In today's global economy, U.S. and European manufacturers face intense international competition, increasingly from companies in newly industrializing economies, such as China, Taiwan and Korea, that have significantly lower production costs. Expanded trade and partnerships within the transatlantic manufacturing community can help to strengthen the competitiveness of our enterprises and provide incentives to keep manufacturing facilities in the United States and Europe, rather than relocate them to other regions of the world. The rapid emergence of competitors in these newly industrializing regions adds a sense of urgency to this effort.

Promoting Economic Integration and a Seamless Economic Partnership

At the U.S.-EU summit in Ireland last summer, President Bush and EU leaders agreed to promote further economic integration and work toward creating a seamless transatlantic economic partnership. The NAM supports these goals and would like to see governments on both sides of the Atlantic give them a high priority in the year ahead.

Over the past two decades, the United States and European Union have already made considerable progress. Two-way investment has soared. Tariff barriers in the non-agricultural sectors have fallen sharply and helped spur increased trade in manufactured goods.

At the same time non-tariff barriers, particularly those related to differing technical standards and regulatory policies, continue to limit trade and investment and prevent the economic relationship from reaching its full potential. Moreover, differences over technical standards and regulatory policies in some areas (e.g., dealing with the environment, health, safety and consumer protection) are diverging even more widely as the European Union takes regulatory approaches that are increasingly at odds with those of U.S. regulatory agencies. We see this in the EU proposal for a new chemicals testing and registration system (REACH), recycling directives on electrical and electronic waste (WEEE and RoHS), application of the “precautionary principle” on products containing genetically modified organisms (GMOs), EU diesel emission standards, and divergent accounting standards and corporate governance regulations.

Accordingly, to make significant new progress on creating a seamless transatlantic economic partnership, the United States and European Union will have to make a much greater effort at removing technical barriers to trade. This must involve:

- A greater harmonization of regulatory approaches to requirements for meeting health, safety, environmental, consumer protection and now also security goals;
- More effort to achieve common technical standards for products traded in the transatlantic market place or allow for different technical standards that meet the same objectives; and
- Simplifying and reducing the cost of conformity assessment procedures used to determine that products meet regulatory and standards requirements.

The reduction and removal of technical barriers to trade will advance other goals beyond expanded trade. The removal of these trade barriers would result in more competition in the transatlantic marketplace and, with that, more innovation. Removal of regulatory barriers on financial services would allow capital to flow more readily to innovative enterprises. Greater regulatory harmonization could also allow regulatory agencies to conserve resources and concentrate them on products traded with economies that have lower regulatory standards.

The United States and European Union have launched several useful initiatives to promote further economic integration and remove trade barriers. The 1998 *Declaration on the Transatlantic Economic Partnership* and the 2004 *Declaration on Strengthening Our Economic Partnership* provide a broad framework for cooperation and a political endorsement at the highest levels. The U.S.-EU Guidelines on Regulatory Cooperation

and Transparency, adopted in 2001, establish a helpful set of principles for improving the regulatory process, particularly in the European Union which lacks the transparency and more uniform regulatory processes that exist in the United States. The Roadmap for U.S.-EU Regulatory Cooperation and Transparency, announced at the 2004 Ireland summit, further advances transatlantic regulatory cooperation by outlining a range of specific activities on sectoral and horizontal issues that U.S. and EU regulatory authorities would pursue together.

Initiative for the Next U.S.-EU Summit—Transatlantic Regulatory Policy Forum

Notwithstanding these positive developments, regulatory cooperation between the United States and European Union still remains at a relatively low level and the divergence in regulatory approaches continues in key areas. Regulatory agencies lack adequate resources and legislative authority to pursue cooperative activities with EU counterparts. As a result, international regulatory cooperation does not receive a sufficiently high priority.

At this low level of activity, joint efforts at cooperation are unlikely to overcome the formidable regulatory and technical barriers that are in place and prevent new ones from developing. A major new initiative endorsed at the highest political levels on both sides of the Atlantic is needed to raise the profile of regulatory issues and give them a higher priority in regulatory and executive agencies.

At the next U.S.-EU summit, we recommend the establishment of a **Transatlantic Regulatory Policy Forum** to guide a long-term effort aimed at harmonizing U.S. and EU regulatory policies and working to systematically reduce and eliminate technical barriers to trade and investment. Key elements of the forum's work program would be to:

- Facilitate dialogue between regulatory authorities on common approaches to regulatory policies affecting U.S.-EU trade and investment;
- Set priorities for cooperative activities;
- Recommend to legislatures and respective administrations additional resources and legislative mandates required to carry out international regulatory cooperation;
- Serve as a resource for seeking advice on how to remove or overcome technical trade barriers;
- Encourage the European Union to adapt a uniform, transparent and open system of consultations with all stakeholders on new regulations as the United States has already done in the Administrative Procedures Act.

As part of this new initiative, we recommend that the Administration update Executive Order 12866 to regulatory agencies so that they have explicit guidance to include

consideration of the impact of new regulations on international trade, including trade with important partners like the European Union.

The goal at the next U.S.-EU summit should be to lay the groundwork for a model program of regulatory cooperation between the United States and European Union that would contribute to the building of a “seamless economic partnership” and serve as an example for cooperation with other important trading partners. More than any other factor, progress on regulatory cooperation will determine whether the U.S. and EU economies continue to integrate or become more fragmented, with all the negative consequences that entails for economic growth, jobs, innovation and competitiveness. We recommend that this matter receive the highest priority in the economic agenda of the U.S.-EU summit.

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