



European-American Business Council

"Investment ~ Innovation ~ Integration"

TESTIMONY OF STUART E. EIZENSTAT

"The Urgent Need and Strategic Benefit of Enhancing EU-US Trade Relations"

House Committee on Ways & Means

Subcommittee on Trade

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I applaud the initiative of Chairman John Tanner for calling this hearing to examine ways to enhance trade between the United States and the 27 member states of the European Union. This is a subject on which I have been intimately involved for almost 20 years, as United States Ambassador to the European Union, Under Secretary of Commerce for International Trade, Under Secretary of State of Economic, Business & Agricultural Affairs, and Deputy Secretary of the Treasury. I have continued to be involved as the head of the international trade and finance department at Covington & Burling, LLP, and as the co-chair of the European American Business Council (EABC). It is in this capacity that I testify. But I want to note at the outset that some of my testimony expands beyond the current EABC policy agenda, and expresses my personal views, not necessarily those of EABC. The EABC is led by President and CEO Michael Maibach. EABC was founded in 1989 and represents 70 global companies, both American and European, to promote better economic relations between the EU and the U.S.

We too often take for granted, and indeed, even overlook, the crucial importance of the economic relationship between the United States and Europe. The fact that there has been no hearing in The Ways & Means Committee devoted to this topic for several years speaks volumes. So too, the cancellation of the annual U.S.-EU Summit is an unfortunate signal of this de-prioritization of Europe. It reflects that we as a nation are increasingly focused on exciting new trade and investment opportunities and challenges in emerging markets, rather than on enhancing our partnership with what many see as an aging, slow-growing Europe. We must be able to take full advantage of seeking to broaden our economic relations with these emerging market nations, while still giving priority to deepening the U.S.-European relationship. The EU nations are our nation's largest trading partner and our largest investment partner, by far. It will be impossible to reach President Obama's laudable goal of doubling U.S. exports within five years without strengthening the trade and economic relationships between the U.S. and Europe.

We must recognize and take action at all levels of government, and in partnership with the private sector, that reflects a renewed commitment to the US-EU relationship. It is central to the prosperity of our citizens on both sides of the Atlantic. We cannot simply take each other for granted, be lulled by stereotypes of "old Europe," or be distracted into thinking that competing against each other matters more than coming together effectively to shape the future. This hearing could not be better timed. I hope it can serve as the long overdue wake up call to action to strengthen and renew the US-EU transatlantic partnership.

The energy and effort we put into highlighting the value of the relationship, and to ensuring that the Transatlantic Economic Council (TEC) gets the attention and resources it needs from us to deliver results over the next twelve to eighteen months is a litmus test of political leadership and

practical cooperation for both sides. Making the TEC truly effective can create the confidence, trust and momentum we will need to take further vital, ambitious steps together to secure global economic recovery and support for market-based democratic development and multilateral cooperation.

Unlike trade with other regions and countries, the EU-U.S. trade relationship is generally balanced and equal. And it is underpinned by shared values and common experiences, unlike those we have with any other region. Together, we believe in free peoples and free markets. We share a respect for rule of law, for the rights of individuals and for freedom of speech and open debate. Our economies too share essential common elements, a tradition of private property rights protections -- including contract sanctity and intellectual property rights -- and strong support for private enterprise and competition, as well as for innovation. It is no coincidence that so many of the world's modern life-enhancing innovations -- from the steam engine to electricity, computers to the Internet, critical medical breakthroughs and financial innovation -- have originated in the US or Europe. The US and EU states also have a track record of high labor and environmental standards, as well as support for transparency and accountability in both public and private institutions. These high standards spread around the world, in both formal and informal ways.

Our common policies and practices have enabled the US and EU to champion the cause of free trade internationally and to resist the impulse towards nationalism and protectionism. Today, nationalism and protectionism, including market access requirements, including mandatory technology transfers, are far more common in emerging markets and other regions., and equally affect European and American companies.

This relationship is not only crucial to our shared prosperity, it is essential to achieving all of our key foreign policy goals. In my view, and that of EABC it is a relationship that must be re-energized and enhanced, on both the political and the practical level if the United States is to achieve its priority policy goals.

In this testimony I want to emphasize several points:

1) The U.S.-Europe Economic Relationship in Critical to Near-term Recovery and Fundamental to Our Future.

It is critical that leaders in both the U.S. and EU see each other as essential partners in both strengthening their own economic relationship and globally in promoting open and free trade, protecting intellectual property rights, advancing opportunities for barrier -free foreign direct investment , and combating economic nationalism and protectionism. If we dissipate our energies in squabbling between us, we will squander a historic opportunity to lead the world's economy, and allow other nations and regions to surpass and supplant us. Most importantly, we will fail -- at a critical moment -- to demonstrate that market-based democracy is the most effective system for generating growth, stability and rising living standards for people at every income level, regardless of where they live. To paraphrase Benjamin Franklin during America's War of Independence, "If we do not hang together, surely we will hang separately".

2) Concrete, Realistic, but Ambitious Steps Must be Taken Now to Substantially Strengthen the Strategic EU-US Economic Relationship.

My aim is to convey that in the face of a fragile global economy and a U.S. economy struggling for higher economic growth and job creation, a strong and effective Trans-Atlantic relationship, especially the trade aspects, must be seen as a fulcrum for our success.

3) The EU and U.S. Must Work Together as Partners to Help Trade and Investment Liberalization in Third Country Markets.

Importance of the US-EU Relationship: Despite the attention given to the economic dynamism of Asia and the big emerging economies, the US and Europe continue to drive the global economy. With eleven percent of the world's population we produce half of the world's GDP, some 30 trillion dollars per year, the U.S. and EU are highly interdependent. The U.S. financial crisis of 2008 and resulting slowdown negatively affected Europe's economy, and Europe's recent sovereign debt crisis and related banking sector fragility also have thrown sand in the wheels of our own recovery. But while we can all now see the downside risks of this interdependence, we should pay far more attention to its real benefits and opportunities than we have in recent years. Few are aware, for example, that the U.S. has invested twice as much in tiny Ireland than it has in all of China, with U.S. investment in India's fast-growing economy smaller still. And the degree and benefits of close US-EU cooperation, and historic efforts within the EU, to restore growth and productivity are increasingly apparent and essential to the global economy.

The US-EU economic relationship is far and away the most important for each of us. Our two-way trade in goods and services tops one trillion dollars per year; and we have around 1.5 trillion dollars of investment in each others economies. In fact, seventy percent of job-creating foreign investment in the United States is from Europe, and fifty percent of the investment in Europe comes from U.S. sources. These mutual investments also support vibrant trade relationship. Intra-firm trade between U.S. and EU parent companies and their subsidiaries accounts for some forty percent of the trade between us. Annual transatlantic sales between foreign affiliates in U.S. and EU markets exceeds four trillion dollars per year. Interestingly, as such sales have grown, so too have related trade flows, for both markets. And more than 14 million of our workers depend on this economic relationship for all or part of their incomes, with three million of our workers on each side of the Atlantic directly employed by the respective affiliates of American or European-based companies..

In a very real sense, many global U.S. and European companies are really transatlantic companies with deep roots in both markets, not just European or American companies. The research-based pharmaceutical industry is a good example of a sector where the divisions between what is an American and what is a European company are no longer relevant. The world's leading drug companies operate seamlessly on both sides of the Atlantic, conducting research and development and providing highly effective medicines to patients in both markets. More can be done, however, to help further develop this highly innovative sector. Continued strong coordination between the U.S. Food and Drug Administration and the European Medicines Agency will help streamline the regulatory process and reduce costs to the industry.

Here too, a revitalized and well-supported TEC could play a key role in driving practical results that benefit the global competitiveness of the transatlantic pharmaceutical industry, and bring new health benefits to people around the world.

Until the recent economic downturn, trade between the US and Europe had been growing by 7.5 percent annually on average in recent years. Unless this is increased, the President's export goal of doubling exports within five years cannot be achieved without placing an unrealistic burden of growth on US. exports to Asian and other emerging markets.

The United States and Europe have to work together as well to show the world that our economic model of success based on competitiveness remains dynamic and relevant. The United States remains a vibrant and resilient economy, but we must recognize that others are making great strides with hard work. We cannot rest on our laurels. Europe to is to be applauded for what it has achieved since the end of World War II, and it is a continuing and evolving work in progress. The EU has made historic progress in peacefully uniting Eastern and Western Europe under democratic, free principles, with a common market and a common currency with 16 states, and soon 17 with the addition of Estonia. Uniquely national governments share and pool sovereignty to achieve common objectives..

Under the recently ratified Lisbon Treaty, the power of the Brussels-based central EU institutions-- the European Commission, which is the Executive arm, the European Parliament, the Legislative arm, and the Member State body, the European Council -- has significantly expanded. Cabinet officers of member states now often meet with their EU counterparts more often than with their own national cabinets. This process appears to be accelerating in response to the recent European sovereign debt crisis, and will lead to even greater convergence and coordination between US and European practices and standards, especially with regard to financial sector policies and practices. And this will only add to the importance of the US-EU relationship, and the ability of the Transatlantic partnership to lead others toward more positive approaches to ensuring beneficial global integration. But at just 1 percent per year, the EU's growth rate has slowed to a crawl, and its recent debt crisis and banking system challenges have forced an inward focus and raised questions about the future of Europe which all but ignore its incredible successes. And there is no doubt that the deep and divisive economic losses and sputtering take off of the US economy have rendered us less clearly a model and inspiration for others. If we step back, it is almost unimaginable that the US and EU would not pull together at this time to forge a common path to the future, but that has proven challenging.

Challenges to the US-EU Relationship: Despite the strength and resilience of the US-EU relationship, and its importance to the global economy, it faces severe challenges. The recovery from the Great Recession of 2008-2009 has been slower in Europe and the U.S. than in other regions, particularly Asia, but in key countries in Latin America, and even Africa, as well.

But more broadly, the 27 states of the EU, and the US, are now in a heated race internationally to maintain their economic role, competitiveness and related influence. This has global repercussions. This is not only a question of running faster to keep a dwindling lead in global competition. We must demonstrate to our own people and workers and to people and countries around the world that the European/American democratic, free market model remains capable of

meeting the challenges of the 21st century global economy. If we do not, other models, like authoritarian state capitalism, will become more attractive. The direction of our world depends upon the result. There are both political and practical approaches to securing the future we want.

There are essentially two models of governance in the post-Communist world. One is the model afforded by the EU and the U.S., and shared in large measure by many others, including Canada, Japan, Australia, New Zealand and Mexico, and significant others in many corners of the world. This model combines political democracy, support for human rights and political freedom with a market-oriented approach that favors private sector-led growth, property rights, competition and entrepreneurship. At the same time, there are powerful nations and forces advancing state-dominated societies where centralized control of economic power and resources combine with tight political control able to facilitate quick policy responses and short-term economic advantage. We have also seen examples of countries which start from this premise and then transition to market-based democracy with the support of a burgeoning middle class. But it is imperative that the US and EU continue to demonstrate to our people and to the world that our basic model will be able to be competitive in the 21st century, delivering growth and jobs to people at all income levels. The outcome of this contest between competing models of political and economic governance is not preordained. That is why I feel so strongly about the need for closer U.S.-EU cooperation.

In fact, in the last 15 years, there has been a dramatic shift globally involving an increase in the importance of emerging economies in trade and investment flows, and economic importance, relative to the US and EU. The BRIC and other emerging markets now represent over forty-five percent of global GDP, forty percent of world trade, and hold over sixty percent of world currency reserves. This is a situation in which the EU and US must now work together to support their common values and commitment to greater shared global prosperity and high global standards that enable better living standards worldwide. If the US and EU do not join forces more actively to promote open markets and barrier-free trade and investment, and the values which underpin them, others will promote and act according to far different interests.

If the EU and US can agree upon and promote common or interoperable standards and regulatory processes, for example, they will be adopted around the world. If we squabble, and see each other only as competitors, other non-market oriented standards and practices ultimately will prevail and limit our entry into fast-growing markets and slow and render permanently uneven the transition to higher living standards. We must take clear action together now to re-establish and re-energize the world's transition to market-based wealth creation and rising living standards built upon democratic rights and responsibilities.

Recommendations to Deepen Transatlantic Economic Ties -- Bilaterally and in Cooperation -- to Open Global Markets:

First, it is essential to attack frontally the main barrier to improving US-EU trade relations-- the non-tariff barriers (NTBs) to trade and investment which continue to hinder the transatlantic marketplace. These include product licensing, risk assessment rules and divergent standards. The EABC and other business groups have recently detailed such opportunities for the Transatlantic Economic Council. The business community has called for

the US and EU to take up cooperative projects on financial market and other regulatory reform, on intellectual property rights, on information technology and innovation, on health care, on secure trade and on key elements of the green economy, such as smart grids, electric vehicles and carbon accounting. Doing so will reduce business costs, improve transatlantic competitiveness around the world and unlock new trade and other opportunities that are now proscribed by differing standards, limits on investment in specific sectors, and non-science based regulatory restrictions.

Last year, the EU estimated that aligning and rationalizing transatlantic non-tariff measures and working to make them consistent and interoperable, would bring potential gains of 158 billion dollars in annual GDP and an additional 2 percent in exports to the United States. EU sectors that stand to benefit include motor vehicles, chemicals, pharmaceuticals, food and electrical goods. The US, it was estimated, stands to gain some 53 billion dollars in annual GDP and a full 6 percent more in annual exports to the EU, primarily in the electrical goods, chemicals, pharmaceuticals, financial services and insurances sectors.

In 1995, as US Ambassador to the EU, I helped to create the New Transatlantic Agenda to drive forward US-EU partnership. The Transatlantic Business Dialogue (TABD) was established to ensure that we tapped and expanded the deep ties that already existed between US and EU firms -- both large and small -- and their affiliates. And we began a process to tackle the NTBs by negotiating a series of Mutual Recognition Agreements, an additional one of which was negotiated in the Bush Administration. These saved billions of dollars for U.S. and European corporations. But this process ran out of steam. Individual, independent regulatory agencies focus on the U.S. market, and do not take into account transatlantic impacts on their regulations.

About ten years ago, in testimony before the Senate Foreign Relations Committee, I called for the first time for a Barrier Free Transatlantic Marketplace, recognizing that non-tariff barriers are the chief impediment to expanding our economic relationship, given that tariffs on industrial goods are so low by global standards at around 2-3%. Some progress has been made.

Under President Bush, in 2007, the US and EU established the Transatlantic Economic Council (TEC), which has been continued and strengthened in the Obama Administration. During the Bush Administration, mutual acceptance by the United States and Europe of the accounting standards in each jurisdiction -- the Generally Accepted Accounting Principles (GAAP) and the International Accounting Standards (IAS), now International Financial Reporting Standards (IFRS), has helped to avoid costly and time-consuming reconciliation between the two.

But enormous barriers to trade remain. One example, is the EU's regulation of chemicals and goods containing them. In the EU, many non-tariff barriers occur in the area of environmental and health regulation. An over-emphasis here on the precautionary principle, and the absence of an EU Administrative Procedures Act, results in the adoption of restrictions that are not always scientifically justified. These impose substantial additional costs on transatlantic business activities and limit the global reach of transatlantic firms.

During the last three years, American industry, as well as that all around the world, has engaged in enormous efforts to comply with the stringent data requirements imposed by the EU's new

REACH regulatory regime governing the manufacture, marketing and use of chemicals and products containing them. This mammoth regulation will impose many more requirements and restrictions across a wide range of goods marketed in Europe in the years that come. But the REACH Regulation was also a compromise. In exchange for its many requirements and obligations, it imposed procedures for the adoption of restrictions on chemicals that are for the most part based on science. It adopted an independent European Chemicals Agency with scientific committees to assess the risks of substances and the socio-economic impacts of any proposed restrictions, and it requires the European Commission to take into account the opinions of these committees when adopting its final decisions.

It is important that this scientific process is now not undermined by other EU vertical product legislation. For example, the current EU legislative amendment of the Directive on the Restriction of the Use of Certain Substances in Electrical and Electronic Equipment (“RoHS”) may result in the adoption of trade barriers on electronic equipment, such as information technology and possibly even solar panels, that are by no means based on scientific process. In particular the, Environment Committee of the European Parliament is proposing to include in the RoHS Directive an Annex with up to 29 substances or groups of substances that the European Commission should restrict as a priority. Not only is this priority list in effect a blacklist of substances that no manufacturers will then want to use, but most importantly is not based on any science or risk assessment. Moreover, the Parliament’s Environment Committee is also proposing an amendment to RoHS that would require the Commission to ban the use of priority substances in electrical equipment through what is largely a political process that will be (a) de-linked from REACH, (b) not subject to objective scientific thresholds, and (c) without the review of independent scientific committees. The US should insist that any EU environmental and health restrictions on electrical equipment and other products be based on science. This will be good for the environment, human health and the economy and will also enhance the trust between both partners.

It is time for a different approach to reducing NTBs. The EU and U.S. should negotiate an executive agreement which sets of mutual goal of achieving the same degree of mutual acceptance of standards between the US and EU as the EU has done in establishing its internal market. The general principle would be mutual recognition of standards and regulations as the expected practice, with opt-outs permitted in explicit cases. This would allow us to accept each others’ best practices and to make a virtue of the fact that we do not always progress at the same pace on all fronts with respect to standards. Regulatory agencies on both sides of the Atlantic should be urged to include a transatlantic impact statement for all regulations over a certain economic impact.

There are three practical ways of achieving this objective, depending upon the sector: (1) Harmonization and agreement upon common standards wherever possible;(2)Interoperability of product standards so they can work equally well on both sides of the Atlantic:(3) Mutual Recognition Agreements (MRAs).

On the first point, we have already advanced the use of explicitly harmonized standards with respect to cell phone technology. EABC has championed the use of interoperability as a standard, for example in the creation of a health card that contains important information usable

in both the US and the EU. Wherever in Europe one might need medical care, an interoperable card would provide a doctor or hospital with records on an individuals' medicines, allergies, and other critical medical information.. We can also look for opportunities in the areas of eMobility; related to mobile and wireless services, on carbon accounting standards and on issues such as smart energy grids and advances in secure trade.

Where harmonization or mutual recognition may be too time-consuming or costly, and not necessary, interoperability, such as in the case of electronic health records (eHealth), can be a very effective solution.

We have several examples of mutual recognition agreements, and often it will be the best option. We did several during the Clinton Administration, following the 1995 New Transatlantic Agenda agreement, and one was done during the Bush Administration.

We should jumpstart and re-energize this process by identifying several priority areas for Mutual Recognition Agreements (MRAs). The Transatlantic Economic Council (TEC) would oversee the process to get interagency and regulators' buy-in, and involve Cabinet Members and President where necessary. As set forth in the report I did with Grant Aldonas for the Atlantic Council in 2007, "Transatlantic Leadership for a New Global Economy," the US and EU should also negotiate an overarching Framework Regulatory Accord that develops guidelines for establishing new regulations. This would include such things as advance notice to transatlantic stakeholders for any regulations with transatlantic impact (e.g. avoid Sarbanes-Oxley surprise).

Second, we should seek to establish a Barrier-Free Transatlantic Investment Market.

Our transatlantic investment flows dwarf our trade flows by a factor of three to one, and create jobs and new opportunities but there remain anachronistic barriers to investment between our two markets for example, restrictions on majority ownership in the U.S. aviation and broadcasting areas.

We should be ambitious in seeking to deepen the transatlantic relationship by establishing a barrier--free Transatlantic Investment Market, all investment restrictions not directly related to national security. Of course, national security must remain an exception. The U.S. CFIUS process is a model for a generally reasonable, balanced review of foreign direct investment, which European nations would be well to emulate.

Third, building upon successes achieved in coming months with the TEC on the transatlantic economic agenda, the EU and US rebuild and re-energize their work together on opening markets in third countries and combating protectionism and economic nationalism. This should include a renewed push to complete the Doha Round.

The US and EU should work together now -- despite the challenges posed by the fragile global economy-- to prevent the addition of new barriers to trade and investment. This must include cooperating to avoid them in their own economies, as well as active, concerted efforts to hold China and others in the G20 to the same commitment, as was already agreed. The US and EU should also vigorously seek to advance and enhance Doha.

EU and U.S. leadership on the multilateral front to complete the Doha round is essential to success: President Obama is right that what is now on the table is insufficient. The EU and US should drive forward an enhanced Doha agreement. In their recent report, "Figuring Out the Doha Round", Gary Hufbauer, Jeff Schott, and Woan Foong Wong of the Peterson Institute, have made a strong case for this approach, and I agree with them. They believe that the current Doha package is neither ambitious nor balanced enough to win the support of major economies, but that a "topped up" package could succeed by delivering far more to the US private sector and its economy, as well as much larger GDP gains for developing countries.

It will be essential that a topped up Doha package include more on services, which are almost 80 percent of U.S. GDP and create some eight in ten U.S. jobs, as Peter Chase of the U.S. Chamber of Commerce points out in his testimony, and which are a key element of the transatlantic marketplace. We must also take a more ambitious approach to agriculture, to key sectors such as chemicals and electronics and electrical goods, and, importantly, to trade facilitation. As strong transatlantic partners, the EU and US could start now to drive this forward in the G8 and G20 processes. And if they do not, and Doha is lost, we can expect a backward slide on trade liberalization, with the rise of protectionist measures in hard times, and a less effective WTO over time, including its dispute resolution process.

Third Country Barriers and Market Access

The US and EU should also work together more intensively and deliberately to deal with third country trade barriers. This would include such things as additional efforts on joint demarches on China/Russia IPR violations and opposition to technology transfer requirements as a condition for market access. We could be more effective by working together to get China and others to join the Government Procurement Agreement. In addition, we simply must pull together and work harder internationally to encourage major emerging economies to join multilateral institutions such as the OECD. Those who benefit from global markets need to take on economic disciplines -- including on the use of aid to gain market access in developing countries, on environmental standards for export credit, on the treatment of capital movements and on the practices of global firms, for example -- so that there is real impetus behind high global standards that support market-based trade and investment.

Building on the G20's impressive early efforts to advance financial stability and reform and to sustain recovery, the EU and US should join forces to ensure that the G20 carries forward the mantle of trade liberalization. For example, the G20 should liberalize and harmonize their trade preferences for low income developing countries with goal of achieving a single set of rules assuring greatest degree of market access for them.

Strengthen WTO Compliance Procedures

Finally, to further strengthen the WTO and the multilateral trading system, the EU and US must cooperate more assertively to see that the ever-increasing number of bilateral and regional trade accords are compatible with WTO requirements, including that they cover substantially all trade between the parties. They should also act together to strengthen the WTO dispute resolution process by making it more transparent, with hearing and appeals open to the public and non-

parties able to file amicus briefs. To raise the interest and confidence of the developing countries in trade liberalization efforts, the US and EU should offer and ensure additional bilateral and multilateral assistance to developing countries to improve their capacity to undertake and enforce trade agreements.

Leadership for Multilateral Sectoral Agreements

The US and EU could also take the lead to negotiate liberalized market access in specific sectors, in a manner similar to the Information Technology Products Agreement (ITA) and the 1998 Protocol on Telecommunications. It could be interesting and useful to pick important sectors with new and/or green technologies, such as nanotechnology, and ensure their market access at early stages, rather than have to eliminate barriers later, when they are entrenched.

Fourth, after a maximum effort to revive the Doha negotiations, and we have either reached an accord or given it up for dead, it is time for the U.S. and the EU to aggressively negotiate a transatlantic Free Trade Agreement (FTA), including to reduce tariffs on all manufactured goods to zero, and fully opening our services markets to each other.

There are many trade experts who have long opposed a U.S.-EU FTA on a variety of grounds: that it would undermine multilateral negotiations; that it would not be worth the candle since tariff levels are only around 2-3% on manufactured goods; that it would weaken trade liberalization efforts worldwide.

I have concluded that these arguments are no longer sound. The enormous difficulty of completing the Doha Round, now in its 9th year, the modest level of liberalization we are likely to achieve; the length of time between major rounds (for example, it was several years between the completion of the Uruguay Round and the launch of the Doha Round), makes me sadly conclude that we are at the end of the traditional multilateral WTO rounds. These rounds began with the Kennedy Round, then led to the Tokyo Round, then the Uruguay Round, and now the Doha Round. The consensus rule, the insistence by developing nations that this Round should be a “development round”, the inordinate and disproportionate time and energy spent on agricultural issues, which are a small fraction of U.S. and EU trade, all lead me to believe we must take other avenues.

We can do a US-EU FTA in a WTO consistent manner, because it would cover substantially all trade. Indeed, a US-EU FTA can set a high standard for regional FTAs which often fall far short of WTO standards,

We could start with goal of a Customs Union as first step, and take tariffs to zero. We can give the FTA an "open architecture" so that other nations could join once we are making progress, creating a “coalition of the willing,” and make it subject to WTO rules and dispute resolution. I realize that this will not be easy, even though it will have enormous impacts beyond near-term gains in two-way trade. But I would like to remind the Subcommittee that the China-ASEAN trade agreement was signed in April of this year. Clearly, others are not ignoring opportunities to expand their strategic partnerships and economic opportunities.

To those who argue the trade benefits would be minimal, I would argue the following. It is true that the U.S. import duties collected from the EU in 2008 were not large, and vice versa.. But these duties between the U.S. and EU are a significant tax on the daily business by companies across the Atlantic, because the trade volumes are so large, even though the tariff levels are generally low. Moreover, they are valued in the range that the new Peterson Institute study indicates the U.S. would benefit from the multilateral Doha Round, with what is on the table now. Around one half of the trade across the Atlantic is intra-firm trade and a zero duty approach would reduce the costs of inputs to products and make European and American companies more competitive in world markets. Such an agreement could also help jump start liberalization efforts around the world, and it could create a high standard for other regional FTAs.

We are in a stage of world trade where any genuine liberalization is welcome.

Conclusion: Now, more than ever, we simply must take every conceivable step to bolster US economic recovery and competitiveness. To do so, we must build upon our strengths. In today's world, we also have to make smart choices that help to shape the future into what we want. The US and EU share so many common principles and goals that sometimes we may forget how important the transatlantic relationship is to ensuring a free and prosperous future for us, and for others. This is a time to be ambitious; to put the EU-US economic relationship back on the front burner of our agenda; to work together to liberalize trade and investment between us, and in third countries; and to speak out loudly and in a unified voice against the trade and investment distortions and protectionism other countries are introducing.