

EU-US trade relations and perceived irritants

Together, the European Union and the United States count for about half of the world GDP and about one third of total world trade. Although economic relationships between the United States and the European Union are among the most open in the world and transatlantic markets are deeply integrated through large flows of trade and investment (bilateral trade volume €702.6bn, bilateral investment stock €2.394tr, 2011), various impediments on both sides of the Atlantic are perceived as hindering the emergence of a truly free transatlantic market place.

In general, transatlantic tariff barriers are comparatively low, but still impose costs on trade that are not negligible. In addition, since EU and US companies are deeply interlinked and invest heavily in each other's markets, regulatory differences for goods and services can act as important impediments to greater transatlantic trade and investment flows. In the context of sophisticated regulatory regimes, and even though very often the aim of respective regulation is similar, small differences in the application of individual rules can potentially result in important additional burdens for EU and US businesses and lost opportunities in terms of jobs and growth.

In an initial public consultation (February to April 2012), stakeholders pointed to regulatory barriers as a major obstacle to trade and investment. Economic analysis (Ecorys 2009) suggests that trade cost equivalents – the estimated percentage cost increases for trade and investment across the Atlantic – are usually higher than 10% and above 20% for many sectors.

Given the huge volume of economic interaction and the vast respective market size, trade and investments freed from these restrictive measures would potentially benefit both the EU and the US, creating jobs and growth on both sides of the Atlantic.

Objectives and possible options for increased cooperation between the European Union and the United States

The main policy objective of any initiative is to realise the untapped potential of a truly transatlantic market place and to generate new economic opportunities, particularly in sectors that have the highest potential to create jobs and growth.

A first option would be to renew the status quo as reflected by the current framework of cooperation, notably the TEC, and maintaining the various bilateral regulatory cooperation and other economic dialogues that already exist (such as the High Level Regulatory Cooperation Forum and sector-specific dialogues) pursuing and possibly extending cooperation in the sectors where the parties have already cooperated in the past.

The second major policy option is to enter into a comprehensive trade negotiation (i.e., with a view to concluding an FTA), covering all market access issues of interest to both parties including tariffs, services, investment, non-tariff measures and domestic regulation, intellectual property rights and government procurement, as well as trade and sustainable development. Within this option, there is a spectrum of potential outcomes and levels of ambition, for each of which the question of whether an appropriate balance of interests can be found will apply.

A number of intermediate options exist, such as a broadened mandate for the TEC (i.e. to intensify its work and to enlarge its work programme) or sector-specific agreements.

Depending on the nature and content of any agreement deepening the trade relations between the European Union and the United States, implications will vary. However, an ambitious and comprehensive approach is likely to have significant effects on EU and US businesses including manufacturers, services industry, traders and their workforce, as well as for consumers of both parties.