

STATEMENT OF  
JAMES H. QUIGLEY, SENIOR PARTNER, DELOITTE LLP  
BEFORE  
THE COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES  
WASHINGTON, DC

February 29, 2012

Panel on the Future of US Trade Negotiations

Thank you, Chairman Camp and Members of the Committee, for the opportunity to share some views on future directions in US international trade policy and negotiations.

My name is Jim Quigley. I am the Senior Partner of Deloitte LLP and former Chief Executive of Deloitte Touche Tohmatsu Limited.<sup>1</sup> I serve as Co-Chair of the TransAtlantic Business Dialogue, an organization of leading US and European CEOs, which serves as the official business adviser to the Transatlantic Economic Council. I also am a Member of the Trans-Atlantic 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. And I recently was appointed a Trustee of the International Financial Reporting Standards Foundation.

A Deloitte Perspective on Global Trade

By way of background, Deloitte Member Firms provide audit, tax, consulting and financial advisory services in 153 countries around the globe. In FY 2011, Member Firms generated an aggregate \$28.8 billion in revenue and employed 182,000 people. This is a net gain of 12,000 employees over the previous year. For the Deloitte US

---

<sup>1</sup> Professional service firms across the globe are members of Deloitte Touche Tohmatsu Limited (DTTL). These firms are owned and managed by the partners in the various geographic jurisdictions. I will refer to this network of firms and DTTL collectively as the “Deloitte Network” and to the individual firms in the Deloitte Network as “Member Firms.”

Member Firm, FY 2011 revenues came to \$11.9 billion and we employed just over 51,000 individuals.

Globally, the 300 largest Deloitte clients are served, on average, by Member Firms in 17 countries. Thirty-nine percent of the revenue from these clients is generated by cross-border business. And there are approximately 4,500 Deloitte professionals on assignment outside their home countries.

I cite these particulars because I think they illustrate the global nature of the Deloitte Network, the global professional service requirements of Member Firm clients, and the importance of international markets to the success of our Member Firms. They also suggest the interest the Deloitte Network has in a well-functioning, rules-based global trading system and continuing trade liberalization. Certainly, trade expansion over the past 60+ years, fostered by the General Agreement on Tariffs and Trade and, more recently, the World Trade Organization, has contributed significantly to the growth of the global economy, jobs and income. And it certainly set the conditions for the global expansion of the Deloitte Network and underlies our organization's ability to serve clients on a multinational and cross-border basis.

#### New Trade Initiatives Must Address New Realities

Given the Deloitte Network's global footprint, it will come as no surprise to you that our organization strongly supports the multilateral trading system and a successful conclusion to the Doha Development Round of trade negotiations. A multilateral agreement to bring down trade barriers and reform the rules of trade is certainly our first choice when it comes to trade negotiating objectives. Having said that, however, after ten years of WTO negotiations without agreement in sight, it is my view that we need to pursue alternative approaches to trade expansion. In some senses the alternatives may seem to be "second best," but we have to face the reality that our preferred option is simply not achievable, at least not in the foreseeable future.

In moving forward on a new trade agenda, it is important that we recognize the realities of global commerce in the 21<sup>st</sup> Century and make sure that new initiatives take them into account. Here I would identify six key points:

1. International trade is inextricably linked with international investment. Rules on investment and a reduction in discriminatory investment measures must be part of the broader trade agenda. The value of sales by foreign affiliates of US parent companies, for example, comes to three times the value of US exports of goods and services -- \$4,885 billion vs. \$1,575 billion in 2009, the latest year for which the official data are available for both affiliate sales and exports.<sup>2</sup> A number of studies have demonstrated that this presence abroad supports production and jobs at home.<sup>3</sup> Yet, there is no common body of rules addressing investment issues, and negotiations on US bilateral investment treaties with China, India and Russia, for example, have not progressed in recent years.
2. Opening up trade in services has not received the attention it deserves. Services make up the biggest share of global economic output and employ the largest number of workers worldwide. Efficient, cost-effective, state-of-the-art, globally-available services are critical to agricultural and industrial production and trade. Yet, progress in reducing barriers to services trade and investment has been painfully slow.
3. Discriminatory and differential regulation is increasingly an obstacle to trade, investment and the ability to conduct business in multiple markets. As border measures have been reduced and eliminated through successive trade negotiations, behind-the-border regulation and divergent regulatory approaches among countries loom ever larger as obstacles to doing business. These introduce costly inefficiencies and can even frustrate the objectives of the regulations themselves.

---

<sup>2</sup> Bureau of Economic Analysis and Census Bureau, US Department of Commerce.

<sup>3</sup> See, for example, Matthew J. Slaughter, "How U.S. Multinational Companies Strengthen the U.S. Economy," United States Council Foundation and the Business Roundtable, Spring 2009 and updated March 2010. Also, Matthew J. Slaughter, "Cross-Border Investment in the Global Economy: Its Benefits of the Past and Its Prospects for the Future," Deloitte Center for Cross-Border Investment, March 2011.

This is a point of particular interest to the Deloitte Network and other global audit and accounting networks. Since 2002 our organization's core professional practices in audit and assurance have gone from self-regulation to government regulation in most markets around the globe. Our Member Firms have embraced this change. But, inconsistencies in regulatory approaches between jurisdictions, including conflicts of law, and overlapping and redundant regulatory and oversight practices have imposed unnecessary costs, inefficiencies and complexities for our Member Firms and their clients, without adding to quality or effectiveness.

4. There is growing evidence that the traditional model of free-market capitalism is being challenged on the global stage by state-directed capitalism, largely in the form of state-owned enterprises (SOEs). SOEs enjoy government support in finance, preferential procurement, market protection, regulatory treatment, technology transfer and in many other forms, and they are increasingly competing with private companies in domestic and international markets. It is important that trading rules preserve a level playing field and fair terms of competition.
5. It is widely recognized that a new group of countries has emerged as significant economic players on the global stage and potential leaders in global economic fora. It is important to the future of the world trading system that these countries play an active, committed and responsible role in efforts to liberalize trade and foster effective and fair trading rules.
6. Finally, the pace of multilateral trade negotiations has slowed at the same time that product and service life cycles have grown ever shorter. Inevitably, trade negotiations lag the realities of the business world, but the gap is widening, meaning that negotiations increasingly run the danger of missing the mark. The reasons are manifold – the number of negotiating partners, complexity of the issues, protectionist push-back – but the disconnect needs to be addressed.

## Begin with the Transatlantic Dimension

As I mentioned at the outset, I have had the good fortune of Co-Chairing the TransAtlantic Business Dialogue (TABD) for the past four years. And for the past nine months, I have served as a Member of the Transatlantic Task Force on Trade and Investment (TATF), a joint project of the German Marshall Fund of the United States and the European Center for International Political Economy. Both have recently articulated their visions for the future of global trade and investment built on a strong transatlantic platform. TABD and the Business Roundtable have developed a joint statement on “Forging a Transatlantic Partnership for the 21<sup>st</sup> Century,” and the TATF released earlier this month its report on “A New Era for Transatlantic Trade Leadership.”

While these are independent initiatives they have come to similar conclusions about the centrality of the US-EU relationship; not only the contribution it can make to economic growth and employment, but also the possibilities of leveraging deeper economic integration to address global trade challenges, including those I outlined previously. This makes good sense on many levels. The transatlantic relationship is the largest trading relationship in the world and it is the largest investment relationship. The US and EU enjoy relatively similar wage and benefit structures, and labor rights and worker protections. We have common concerns about the environment and the health and safety of our citizens. We have generally robust intellectual property protections, helping to foster innovation and the development of new technologies, products and services. And we have a shared view of the global trading system based on free markets and fair competition.

These are promising conditions for furthering economic integration. In this context, both TABD and the TATF have welcomed the establishment of the High Level Working Group on Jobs and Growth, co-chaired by US Trade Representative Ron Kirk and EU Commissioner for Trade Karel DeGucht, and agree with its mission of fostering trade expansion in order to spur economic growth and job creation. Both TABD and the

TATF, in their own ways, call on the US 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. This agenda should include:

- The elimination of tariffs and non-tariff barriers to trade in goods;
- The removal of market access barriers to trade in services;
- Achieving 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;
- Removing restrictions on job-creating investments;
- Encouraging the flow of professional, technical and managerial talent across the transatlantic space; and
- Addressing government procurement, trans-border data flows, and a host of other issues.

Negotiations between the US 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.

#### A Platform for Advancing a Global Trade Agenda

Building a strong transatlantic partnership and moving towards a barrier-free transatlantic market, I am convinced, will contribute to economic growth and job creation in both the

United States and Europe. They also can be strong inducements to progress on a broader global trade agenda.

To this end, US-EU agreements should have an open architecture that permits other countries to join, so long as they are willing to accept the same levels of liberalization and the same rules of the game. Progress in the transatlantic space may encourage third parties to participate so that their manufacturers and service providers do not lose competitiveness in the US and EU markets. Others may be encouraged by the demonstration effect in seeing that new and innovative solutions can be found to difficult trade, investment and regulatory issues.

The US and the EU have in place many bilateral FTAs and are in the process of negotiating others, yielding separate arrangements with the same countries. Coordination of approaches in these negotiations could lead to higher ambitions on the outcomes, new strategic partnerships with third countries, and a strengthening of the multilateral system.

While progress in the traditional sense on the multilateral front in the WTO is problematic, the US and the EU should not abandon multilateral ambitions altogether. Together they should seek “coalitions of the willing” to reach agreements in such areas as services, the digital economy, and industrial sectors, all based on traditional principles of transparency, non-discrimination and national treatment, extended to those willing to accept the market opening and other obligations of the particular agreement. Furthermore, they should prepare the groundwork for negotiation of a global investment agreement at an opportune time in the future and in a forum most conducive to success.

Finally, the US and the EU with willing trade partners should negotiate best practice guidelines for regulatory and other issues that pose problems falling outside the normal concepts of trade and investment. The OECD, for example, has significant experience in developing best practices on regulation and other commercial matters. Agreements in these areas might prove attractive to governments that are not willing to commit to

binding obligations on new issues, but are willing to experiment with promising approaches that might prove pathways to more formal legal agreements in the future.

### Concluding Observations

Mr. Chairman and Members of the Committee, thank you again for the opportunity to present some ideas on future directions in US international trade policy and negotiations. I have not addressed the Trans-Pacific Partnership negotiations, Russia's accession to the WTO, and other more immediate trade matters, all of which are worthy endeavors. Rather, I've tried to look ahead to a new agenda. My view is that focusing next on strengthening the transatlantic partnership, where we already have deep relationships and many common values, will set the stage for the next wave of progress on global trade expansion. This is important, because we know trade expansion can contribute significantly to growth, employment, cost-effectiveness and innovation – all of which are critical to the health of our economy here at home and to the global economy now and in the future.

Thank you very much.

#### Attachments:

1. "Forging a Transatlantic Partnership for the 21<sup>st</sup> Century," Joint Statement by the Business Roundtable and the TransAtlantic Business Dialogue, February 2012.
2. "A New Era for Transatlantic Trade Leadership," A Report from the Transatlantic Task Force on Trade and Investment (Excerpts), February 2012.

STATEMENT OF  
JAMES H. QUIGLEY, SENIOR PARTNER, DELOITTE LLP

February 29, 2012

ATTACHMENT 1

“Forging a Transatlantic Partnership for the 21<sup>st</sup> Century,” Joint Statement by the  
Business Roundtable and the TransAtlantic Business Dialogue, February 2012.



**Forging a Transatlantic Partnership for the 21<sup>st</sup> Century**  
*Joint Statement by Business Roundtable and the TransAtlantic Business Dialogue<sup>1</sup>*  
**(February 2012)**

**Overview of a New Transatlantic Partnership Vision**

We welcome the new U.S.-EU High Level Working Group on Jobs and Growth and the U.S. and EU government leaders' declared intent for it to consider the full range of trade and investment measures that could be taken to revitalize and intensify our strong economic relationship. We are concerned, however, that absent a clear and compelling vision of a more strategic, dynamic and forward-looking partnership, the effort will not fulfill its promise.

We believe the vision should be to develop a new Transatlantic Partnership (TAP) to deepen the U.S.-EU economic relationship and to strengthen the international economic system and its rules and standards, thereby supporting innovation, economic growth, and job creation in the United States and the EU and around the world. This is not a time for piecemeal efforts; it is a time for transformative action and leadership. To further this vision, the effort should focus on, and integrate effectively, three core objectives: (1) renewing and opening more deeply the 21<sup>st</sup> century transatlantic market; (2) positioning our partnership so we can better both compete with and engage third countries on the fundamental rules underpinning 21<sup>st</sup> Century trade and investment; and (3) strengthening the WTO and deepening the multilateral commitment to open markets.

As CEOs and chairmen of businesses engaged across the global economy, we need nothing less. If we are to galvanize our companies and sectors to position our global ambitions around the opportunity represented by the new U.S.-EU High Level Working Group on Jobs and Growth, then it is self-evident that the strategic vision and structure will need to serve as a global template.

As business leaders on both sides of the Atlantic, we believe the renewal and further opening of the transatlantic market is important to reenergizing our economies and the global economy. We welcome all serious efforts to that end, and offer our support in realizing that goal. But in today's global economy we cannot afford to limit our ambition to a standard bilateral free trade agreement. On its own, such an exercise is insufficient to meet the broader economic challenges we face. This transatlantic partnership should advance an agenda for jobs and growth that opens transatlantic markets while simultaneously creating a dynamic environment to promote international cooperation to open global markets. Efforts to open transatlantic markets must be tied to joint efforts to strengthen the ground rules of the international economic system and to engage the emerging growth markets in a common effort to extend the benefits of open markets to their citizens and companies.

---

<sup>1</sup> Business Roundtable and the TransAtlantic Business Dialogue would like to acknowledge the assistance of Daniel S. Hamilton, Ph.D. in helping prepare this paper. Mr. Hamilton is the Executive Director of the Johns Hopkins University Center for Transatlantic Relations at The Paul H. Nitze School of Advanced International Studies in Washington, DC.

## Why a Transatlantic Partnership and Why Now?

Even with the rise of other economic powers, including the emerging growth markets, the United States and the EU remain the fulcrum of the world economy, each other's most important and profitable market and source of on-shored jobs, each other's most important strategic partner, and the driving force in the multilateral economic system — when we work in concert.

The notion is mistaken that we can “go it alone” in trying to convince other countries to reject protectionist trade policies, forego discriminatory industrial and regulatory policies, and provide adequate and effective intellectual property protection. This can also lead to serious missed policy opportunities for the United States and the EU to raise the bar in terms of setting international norms and standards. Strengthening transatlantic bonds is important not only in terms of how Europeans and Americans relate to each other, but how we can harness the potential of the transatlantic partnership to open markets in other countries, especially the emerging growth markets, and strengthen the international economic system. In fact, the stronger the bonds among core market economies like the United States and the EU, the better our chances of being able to include rising economic powers as responsible stakeholders within an open international economic system.

Despite its strength and potential, the U.S.-EU relationship punches below its weight and fails to capitalize on significant opportunities for our citizens, companies, workers, consumers and the multilateral economic system we helped bring to life. The U.S.-EU relationship is widely perceived as a largely technocratic exercise, a grab bag of issues addressed in rather ad hoc fashion by a disparate range of institutions, with little sense of urgency or overall strategic direction – and better at expressing aspirations than delivering outcomes. Up to now it has failed to fire political, business or popular imagination.

## Core Elements of a New and More Dynamic Transatlantic Partnership

We believe the vision for a Transatlantic Partnership (TAP) must encompass three core, mutually-reinforcing objectives. There will be a natural inclination to do what we all know best—focus quickly on the granular elements of either a standard bilateral free trade agreement or targeted sectoral trade, investment or regulatory negotiations. Achieving the core objectives will require careful and thoughtful engagement by our governments and private sectors. The U.S.-EU High Level Working Group on Jobs and Growth has created a unique opportunity for the United States and the EU to revitalize and reshape their relationship on both a bilateral and global scale; and this opportunity should not be wasted.

**First, we must renew and more deeply open the 21<sup>st</sup> century Transatlantic Market.** The goal of a renewed and open transatlantic market should not be just another “free trade agreement;” it should be a more ambitious and relevant new-generation accord, rooted in the distinctive nature and potential of the transatlantic partnership. In addition to being grounded in essential principles of WTO-consistency, transparency, and non-discrimination among the parties, it should advance synergistic strategies across a range of areas, from reducing barriers to transatlantic trade in goods and services, removing restrictions on job-creating investments, overcoming regulatory obstacles, boosting innovation, encouraging the flow of people and talent across the transatlantic space to addressing emerging 21<sup>st</sup> century issues like facilitating cross-border data flows which have become essential to global manufacturing and services operations.

- *The initiatives need to be structured and sequenced to achieve, to the maximum extent and as quickly as possible, each of the core objectives outlined in this paper.*

- *The initiatives (should be ambitious in eliminating trade, investment and regulatory barriers and distortions in promoting regulatory coherence and should result in commercially relevant new-generation accords.*
- *The framework needs to recognize that the U.S. and EU economies are so integrated that many of the remaining barriers and distortions are deeply embedded in our respective legal, policy and political structures and their resolution may not necessarily fit effectively into the negotiating structure of a new transatlantic agreement. Such issues run a high risk of deadlocking the negotiations, which would send a negative signal to other countries we are seeking to engage on a third party track. The U.S.-EU High-Level Working Group on Jobs and Growth therefore should integrate into its recommendations how the United States and the EU might use other mechanisms like the Transatlantic Economic Council (TEC) and how we can engage more effectively other key stakeholders, including legislators, regulators and standards setters, to move forward on issues that will require more extensive work.*

**Second, we must reposition our partnership so we can better engage with third countries on the economic ground rules underpinning the multilateral system.** Efforts to open transatlantic markets and lift and align transatlantic standards and regulatory regimes can – and must – drive broader international cooperation. The stronger our bilateral convergence, the more seriously third countries will respond and the greater the likelihood of making tangible progress in opening markets and ensuring a rules-based approach and norms. This is an opportune moment for such an agenda. The multilateral system administered by the WTO is under challenge, especially by emerging growth markets that have benefited substantially from the system. A number of rapidly emerging countries do not share the core principles or basic structures that underpin open rules-based commerce, and are now showing no real interest in new market opening initiatives. As a result, the global economy is drifting dangerously towards the use of national discriminatory trade, regulatory and investment practices.

The United States and the EU have used the TEC process to coordinate and align policy responses to certain actions taken by third countries that discriminate against transatlantic businesses. This joint effort has proven successful and should continue on a parallel track as the U.S.-EU High-Level Working Group on Jobs and Growth focuses on its work. In this regard, the United States and the EU must pioneer more dynamic and effective forms of transatlantic collaboration that provide new opportunities to reach out to the emerging growth markets to open their markets, to lift international standards, and to strengthen multilateral rules. Given the size and scope of the transatlantic economy, standards negotiated by the United States and the EU can quickly become the benchmark for inclusive regional and ultimately global models, reducing the likelihood that others will impose more stringent, protectionist requirements or discriminatory industrial and regulatory policies for either products or services.

The goal is not to build an Atlantic Fortress, but instead to pave the way for sustainable economic growth in the global marketplace. Europeans and Americans certainly share an interest in extending prosperity through open markets. Because of this, Europeans and Americans should forge ahead, identifying points of agreement on the elimination of traditional trade and investment barriers on regulatory norms and standards where they can, and using such agreement to engage third countries. Our chief goal should in fact be to make broader institutions work much more effectively, by seeking general agreement on goals and purpose before engaging in larger fora, thus supplementing rather than supplanting such bodies.

- *The new U.S.-EU High-Level Working Group on Jobs and Growth needs to factor into its planning the important fact that the United States and the EU have concluded many bilateral free trade agreements and are moving forward with new agreements with a special emphasis on modernizing them to tackle pressing 21<sup>st</sup> Century issues such as trans-border data flows, discriminatory industrial policies and state-owned enterprises. The United States is*

*pursuing the Trans Pacific Partnership (TPP), while the EU is concluding a Comprehensive Economic and Trade Agreement with Canada, has ongoing negotiations with India, Mercosur and others, and may start negotiating a deal with Japan.*

- *In this growing web of economic integration, there is a glaring hole the U.S.-EU High-Level Working Group on Jobs and Growth has to recognize and develop a strategy for filling. The free trade agreements negotiated by the United States and the EU overlap considerably. Under these circumstances, the U.S.-EU High-Level Working Group needs to develop a negotiating framework that will promote alignment of these agreements and an opportunity for new countries to join in the newer arrangement.*
- *Alignment, such as reconciling different rules of origin, would enhance the economic growth and job creation benefits of the agreements by reducing transaction costs and the burden of complying with different sets of rules that companies and their workers must navigate.*
- *The alignment process could also create a dynamic environment in which it might be possible to draw some of the emerging growth countries who do not have free trade agreements with either the EU or the United States into an agreement. This dynamic appears to be working in the TPP where Malaysia and Vietnam have already become parties to the negotiations, and Japan, Canada and Mexico have now all asked to join the negotiations. Given the unfortunate deadlock in the WTO Doha negotiations, creating such a new dynamic could be a major boost to creating a stronger and broader commitment to open markets.*

**Third, we must strengthen and deepen the commitment in the WTO to open markets and extend the rules-based multilateral system to include new areas of commercial opportunity.** Commercial barriers must come down not only across the Atlantic, but around the world too. We remain committed to the multilateral trade liberalization agenda under the auspices of the WTO. Yet we should also explore opportunities that give us more viable options than moving the global economy ahead in lockstep or not at all.

In addition, the United States and the EU should work together and with other like-minded partners to extend the rules-based multilateral system to new areas of endeavor. Most new cooperative economic arrangements today address issues beyond traditional “at the border” barriers to trade in goods and services as originally formulated by the GATT and GATS. New guidelines are needed to apply such fundamental WTO principles as transparency, non-discrimination between the parties, and national treatment to international economic transactions ranging far beyond the traditional trade agenda.

Those who worry that an ambitious Transatlantic Partnership could threaten the multilateral economic system should not be concerned by this new transatlantic initiative. They should consider that the opposite may be true. In fact, how the United States and Europe deal with the interrelated challenges and opportunities posed by bilateral issues, rising powers, and overlapping networks of FTAs could go far to shape the multilateral agenda for a new age and ultimately strengthen the multilateral system, especially the WTO.

In this sense, transatlantic markets have become the laboratory for the international trading system; many transatlantic issues cannot be addressed by multilateral efforts alone. That is why the “multilateral versus transatlantic” dichotomy is a false choice. The United States and the EU should advance on both fronts simultaneously: push multilateral liberalization and press transatlantic market-opening initiatives in areas not yet covered by multilateral agreements. The alternative to this WTO+ agenda is not drift; it is growing protectionism, U.S.-EU rivalry in third markets, and the triumph of lowest-common-denominator

standards for the health and safety of our people. The absence of common rules and procedures weakens the leverage of our two regions to ensure that high standards prevail.

- *The U.S.-EU High-Level Working Group on Jobs and Growth should begin to develop ideas on how existing and future U.S. and EU agreements could be used to strengthen and deepen the WTO's commitment to open and non-discriminatory markets.*
- *For example, consideration should be given to using these agreements to develop non-binding "best practices," like the EU-U.S. ICT Principles, which could be promoted within the WTO to guide countries on how to create a more effective trade, investment and regulatory environment for growth and job creation.*
- *In addition, the United States and the EU should explore how they could use the TAP and TPP to promote plurilateral negotiations under the auspices of the WTO whereby non-party WTO members could dock to either or both of these agreements or work together to merge these and/or other high standard bilateral and regional trade agreements.*
- *Ultimately, the goal would be to try to use these types of initiatives to reinvigorate the overall commitment in the WTO to negotiate new multilateral agreements that are more relevant to the global economy in the 21<sup>st</sup> century.*

## **Conclusion**

The U.S.-EU relationship remains the foundation of the global economy and the essential underpinning of a strong, rules-based international economic order. We literally cannot afford to neglect it. Instead, we need to put our partnership to work – to open our markets; to engage the emerging growth countries; and to strengthen global rules. A 21<sup>st</sup> Century Transatlantic Partnership is within our grasp, but it is not the relationship we have today. Given the challenges we face, such a partnership is urgent. We are committed to working with U.S. and EU government leaders and others in the business community to create a new and more effective transatlantic partnership that supports economic growth and job creation.

STATEMENT OF  
JAMES H. QUIGLEY, SENIOR PARTNER, DELOITTE LLP  
February 29, 2012

ATTACHMENT 2

“A New Era for Transatlantic Trade Leadership,” A Report from the Transatlantic  
Task Force on Trade and Investment (Excerpts), February 2012



# A NEW ERA FOR TRANSATLANTIC TRADE LEADERSHIP

A Report from the Transatlantic Task Force on Trade and Investment

FEBRUARY 2012

**G | M | F**

The German Marshall Fund  
of the United States

STRENGTHENING TRANSATLANTIC COOPERATION



## MEMBERS OF THE TRANSATLANTIC TASK FORCE ON TRADE AND INVESTMENT\*

### TASK FORCE CHAIRS

**Ewa Björling** (co-chair), Minister for Trade, Sweden

**Jim Kolbe** (co-chair), Former Member of U.S. Congress; Senior Transatlantic Fellow with the German Marshall Fund of the United States

### TASK FORCE MEMBERS

**Daniel Drezner**, Professor of International Politics at the Fletcher School of Law and Diplomacy at Tufts University; Senior Editor at The National Interest; Contributing Editor at Foreign Policy

**Thomas Harris**, Vice Chairman of Standard Chartered Bank; Non-executive Director, Johnson Matthey Plc

**Charles P. Heeter Jr.**, Chairman of the Business and Industry Advisory Committee (BIAC) to the OECD

**Jennifer Hillman**, Member of the WTO Appellate Body; Senior Transatlantic Fellow at the GMF

**Charles S. Levy**, Partner, Cassidy Levy Kent

**Erika Mann**, Director of EU Policy, Facebook; Board Member of ICANN; Former Leading Member of the European Parliament's Committee on International Trade

**Patrick Messerlin**, Professor of Economics at Sciences Po and Director of Groupe d'Economie Mondiale

**Hugo Paemen**, Former EU Ambassador to the U.S.; Senior Advisor, Hogan Lovells LLP

**Ana Palacio**, former Minister of Foreign Affairs of Spain; former Senior Vice President of the World Bank

**James H. Quigley**, Chief Executive Officer, Deloitte Touche Tohmatsu

**Susan C. Schwab**, Professor of Public Policy at the University of Maryland; Strategic Adviser, Mayer Brown LLP; former United States Trade Representative (USTR)

### TASK FORCE RAPPORTEURS

**Fredrik Erixon**, Director and Co-founder, ECIPE

**Guy de Jonquières**, Senior Fellow, ECIPE; former World Trade Editor for the Financial Times

**Bruce Stokes**, Senior Transatlantic Fellow, GMF

**Bruce Wilson**, Senior Counsel, King & Spalding; Former Director for Legal Affairs, World Trade Organization

### SECRETARIAT

**Lisa Brandt**, Trade Policy Analyst, ECIPE

**Nicola Lightner**, Deputy Director of the Economic Policy Program, GMF

**Kathryn Ritterspach**, Research Assistant, Economy Policy Program, GMF

**Serdar Altay**, former Program Officer for trade, GMF

\*This report represents the views of member of the Task Force but not necessarily their affiliated organizations.

## THE TRANSATLANTIC TASK FORCE ON TRADE AND INVESTMENT

IN MAY 2011, the European Centre for International Political Economy (ECIPE) and the German Marshall Fund of the United States (GMF) launched the Transatlantic Task Force on Trade and Investment, a major trade-policy initiative to spur greater leadership on future trade policy by Europe and the United States. Since the launch, a high-level group of recognized international trade scholars and practitioners from academia, business, civil society and public policy have convened with the purpose of releasing a report with recommendations for transatlantic policymakers. Four “think pieces” written for the Task Force have been published in this project.

Co-chaired by Ewa Björling, the Swedish Minister for trade, and Jim Kolbe, a former member of the U.S. Congress and a Senior Transatlantic Fellow with the GMF, the Task Force was set up at a difficult time for trade policy. Overall, trade policy in the EU and the U.S. is fighting against diminishing expectations and general fatigue with the global trade talks. The 2008 financial crisis, and the ensuing euro crisis, as well as prior global economic trends, have also shown how trade links up with many other central economic issues – and how crude mercantilist notions, yet again on the rise, are badly suited to guide an effective trade policy intent on boosting economic growth and job creation. In addition, the rise of Asia has eroded the trade leadership role played by the transatlantic partners in the past decades, without anyone else taking up the fallen mantle. Against that backdrop, the Task Force’s goal was to define what role there is and should be for transatlantic leadership for trade policy in the near-to-medium term future.

Base funding for this Task Force was generously granted by the Swedish Ministry of Foreign Affairs. Additional funding has been provided by ECIPE, the German Marshall Fund of the United States, the CN70 Foundation, the Confederation of Swedish Enterprise, and the U.S. Chamber of Commerce.

**G | M | F** The German Marshall Fund  
of the United States  
**STRENGTHENING TRANSATLANTIC COOPERATION**



## INTRODUCTION

THE QUEST FOR growth and jobs currently dominates the political agenda on both sides of the Atlantic. At a time of fiscal and monetary policy constraints, trade liberalization can help jump start the transatlantic economy and create new economic opportunities in both Europe and the United States. Through such efforts, Washington and Brussels can give fresh blood to increasingly anemic ambitions for global trade liberalization.

There could hardly be a more appropriate time than now to engage in a discussion about the strategic trade-policy choices facing American and European trade policymakers. The economic challenges confronting the two continents are daunting. Economic forecasts are discouraging. Both Europe and the United States are likely to experience slow growth in the next five years, perhaps even longer. Unemployment is likely to remain high. Public finances will have to be stabilized and debt levels need to come down from their current heights. Moreover, many European countries will soon experience significant demographic changes that will put pressure on their pension systems and fiscal policies, especially as the demand for healthcare services increases with an ageing population.

Events in 2011 have again taught us that a lack of effective political leadership in the European Union and the U.S. threatens economic recovery and growth. If the crisis in the Eurozone worsens, and if the United States replays the 2011 debt limit and payroll tax debacles, economic prospects will only worsen. A breakup of the Eurozone would throw Europe into economic turmoil, with repercussions for the entire world economy.

The enormous economic challenges facing the EU and the U.S. lead some to advocate a pause in, or a retreat from, the long march toward freer trade. We are of the opposite view. New trade and investment initiatives between Europe and the United States should become a strategic part of any effort to create growth and jobs. In times of fiscal austerity and limited monetary

policy options, more open trade and investment policies designed to maximize economic gains are among the most important instruments that governments can utilize to stimulate growth.

The Transatlantic Task Force on Trade and Investment was brought together by a desire to help shape a transatlantic policy agenda both for bilateral trade policy and for joint leadership in the global trading system. New trade and investment policy strategies are needed in order to respond to the large structural changes underway in the world economy. Unfortunately, the Doha Round of trade negotiations at the World Trade Organization (WTO) has completely stalled, failing to produce the desired results after ten years of discussions. Since the Doha Round was not concluded at the WTO Ministerial meeting in December 2011, there is no better time than now to consider realistic options for moving forward with a new bilateral and multilateral trade agenda.

New strategies should build on the principles of openness to trade and a commitment to market economics that were enshrined in the international economic organizations crafted jointly by Europe and the U.S. after the Second World War and that have served the world so well since then. It is true that the rise of Asia and other emerging economies has changed the structure of world economic power. But rapid economic growth in the non-Western world has only strengthened the case for an open and rules-based trading system that adapts itself to new products, new innovations and new markets. A multilateral trading system makes increasing sense as the recently finished accession negotiations with Russia and other countries have demonstrated. International trade has probably never enjoyed such widespread support, at least in theory, as it does today. Yet the capacity of trade policymakers to transform this spirit into a more open, deeper and wider set of multilateral trading rules has greatly diminished. Indeed, there is a substantial risk that the strength and utility of the current multilateral system will erode over time unless the

most powerful countries in the global economy successfully change the dynamics of world trade policy and politics.

The postwar march toward a more open and market-based trading system has always progressed both inside and outside the framework of multilateral trade negotiations. The strategies and tactics of trade policy leaders of the past have always been more diverse and complex than what is acknowledged by trade purists and ideologues. Arguably, new dynamics – new “positive tensions” – in global trade policy will have to be generated by a combination of endogenous changes within the WTO and exogenous pressures that provide the incentive for the world’s most powerful and important economies to press ahead with additional trade liberalization and more extensive and updated rules. Unleashing such positive tensions in order to put pressure on WTO members from outside, while still continuing to find ways to work constructively from the inside, should be a critical part of the transatlantic strategy today.

In this report, the Transatlantic Task Force on Trade and Investment provides an overall analysis of the current state of transatlantic trade policy and makes recommendations for joint action by the European Union and the United States. The report focuses on initiatives that should be taken by these two long-standing partners in global economic policy making. Other recent studies have examined trade policy from a more general and systemic perspective, and presented recommendations about how the WTO in particular should change in the future from a structural and an operational point of view.<sup>1</sup> While some of these issues are also addressed in this report, our views are more specifically directed to transatlantic policymakers and leaders. The task we set our-

---

<sup>1</sup> “The Future of the WTO – Addressing institutional challenges in the new millennium” (2004) Report by the Consultative Board to the Director-General Supachai Panitchpakdi by Peter Sutherland (Chairman), Jagdish Bhagwati, Kwesi Botchwey, Niall FitzGerald, Koichi Hamada, John H. Jackson, Celso Lafer and Thierry de Montbrial. World Trade Organization; The Warwick Commission (2007) “The Multilateral Trade Regime: Which Way Forward”, University of Warwick

selves was to think strategically about EU and U.S. trade policy choices in the transatlantic context. This report therefore suggests some ambitious initiatives that can lead the way forward. It presents concrete recommendations for consideration by the EU and the U.S. together as they continue to formulate and refine their trade policy agendas in the years ahead, always with an eye toward enhancing economic growth and job creation.

Indeed, we are encouraged that a new process in this regard has recently been launched. At the U.S.-EU summit in late November last year (2011), the EU and the U.S. agreed to establish a High Level Working Group for Jobs and Growth to generate new ideas for transatlantic trade policy. This major initiative shows political leaders are now prepared to revisit the arguments for and against transatlantic bilateral trade initiatives. While we support both deepened bilateral trade integration and greater transatlantic cooperation at the multilateral level, it is critical for the High Level Working Group that new bilateral and multilateral initiatives are integrated with each other. EU and U.S. leaders have now acknowledged that a transatlantic trade agreement is no longer a forbidden territory for them. However, the capacity of such an agreement to generate positive systemic consequences, and improve conditions for trade beyond the Atlantic region, depends on the design of a transatlantic trade agreement and how it links up with common EU and U.S. initiatives with other countries. That should be an essential element in the work by the High Level Working Group.

This Task Force report is based on four fundamental assumptions:

- Europe and the United States are still the two main leaders in global economic policy-making, and will remain so for the foreseeable future. Even if other countries are catching up fast, especially populous countries like India and China that already have significant trade sectors, no other jurisdictions possess the requisite economic, political and institutional ca-

capacity, nor the desire nor the will that is necessary to provide global leadership.

- There is already a high degree of transatlantic economic integration as a result of past and existing trade and investment flows in both directions. Nevertheless, it should be a priority for the transatlantic relationship to move to a genuine barrier-free market. This is a bold vision, yet it could and should guide policymakers in their actions today. The transatlantic economic relationship is among the most intense and intertwined in the world. Yet it should not be taken for granted. Transatlantic policy apathy, or neglect, will deprive both Europe and the United States of viable strategies to boost growth while undermining efforts to get others to open up markets for the good of all countries.
- A sound multilateral trading system remains key to world and transatlantic prosperity, and the central role of the WTO in that system should be preserved. System maintenance is essential. However, the focus for the time being should be on finding pragmatic approaches to trade liberalization and rules-making that can actually achieve something in the years ahead. Incremental progress is preferable to continued failed attempts at any grand redesign or reform of the system. Europe and the United States have the capacity to shape a realistic agenda – jointly and in cooperation with other key partners. Now is not the time for trade-policy fatigue. It is rather time for a comprehensive trade strategy to renew efforts to open up markets for greater commerce, growth and more jobs – both at home and in other countries.

- Preferential Trade Agreements are now important parts of trade policy. Almost all countries have a significant number of PTAs on their books and are engaged in negotiating new agreements. While the quality of PTAs could be improved, a critical challenge for the EU, the U.S. and other leaders in global trade is to find ways to integrate and harmonize existing PTAs.

We decided early on to place two limitations on our work. First, we concluded not to try to cover all issues of significance in trade policy. We have put the emphasis on strategies that arguably stand a chance of having an impact in the near-to-medium-term future. There are many issues other than those addressed in this report that are worthy of commentary and policy attention. The chief task now, however, is to restore a belief in trade policy and its capacity to deliver meaningful gains to societies. That requires a focus on achievable deliverables.

Second, the purpose of this report is to set out new initiatives – but not to prescribe the nuts and bolts of each initiative or how they should come about. That is a job for policymakers and negotiators. Our recommendations and judgments – based on the collective experience represented on this Task Force – are limited only to suggesting trade agendas and trade strategies to be pursued in a transatlantic context and not how they can best be implemented.

The next chapter will give a general analysis of changes in the international trading system and how those changes have prompted us to call for a new transatlantic trade agenda. Our recommendations, and the motivations for them, are presented in chapters three and four. The report concludes with a summary.

## OUR RECOMMENDATIONS

TRANSATLANTIC LEADERSHIP IN the global economy can make a huge contribution to the promotion of economic growth and jobs. Recent changes in the structure and operation of the world economy have transformed the underlying geo-economic and political conditions for the formulation and conduct of international trade policy. Moreover, the seemingly permanent impasse in the Doha Round has forced countries to consider alternative strategies for advancing their trade interests and for generating new momentum for global trade liberalization.

Notwithstanding the growing economic power of the emerging economies, the European Union and the United States remain giants of the world economy and the global players still best equipped to provide global economic leadership. It is therefore imperative that they find ways to demonstrate to the international community that they are prepared to continue to spearhead global trade initiatives for the benefit of all countries. A key theme of this report has been the need for the U.S. and the EU to take action to deepen transatlantic trade policy cooperation in order to provide the foundation for greater bilateral and multilateral economic integration. This, in turn, will help lead the way to improving conditions for global trade.

In this report, we have set forth a number of what we believe are realistic and pragmatic policy recommendations that are achievable over the short and medium term (5-8 years). These recommendations flow from our collective belief in the need for a deep and comprehensive transatlantic trade and investment policy agenda and our judgment that implementation of such an agenda can lead to significant economic gains. Equally important, renewed transatlantic trade and investment policy cooperation has the potential to create new political momentum for global trade liberalization after years of stalemate.

A transatlantic trade and investment policy agenda should promote economic growth and the creation of jobs. It should improve the con-

ditions for commercial exchange, and have as a longer-term vision the establishment of a barrier-free transatlantic market. Transatlantic cooperation should also simultaneously strive to promote and support the rule-based WTO system for international trade. High-level commitment from political leaders is a prerequisite to achieve the goals of an enhanced transatlantic cooperation agenda. Collaboration with the private business sector and other private stakeholders is also essential.

In light of the above, and by way of conclusion, we briefly recap our recommendations below.

### MOVING TO A BARRIER-FREE TRANSATLANTIC MARKET

#### A new bilateral agenda

The U.S. and the EU should pursue a new agenda with the long-term ambition of creating a barrier-free transatlantic marketplace by liberalizing trade in goods and services, effectively addressing non-tariff barriers, and creating a secure and predictable environment for investment. While it is recognized that this goal cannot be achieved immediately, there are a number of useful steps that can and should be taken over the short- to medium-term that will materially contribute to the achievement of this longer-term goal.

#### A new stakeholder driven bottom-up initiative on tariffs and NTBs

Bilateral work on eliminating tariffs and addressing non-tariff measures should proceed based on decentralized government consultations with business associations, labor unions, consumers and other stakeholders from both sides of the Atlantic. The ambitious agenda should be based on the principle of zero for zero tariff elimination and a sectoral approach to NTBs. The aim should also be to put into place a mechanism to avoid future regulatory divergences.

## Liberalizing trade in services

Improving trade in services is critical for transatlantic economic relations. The U.S. and the EU should negotiate liberalization of trade in services with coverage based on a negative list approach and flexibility provided to negotiate more detailed sectoral agreements as annexes to a framework agreement.

## Transatlantic cooperation on Preferential Trade Agreements (PTAs)

The EU and the U.S. should cooperate to integrate, expand and modernize their existing and future PTAs. An integration and consolidation mechanism should be established to provide a way to analyze the substance of existing and future PTAs and possibly harmonize them into a larger agreement.

## A comprehensive transatlantic investment agreement

The EU and the U.S. should lay the groundwork to launch negotiations on a transatlantic investment agreement at an appropriate time in the future. The political decision to launch negotiations should be based on a mandate for policymakers to negotiate a deep and comprehensive investment agreement, which improves market access for foreign investors by removing existing restrictions. It should assure non-discrimination of foreign investors, free transfers and protection in case of expropriation. It should also include provisions on procedures for state-investor dispute settlement. An investment initiative is particularly timely given the centralization of EU investment policy as a result of the entry into force of the Lisbon Treaty.

## A transatlantic agreement on government procurement

The U.S. and the EU should negotiate a bilateral government procurement agreement that would go beyond what was recently agreed at the WTO Ministerial Meeting in December 2011.

## A NEW AGENDA FOR MULTILATERAL TRADE AND INVESTMENT POLICY

Transatlantic leadership on multilateral trade policy should be asserted primarily through joint initiatives at the WTO with the aim of successfully reviving the utility of the WTO as a negotiating forum and ensuring that the WTO continues to serve the evolving needs of its membership over the longer term. Joint EU-U.S. leadership can contribute to supporting and promoting the rules-based international trading system based on the principles of non-discrimination and transparency. The longer-term goal should also aim to 'multilateralize' bilateral or plurilateral agreements by incorporating the trade liberalizing features of these agreements into the WTO.

## Plurilateral And Sectoral Initiatives

To advance the multilateral agenda, plurilateral and/or sectoral agreements should be concluded among coalitions of the willing. Such agreements will provide new market access at a minimum to the signatories, but remain open for all countries to join according to agreed conditions. Whether the market access that results from these negotiations should be extended on an MFN basis will depend on the composition of the groups of countries pursuing individual negotiating initiatives and the subject matter involved.

## Sectoral agreements in goods

The EU and the U.S. should actively explore concluding sectoral agreements in the goods sectors, particularly in those sectors where many countries would be willing to participate. The work should be based on a bottom-up approach, taking into account input from stakeholders.

## Progressive market access on trade in services

The EU and the U.S. should work jointly to launch a plurilateral agreement on services. If it is not possible to achieve an agreement that covers all relevant aspects of GATS, negotiations could proceed to plurilateral sector agreements

along the lines of what was previously done in telecommunications and financial services.

#### Agriculture: still a critical issue!

Notwithstanding the difficulties encountered on agriculture in the Doha Round, we encourage the U.S. and the EU to take the lead in continuing negotiations on agriculture in the WTO with the aim of improving the conditions for market access and reducing trade-distorting agricultural subsidies. The use of export subsidies should cease. Countries should also refrain from using food aid as a means to promote exports. Subsidies and non-tariff barriers should also be reduced.

#### Expanding the Government Procurement Agreement (GPA)

We applaud the recent breakthrough in the WTO to update and expand product and entity coverage under the GPA. We urge the EU and the U.S. to keep the pressure on China and other emerging countries to join the GPA.

#### Improve trade facilitation in the interest of all

Trade facilitation can lower trading costs to the benefit of all. The irony is that talks about an agreement in trade facilitation have not yet concluded successfully despite the fact that everyone would stand to benefit from it. If an agreement on trade facilitation cannot soon be reached within the framework of the Doha negotiations, we believe the EU and the U.S. should undertake an initiative to reach a plurilateral agreement with interested countries in the WTO on trade facilitation.

#### Fostering economic development in LDCs

The EU and the U.S. should offer full duty-free and quota-free market access to the least developed countries in the world and encourage the emerging economies also to offer improved conditions for market access to the LDCs.

#### Strengthen the Trade Policy Review Mechanism

We applaud recent steps taken in the WTO to strengthen and expand the use of the TPRM in order to increase the transparency of the system and to ensure compliance by members with their WTO obligations. We urge the EU and the U.S. to work together to ensure that these recent steps are effectively implemented. Consideration should be given to giving the WTO Director General additional powers to address cases of continuous violations by members of their obligations. The EU and the U.S. should also step up their cooperation with respect to initiating and carrying out dispute settlement proceedings, and also set a positive example for other members by complying on a timely basis with all adverse WTO rulings against them.

#### Learn from Preferential Trade Agreements

The EU and the U.S. need to encourage the WTO to explore ways to incorporate into the WTO system the liberalization and trade advances achieved through PTAs. The long-term objective should be to 'multilateralize' the trade liberalization initiatives that have been taken at a bilateral or plurilateral level.

#### Communicate with the business community and other stakeholders

The EU and the U.S. should ensure that the private sector is invited to participate more actively in trade policy-making so that policies reflect their practical concerns. Their experience and input are valuable to policy-making, and their hands-on knowledge should be taken into account to a greater extent in the design of future policy and regulations.

#### An improved and coherent global investment policy

Additional research and analysis must be undertaken in order to improve knowledge and understanding about global investment issues. On the basis of this work, the U.S. and the EU

should jointly prepare a document laying out suggested principles for investment policy, while awaiting the proper moment to advocate a global investment agreement. The EU and the U.S. should also seek to develop and share guidelines and best practices between governments with the aim of improving market access, transparency and non-discrimination for foreign investors.

#### Improve enforcement disciplines on subsidies and SOEs

Documentation and reporting on the use of subsidies worldwide should be improved and WTO disciplines over the use of trade-distortive subsidies should be strengthened. Possible disciplines over trade-distortive behavior by state-owned enterprises should also be developed. The U.S. and the EU should also cooperate more closely to enforce existing WTO disciplines on subsidies and state-owned enterprises by bringing joint cases to the WTO.

## CONCLUDING OBSERVATIONS

THE TRANSATLANTIC TASK Force on Trade and Investment believes that deeper economic cooperation across the Atlantic will promote growth and create jobs in the EU and the U.S. Determined and effective transatlantic leadership can lead to the successful negotiation and implementation of bilateral initiatives that will increase bilateral trade and investment flows and also create new momentum for enhancing cooperation within the multilateral trading system, thereby strengthening the WTO, both as a negotiating forum and as a guardian of the rules-based international trading system. The United States and the European Union can play a necessary and unique leadership role in promoting economic welfare both within the transatlantic marketplace and worldwide.