EUROPEAN UNION

~FACTSHEET~

BILATERAL ECONOMIC RELATIONS

The two biggest economies in the world have plenty to talk about at the summit when it comes to taking action to create greater prosperity and jobs to benefit citizens in the years to come.

EU-US to agree joint Action Strategy on IPR enforcement at the summit.

Protecting intellectual property rights to promote innovation, employment, and competition is a fundamental economic imperative shared by the EU and the US. Both sides intend to agree at this summit a Joint Action Strategy for the enforcement of intellectual property rights in third countries with concrete actions strengthening cooperation to reduce global piracy and counterfeiting and fostering public-private ownerships to protect intellectual property. This initiative will both increase the effectiveness of the initiatives pursued by both parties and enable joint actions when considered appropriate. The EU and the US are together in the fight against the theft of intellectual property which seriously injure our most modern, innovative, and quality driven industries and entail significant health and safety risks for consumers.

Keeping investment regimes open on both sides of the Atlantic.

Investment issues remain vital, given the huge flows of investment across the Atlantic. But US restrictions remain, notably in the shipping, energy and telecoms areas. These problems are often compounded by the plethora of different state level laws and regulations which make overcoming US barriers a very complex operation. The EU remains also vigilant to ensure the free flow of investment within its borders. At the summit, the EU and the US will pledge to keep their investment regimes open and to build on existing investment flows to boost growth and create jobs in the transatlantic economy. They will address specific obstacles to transatlantic investment on both sides with a view to promoting closer economic integration.

The Transatlantic Economic Initiative

In addition to the IPR initiative and keeping investment regimes open, the Transatlantic Economic Initiative, born at the 2005 EU-US summit, is working on promoting regulatory and standards cooperation; stimulating open and competitive capital markets; anti-money laundering and terrorist financing cooperation; spurring innovation and the development of technology; enhancing trade, travel and security; promoting energy efficiency; competition policy; procurement and services. As part of that initiative, EU and US regulators are looking at how to deal with existing regulatory barriers and trying to avoid new ones. Both sides are also trying to strike the right balance between trade and security.

Improving picture on trade disputes

Trade disputes are often the headline-grabbers of EU-US economic relations. Many disputes go on for a decade or longer. Yet this year we have already seen the successful resolution of two long-running trade disputes, and significant progress in a third one:

- In February, US Congress repealed the Byrd amendment[1], but stopped short of full compliance by introducing an excessively long transition period. To reflect this situation, EU sanctions are now being reduced in tandem with remaining Byrd payments.

- In March, the EU and the US lifted telecoms procurement sanctions[2] against each other, bringing to an end more than a decade-long dispute.

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[1] The Byrd amendment also known under Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) provided for transfer of US imposed anti-dumping duties to companies directly affected by dumping practicies.

- In May, the US repealed the FSC/ETI[3] export-contingent tax scheme, including all grandfathering provisions, which have been repeatedly ruled WTO-incompatible. The WTO had given the EU the right to impose sanctions of up to USD 4 billion dollars if the US did not comply with its ruling, and the threat of sanctions has now been withdrawn.

However, trade irritants do remain, such as the Airbus/Boeing dispute, the continuing US sanctions concerning hormone-treated beef despite EU compliance with WTO rules and the use of the WTO-incompatible zeroing methodology by the US in over 50 anti-dumping cases and reviews since 1995.

An extraordinarily important economic relationship

The economic relationship between the European Union and the United States is perhaps the most defining feature of the global economy. The integration is broader and deeper than between any two other political regions in the world. The EU and US account for 35 percent of global merchandise trade, 45% of world trade in services and produce 57% of world GDP. The partnership is also the single most important driver of global economic growth, trade, and prosperity. And bilateral economic ties are increasing every year.

Headlines and policy debates frequently centre on a small portion of this vital relationship, such as trade squabbles that account for only a fraction of transatlantic commerce. In reality, the overwhelming majority of bilateral trade (goods and services) between the EU and US – a total of about € 627 billion a year or € 1.7 billion a day – is dispute-free. This trade volume between EU and US equals EU trade with the following three most important trade partners combined: Switzerland, China and Russia.

But that is just part of the story. Trade – everything from farm products to automobiles to computer software – constitutes a relatively small portion of total transatlantic economic activity. It is investment in each other's economies which is increasingly driving markets, jobs, innovation, and business activity. Foreign direct investment stocks on both sides amount to € 1,525 billion, creating 12-14 million jobs on both sides – and these are jobs with high wages and strong labour and environmental standards, and that deliver high quality industrial products, consumer goods, services, and business solutions. The US enjoys a "million worker surplus" with the EU – that is, EU based companies employ about a million more Americans in the US than American companies employ Europeans in the EU (moreover the "insourcing" of jobs to the US from EU Member States dwarfs the number of US jobs that have gone to developing markets like India and China.)

Business partnerships between EU-based and US corporations are among the most successful and profitable in the world, providing wealth for millions of shareholders and pension plan beneficiaries. The EU is also a large supplier of capital or liquidity for the US economy and helps to finance the US government's budget deficit.

The EU and US are the largest markets for each other's research and development investment, which helps both compete on the global stage. There is also much cooperation between each other's political, legal, and regulatory systems. All of these factors contribute to the enormous two-way benefits of this vast and deep economic partnership.

For more information go to:
http://ec.europa.eu/comm/external_relations/us/economic_relations/index.htm

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[2] The telecom procurement sanctions were imposed because the US alleged that the 1993 EU Government Procurement directive allowed EU Member States to give a 3% price preference to EU companies and consisted of barring European companies from contracts of goods, services and construction which fell under a certain threshold. The EU imposed similar sanctions on US companies namely services and public work contracts.

[3] The 1984 FSC scheme authorized the establishment of foreign sales corporations (FSCs), being corporate entities in foreign jurisdictions through which US manufacturing companies could channel exports and by this benefit from generous tax breaks. The 2000 Extra-territorial Income Act (ETI) extended the regime of tax cuts to a wider range of companies including foreign companies, which are tax payers in the US.