EU-US Trade Deal to Strengthen the Transatlantic Relationship

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The doomsday voices that for years predicted the imminent collapse of the Euro and the European Union itself have gone silent with the EU economy gradually improving: the European Union is set to emerge from recession in the fourth quarter of this year with GDP growth expected at 1.4 percent in 2014; business activity in the eurozone rose at the fastest pace in August for more than two years; and the eurozone purchasing managers' index hit a 16-month high in June. We are by no means out of the woods yet, but we believe that we are starting to see signs of economic recovery in Europe. And this means that much-needed jobs should follow.

This is good news for the European Union and it is good news for the United States. If we learned anything from the financial crisis, it's that the transatlantic economy is truly intertwined. The amount of business and investment we do with each other far exceeds any other economic relationship. The European Union and the United States have the biggest commercial relationship in the world, equal to one third of world trade. Every day, more than $2.5 billion worth of goods and services cross the Atlantic. Together, European and American firms hold $2.5 trillion of investment stocks in each other's jurisdictions.

In the aftermath of the financial crisis, the European Union and the United States face similar challenges as we struggle with slower growth levels and high debt burdens, in an increasingly competitive global environment. It is against this backdrop that we see an ideal opportunity for us to move forward together by successfully concluding a major trade deal, recognizing that despite the success of our relationship there is still a great deal of untapped potential. Unlocking that would result in a major growth boost for both the European Union and the United States. That is the central focus of our current Transatlantic Trade and Investment Partnership talks launched in July, which in scope and reach far exceed anything we have done before. This could be the biggest bilateral trade deal in history, its impact greater than all other trade deals on the table put together.

Though the tariffs we impose on each other's imports are low—about four percent on average—the volume of our trade is enormous. For every tariff we remove—even the lowest ones—companies will save millions of dollars, money which can be reinvested for growth. When you take into account that much of the transatlantic trade that takes place is within the same company, these duties can be seen for what they are—a tax on growth. For example, car parts sometimes cross the Atlantic more than once—as components on their first journey and then returning in the finished product—meaning they may pay tariffs twice.

But tariffs will only be a small part of the deal. We are aiming for an even bigger package, including opening up markets for services and—very importantly—in public procurement. The biggest effort, however, will address those barriers that lie behind the customs border—such as differences in technical regulations, standards and certification requirements. These technical barriers to trade are estimated to have the same effect as if we had extra tariffs of between 10 and 20 percent per product.

For example: rules on car safety are just as strict in the European Union as they are in the United States—as public safety is always our top priority. We both have the same objective—to make cars safe for the road—but we have different technical rules to achieve it. A car producer who wants to sell his car both in Europe and in the United States has to get it safety-checked twice. Often the company also needs to add or change certain parts to get it approved on the other side of the Atlantic. This costs time and money. If we aligned our standards, or accepted the principle that a car which is found to be safe on one side of the Atlantic is also safe enough on the other, we could create real savings for all parties involved—the producers, the regulators and ultimately the consumers. If we do it well, we would be able to maintain the same levels of health and safety, but boost growth and create jobs with less red tape.

Second, because we are the biggest trade relationship in the world, transatlantic standards could be foundations of future world standards. This would mean that our businesses would not have to pay the extra cost for meeting different standards around the world. And, because the same would apply to companies in other parts of the world, an ambitious transatlantic agreement would be in effect a global public good.

It's not an exaggeration to say that such a "transatlantic economic alliance" will be ground-breaking. It could boost our economies by between 0.5 and 1 percent of GDP and result in more jobs and growth at no significant cost to taxpayers. These are the types of gains we cannot afford to ignore.

Successfully concluding these talks sends a strong signal to the rest of the world, affirming our commitment to free and open trade. Further integrating our economies will also help solidify our transatlantic relationship built on key shared values of democracy, freedom, the rule of law, and respect for human rights.

We are about to write the next chapter of our common history, and I'm convinced it will have a good ending.