

# EU-US Consultation: Commerce for Jobs & Growth

## POSITION PAPER

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## **Consultation by the European Commission EuroCommerce Contribution**

- **Encourage Trade for Jobs & Growth**

The transatlantic commercial relationship is by far the largest in the world, with the European Union and the United States exceeding 3.22 trillion euros in annual trade, investment and sales by foreign affiliates of companies of one another's market, representing over 50% of global GDP and 30% of global trade.

The potential welfare gains in the European Union and in the United States through a substantial reduction of barriers to trade are high. The removal of just 50% of the existing trade barriers between EU and US would lead to a 0.7% higher growth rate per year in the EU (US: +0.3%). In times of uncertain economic frameworks, facilitating trade is a key issue to promote growth on both sides of the Atlantic.

- **Trade Policy: Predictability, Legal Certainty, Transparency**

In a globalised economy, trade policy plays a pivotal role in furthering Europe's competitiveness and wealth. To achieve our goals, it is imperative that we dismantle market access barriers for the import and export of goods and services. Measures which will enhance predictability, legal certainty and transparency, together with the removal of red tape and technical barriers, are key to attaining the competitive strength our businesses need.

Free trade negotiations between the EU and the US would be strategically beneficial for both. The EU-US relationship is far from achieving its full potential and neither side can afford to ignore the opportunity it offers for greater prosperity and economic stability. EuroCommerce therefore believes that the EU and US should work together to achieve a closer trade and economic relationship.

Taking advantage of favourable duty rates associated with a free trade agreement would be ideal. Negotiations should prominently include services and "beyond the border" issues as well. They should encompass binding commitments on the abolition of all obstacles to mutual trade, integration of rules and regulations, harmonisation of certification and regulatory processes and provision for free competition, fair investment and transparent public procurement practices.

In that respect the EU should seek the closest possible economic integration and regulatory cooperation with the US, while insisting on the need not to put into question the overall priority attached to the conclusion of the WTO Doha Round.

- **Intensifying cooperation on international trade policy questions**

The EU and the US could establish a joint forum for dialogue on international trade questions in order to discuss their positions vis à vis third countries. Besides all existing differences between both regions regarding trade interests, common fundamental interests can be asserted with a higher impact. Especially questions on rules of origin, IPR, trade facilitation and market access deserve to be addressed. Above all, however, this forum should advocate open markets and free and fair international trade.

- **Market Access**

EuroCommerce is fully committed to the EU Market Access Partnership to which it actively contributes as a member of the Market Access Advisory Committee.

In the framework of the Market Access Strategy, assistance should be provided to SMEs:

- form of presentation, description of third countries' measures, possible legal basis etc.,
- finding the proper contacts on national and European level for the complainant to present his trade problem,
- feedback on the proceeding of reported trade barriers,
- refer to and improve cooperation with existing and operating regional/national structures that already deal with trade barriers on European and national level.

Furthermore, EuroCommerce also strongly supports the settlement of any possible dispute through amicable dialogue with the other party, provided that the solutions agreed and their implementation respect companies' need for sufficient transparency, predictability and legal certainty.

- **Customs and Trade Facilitation**

Being able to align customs operations and the way customs clearance procedures occur between the two regions would allow companies to streamline operations and requirements to suppliers; one set of documents could meet the requirements for both regions.

Moreover, the possibility could be explored to expand trusted trader programmes to companies which meet the requirements for either the EU or US (for example companies which participate in ISA, C-TPAT qualifying as a trusted trader in the EU or an EU company which is AEO qualifying for simplified entry in the US).

In addition, the Commission may consider specific qualifying formats, possibly inspired by NAFTA, in which the prerequisites for preferential treatment do not need to be fulfilled, not solely by the importer but also by the producer of the goods in question.

However, some tariffs on fruits still remain high and should be reduced, such as:

- TARIC 2008 9949 80
- TARIC 2008 6050 10
- TARIC 2008 9391 80
- CN-Code 0802 50 00

- **Conventional Barriers to Trade in Goods and Rules of Origin**

EuroCommerce supports the reduction of tariffs across the board between the EU and the US. The fact that the European and US market are rather similar in many areas could encourage manufacturing, but obviously local producers need to be able to expand to the respectively other market without additional costs incurred by complex preferential trade regimes.

The relevant EU-US rules of origin should be as simple, predictable and legally certain as possible. Regarding the so called "Made In" label, there is a difference in the US between customs regulation and consumer regulation. A product classified as "Made in USA" based on customs rules (approximately 70% US value added) will not be allowed to have this label on the product due to the consumer regulations which require 100% US made content to qualify for "Made in USA". Two different rules make it difficult to get the correct label on the product even if it is produced in the US.

- **Compatibility of Regulations and Standards**

Free trade negotiations could provide an additional opportunity to enhance consistency in customs clearance procedures between both regions but also to ensure consumer protection,

environmental and quality standards between the EU and US. Mutual recognition of the high standards already in place within each region would encourage trade between the EU and US.

- **Committing to secure cross border data flows**

Secure cross border data flows are crucial to the modern interconnected global economy. The regulators of the EU and US must work together on the regulation of data. Over half of EU services trade, as well as a large portion of goods trade, depends on the internet and cross-border data transfers. Undermining such connectivity through the implementation of diverging or impractical approaches to data handling, protection and localisation must be avoided.

- **Product Counterfeiting**

The sales of European sounding food products in US and Canada reaches 24 billion euros per year. For instance, Italian food exports to these countries amount around 3 billion euros. Roughly speaking, this means that only 1 product out of 8 is really Italian. 97% of sauces for pasta, 94% of preserved in oil products, 76% of canned tomatoes, 85% of cheese (in this example mainly parmesan, mozzarella, provolone and ricotta), 86% of ham and salami, and 33% of pasta sold in the US market are imitations or counterfeit products. The EU and the US should take steps to prevent product counterfeiting.

- **Other Barriers to Trade in Goods, Services and Investment**

EuroCommerce is generally opposed to link social and environmental matters to trade policy as they might be misused for protectionist purposes and hamper free trade.

Legislation to address social issues as an entry requirement, while addressing important issues - which are per se important - are seen, however, as creating non-tariff trade barriers, rather than tackling the very issue they were evoked for - e.g. similar to the Lacey Act.

Concerning distribution services, EuroCommerce favours a negative list approach (all products are subject to trade liberalisation, except those enumerated in a list agreed by both trading partners) to scheduling as, among other reasons, it ensures that negotiations take place on all services trade unless specifically agreed otherwise and ensures legal certainty for new services. Measures must also be included to ensure legal certainty for existing services trade.

- **Compatibility of Regulations and Standards**

Free trade negotiations could provide an additional opportunity to enhance consistency in customs clearance procedures between both regions but also to ensure consumer protection, environmental and quality standards between the EU and US. Mutual recognition of the high standards already in place within each region would encourage trade between the EU and US.

The same goes for health and safety standards for workers. Mutual recognition of the latter within trade negotiations could reduce repetitive, cumbersome and time consuming paperwork and record keeping requirements on both sides.

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### **EuroCommerce and the commerce sector**

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries.

Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU's GDP. One company out of three in Europe is active in the commerce sector. Over 95% of the 6 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe's most successful companies. The sector is a major source of employment creation: 31 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses.