

March 21, 2012

Open Letter on Transatlantic Trade

Last November, President Obama and European leaders directed The Transatlantic Economic Council to create a U.S.-EU High Level Working Group on Jobs and Growth for the purpose of exploring options for generating jobs, growth and competitiveness. This initiative is seen by the business communities on both sides of the Atlantic as a signal that U.S. and European leaders are prepared to consider new approaches to the bilateral economic relationship.

The Transatlantic Business Dialogue (TABD) and the Business Roundtable released a joint paper last month titled “Forging a Transatlantic Partnership for the 21st Century.” This was followed by a report by the Transatlantic Task Force on Trade and Investment (a joint project of the German Marshall Fund of the United States and the European Center for International Political Economy) titled “A New Era for Transatlantic Trade Leadership.” At a recent House Ways and Means Committee hearing, a witness affiliated with both papers¹ described them as calling, in their own ways, for U.S. and EU leadership to adopt “a vision of partnership and an agenda that goes beyond the traditional Free Trade Agreement (FTA), to creation of a barrier-free transatlantic market.”

The goals outlined for the agenda are laudable. They include, in part: the elimination of tariffs and non-tariff barriers to trade in goods; the removal of market access barriers to trade in services; and achievement of a much higher level of regulatory convergence and cooperation and alignment of standards and practices, whether through harmonization, mutual recognition, adoption of international standards, or other methods.

We agree that the achievement of such goals would advance the objectives of the High Level Working Party of generating jobs, growth and competitiveness on both sides of the Atlantic. We cannot agree, however, with the recommended approach to the negotiations, described as follows:

“Negotiations between the U.S. and the EU to achieve these objectives should not be pursued as a “single undertaking” with success in one area dependent on success in all the others. Rather, negotiators should seek positive outcomes in each area at whatever negotiating pace is possible. Moreover, forward movement should not be stymied by attempting to resolve all those difficult issues that have proven intractable in the past.”

Rather than creating “a barrier-free transatlantic market,” this approach would assure the perpetuation of barriers on many products in many sectors. The “negotiating pace” possible for sensitive products would no doubt be that of a snail, but apparently that would be acceptable under this approach, if that is all that is deemed “possible.” This plan is bold only on paper. In fact, its basic premise is that it is better to do whatever we can as soon as we can rather than the most that we can.

¹ James Quigley, Deloitte LLP. Also, Co-Chair of the Transatlantic Business Dialogue and Member of the Transatlantic Task Force on Trade.

There can be little doubt that the reference to “issues that have proven intractable in the past” refers to agriculture. But the notion that agriculture is intractable is mistaken. The WTO Uruguay Round resulted in major EU agricultural concessions that many had thought impossible at the outset – and would have been impossible without the pressure of a single undertaking in that negotiation. Similarly, agricultural differences in the Doha Round were, for the most part, not between the United States and the EU. Furthermore, problems in the Doha non-agricultural market access negotiations were arguably at least as intractable as those in agriculture.

Of course, there will certainly be sensitivities on both sides on agricultural issues. Even though the United States is the largest agriculture exporter in the world, it imports over 40 percent more food and farm products than is exported to the EU. The EU imposes a myriad of restrictions on U.S. products in the form of sanitary and phytosanitary measures. Acceptance by the EU of internationally agreed standards and the adoption of science-based risk assessments must be an important part of the goal of improving the bilateral partnership.

This would also benefit farmers and consumers in other countries – farmers, because they face the same unjustifiable SPS restrictions as our farmers; and consumers, because EU measures raise the price of food globally and hurt the most vulnerable in the world. Keeping agriculture issues in trade deals is a key way for governments around the world to help keep the price of food affordable. This needs to be seen as the critical national security issue that it is. Maintaining agriculture as a major element of any U.S.-EU FTA is extremely important because of another objective proposed for a new U.S.-EU trade agreement – that it should be structured such that countries with which the United States and the EU already have FTAs in common should be able to readily “dock” with the U.S.-EU deal to create a trade arrangement that is more global in scope.

The “single undertaking” approach has demonstrated its value time and again in U.S. FTAs. Had the U.S. embarked on any of its existing FTAs using the “do what we can, when we can” approach proposed in these papers, it would not have in place the comprehensive agreements it has today. Moreover, we would not be pointing to the Trans-Pacific Partnership as a first-class 21st century agreement, or insisting that new members meet those same high standards.

Instead, we would have faced the prospect of pressure to exclude large swaths of a country’s agricultural sector and undermined governments’ leverage to argue in favor of a comprehensive undertaking.

In short, we strongly believe that this proposed approach is a recipe for a small, rather than a bold, transatlantic trade deal that would set an unfortunate precedent for all future trade negotiations.

Sincerely,

American Feed Industry Association
American Frozen Food Institute
American Meat Institute

American Seed Trade Association
American Soybean Association
Commodity Markets Council
Corn Refiners Association
Grocery Manufacturers Association
International Dairy Foods Association
National Association of State Departments of Agriculture (NASDA)
National Association of Wheat Growers
National Barley Growers Association
National Cattlemen's Beef Association
National Chicken Council
National Confectioners Association
National Corn Growers Association
National Council of Farmer Cooperatives
National Grain and Feed Association
National Meat Association
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Renderers Association
National Sorghum Producers
National Turkey Federation
North American Blueberry Council
North American Equipment Dealers Association
North American Millers' Association
Northwest Horticultural Council
Sweetener Users Association
U.S. Apple Association
U.S. Dairy Export Council
U.S. Grains Council
U.S. Meat Export Federation
U.S. Wheat Associates
United States Dry Bean Council
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
USA Rice Federation
Western Growers Association