

# Creating a Barrier-Free Transatlantic Market

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## Institutionalizing a Barrier-Free Transatlantic Market

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There has been a lot of discussion about the activity of the German presidency of the European Union with respect to creating a barrier-free economy between the European economy and the American economy. This is not a free-trade agreement (FTA). FTAs seem to carry

a certain amount of emotional baggage with the name, and are usually geared primarily towards tariff-barriers. The tariff-barriers between the United States and Europe are not that significant, and probably do not deserve the attention of a formal FTA. However, there are many regulatory barriers, and these have been discussed at some length. At a Brussels Forum, Chairman Chris Cox of the SEC and I were on a panel with two Europeans, to discuss how we can lower regulatory barriers. It was pointed out that if you produce a car which you intend to sell on both sides of the Atlantic, you have to crash it twice: once to see if it meets European standards, then again to see if it meets American standards. While the regulators on both sides of the At-

lantic will say that there is a reason for this regulation, or that regulation as a practical matter, cars are not particularly safer on one side or the other. It is simply that regulators have their own ideas as to what's important and what isn't. The primary focus, we believe, should be on what is good for the consumer on both side of the Atlantic, and that means regulations that make sense. Regulations are good in that they protect consumers' safety and environmental factors, but regulations can be bad if they are adopted simply for regulation's sake.

Angela Merkel, as the Chancellor of Germany, which had the presidency of the EU for a six-month period, made this one of her primary initiatives. We were reminded of how important the relationship between the United States and Europe is economically by the Belgian Foreign Minister, who delivered the final address at the Brussels Forum and pointed out to us that with all of our discussion about China as a rising economic power and trading partner, US investments in Belgium

are higher than those in China. That gets lost in our concern about China.

The primary focus during the German presidency was to lower the level of barriers between the two economies on either side of the Atlantic.

The target is 25%. I'm not sure how you come up with a number with respect to regulations, whether you just count out the lines in the Federal Register,

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or the total number of regulations, but this is a follow-on of an initiative that was begun in 2005, and there are a whole list of areas where those who began this effort said that there could be a rationalization of regulations. Chancellor Merkel was not only pushing this in the German presidency, she had reached ahead to the two countries that will provide the European presidency following Germany, and received commitments that they will continue to push it,

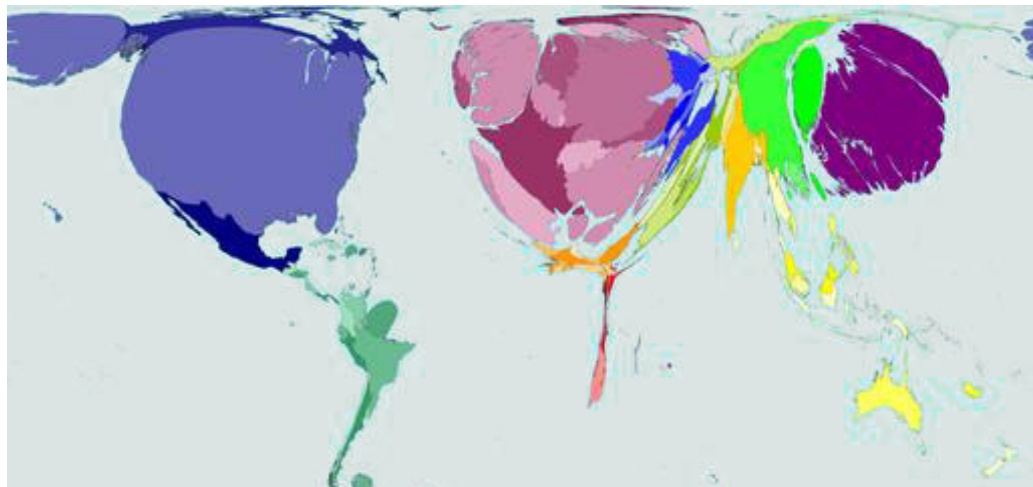
so we expect this will not be just a six-month initiative but will, at least from the European side, run at least eighteen months, and we hope much longer.

If we do, in fact, get some regulatory resolution between the European standards and the American standards, we create a momentum that will flow throughout the rest of the world. The two economies constitute 60% of world GDP, which means if you want to sell on a worldwide basis, you're going to

have to make your product comply with those standards regardless of what the standards are in your various areas. Your domestic free trade area, of which you are a part, becomes less important than the market. If you want to sell automobiles

into the markets that comprise 60% of world GDP, and those markets have achieved a regulatory standard, that becomes the de facto world standard regardless of what any other parties say. While this is not an FTA, and it's less than an FTA, it may turn out to be more than an FTA. We may look back on this and say that the Merkel initiative was one of the most significant things that affected world trade, and did so in a very quiet sort of way.

Now, it has to be institutionalized if it is going to survive. There have to be appointments on both sides



The world as seen when countries are re-sized by GDP. The US and EU have 58% of global GDP, the OECD countries over 75% (World Bank figures using actual exchange rates; in PPP terms the numbers are over 40% and 55% respectively). Image credit [www.worldmapper.org](http://www.worldmapper.org)

in Treasury, in Commerce, in Transportation, whatever the issue might be, the Federal Trade Commission, you have to go all the way across the board and say this will be the executive appointed to work on the Merkel initiative from the FDA, this will be the executive at Treasury, so there is a point-man or woman in the key agencies on both sides of the Atlantic to make this work. Deputy Secretary Kennett was there at the Brussels Forum, and commented to

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me privately that work will go forward at least in the cabinet agency that he represents. I would expect that that kind of activity gets formalized from the very top – the President and Chancellor – and then the

appointments start to be made.]

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