

T R A N S **A** T L A N T I C
B U S I N E S S **D** I A L O G U E

Executive Summary

Building a Transatlantic Innovation Economy

**TABD Recommendations
2009-2010**

October 2009



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Executive Summary

American and European prosperity depends upon the creation of a Transatlantic Innovation Economy. This is the overriding theme of our recommendations.

The transatlantic marketplace is where, to a large extent, our companies incubate ideas, develop new technologies, innovate new products and services, and launch them into global markets. As our political leaders work to reverse the recent economic decline they should adopt a new ambition for transatlantic economic integration to drive innovation as the source of long-term growth and secure prosperity. This is especially true in the fields of climate change and healthcare.

A Barrier-free Transatlantic Marketplace to Promote Innovation

TABD advocates the elimination of economic and commercial barriers as the engine of transatlantic growth. The removal of these barriers will help foster the innovation we need to build a self-sustaining, climate-friendly global economy.

A barrier-free marketplace does not mean a regulation-free marketplace. A Transatlantic Innovation Economy must be built upon effective regulatory groundwork. We must minimize transatlantic irritants and duplications undermining economic and commercial success and emphasize alignment of our regulatory approaches and practices. Elimination of barriers, effective regulation, and alignment of regulatory practices will reduce costs, streamline time-to-market, and facilitate and encourage investment, trade and job creation for the long-term.

The following recommendations address the key elements of a Transatlantic Innovation Economy.

Investment policy

In the transatlantic economy and abroad we should continue to promote open investment policies. We stand to gain much more than we will lose. TABD members are concerned about signs of rising protectionism in investment policies, because such measures could have a serious chilling effect on the ability of our transatlantic, and indeed, global firms to make investments, create jobs and

expand economic activity. Political leaders who demonstrate the courage to keep faith in open markets and to resist protectionism can count on our vocal support. We have three recommendations:

- Address remaining bilateral barriers to investment, such as in the aviation sector.
- Maintain a level playing field for Sovereign Wealth Fund (SWF) deployment except for national security reasons.
- Provide leadership on open investment policies at the international level – in particular in the Organization for Economic Cooperation and Development (OECD) and at the G20.

Capital and financial markets

New regulation must encourage capital to flow where it is needed: funding trade, investment and innovation. And above all this new regulation needs to be aligned; regulatory divergence will reduce capital flows.

Our financial markets together make up approximately 75% of the global whole. That brings a responsibility with global implications requiring coordination ahead of G20 and other such meetings.

We recommend four actions:

- The creation of a single, barrier-free U.S.-EU financial market.
- Regulatory convergence in insurance markets.
- Confirmation and implementation of International Financial Reporting Standards (IFRS) as the global accounting language and promotion of principles-based International Standards on Auditing (ISA).
- Public Company Accounting Oversight Board (PCAOB) and EU regulators working together in their oversight of audit firms.

Healthcare, clean technologies, raw materials efficiency and security, and energy cooperation

The U.S. and the EU can learn much from each other's healthcare system experiences and best practices. Key platforms such as patient record interoperability should be fast-tracked and underlying issues such as data privacy should be resolved as a priority. Governments should configure our regulatory systems to supercharge efficient resource allocation. Innovation in the healthcare industry is being deployed too slowly. At a transatlantic level huge economies of scale are available, creating new options for patients and in healthcare system management alike. All of this is without prejudice to social and political choices as to coverage, cost bearing and other priorities.

The Transatlantic Innovation Economy must be designed to deliver against accepted climate change goals. Working with Intergovernmental Panel on Climate Change (IPCC) assessments for the need to reduce green house gas emissions we support using the tariff system for encouraging clean technologies and for encouraging climate-friendly initiatives in other sectors.

Insufficient attention is paid to the long-term supply of physical materials other than energy. Raw materials will remain important for the manufacture of high-technology products. Yet many of these materials lie outside our geography and beyond the scope of normal market characteristics. We should approach the challenge in two ways. First, traditional anti-trust and trade policy tools should be deployed to encourage market behavior, such as World Trade Organization (WTO) accession conditions and WTO dispute resolution. Secondly, we should promote resource efficiency, recycling, substitution and increased use of renewable raw materials by developing common transatlantic standards on resource efficiency, and create a better environment for investments in a modern, ambitious recycling industry.

Transatlantic cooperation on energy efficiency, regulatory policy and research and development should underpin enhanced transatlantic energy collaboration. Specifically we recommend enhanced cooperation to ensure compatible regulation of “carbon constraint” systems such as cap and trade, including:

- Exchanging information on carbon trading systems.
- Aligning policy, *before* divergent regulations are put in place.
- Establishing a basis for regulatory equivalence for carbon pricing regimes to avoid future distortion.
- Cooperating at the global level.

We also recommend the creation of an inter-agency, intergovernmental council to focus on transatlantic energy cooperation and collaboration. This should differentiate its work from any energy-related Transatlantic Economic Council (TEC) “Lighthouse” projects and priorities. These should be driven through the existing High-Level Regulatory Cooperation Forum (HLRCF)/TEC configuration to ensure proximity to regulatory and expert-based standard setting processes.

In relation to energy efficiency, we call for U.S. and EU standard setters to address a range of energy efficiency performance and other standards and to plot common approaches aligned for the transatlantic market and for global adoption.

Intellectual Property (IP)

We are concerned that the value of IP is being eroded. Intellectual Property Rights (IPR) are a core pillar of transatlantic competitiveness and our ability to create new jobs. Innovative capacity is strongly influenced by the quality of the IPR system – in the transatlantic market and globally. These rights are a key driver of private sector investment and will help ensure continued economic growth in the new “green” economy.

We urge the U.S. and the EU to:

- Speak with a common strong voice on the importance of respect for IPR in international organizations, including the United Nations, the World Intellectual Property Organization, the OECD, and the World Health Organization. Wherever possible, facilitate business engagement to allow for “win-win” solutions for technology diffusion.
- Maintain focus on the enforcement of IPR and build on successful transatlantic cooperative efforts to deter counterfeiting. Jointly identify

- and execute cross-border regulatory cooperation and technical assistance programs with third country markets.
- Establish an “IPR Czar” in the new European Commission to parallel the work and role of the U.S. “IPR Czar”.
- Advance negotiations on a strong and effective plurilateral Anti-Counterfeiting Trade Agreement (ACTA) and ensure that respect for IP remains a key element in trade negotiations and agreements.

Upstream cooperation on new technology regulation

The transatlantic economy is already a highly integrated marketplace in the global economy, but further alignment is a necessity. Greater emphasis should be given to regulatory cooperation in areas of new technologies. We urge that there should be reaffirmation of the applicability of agreed principles of good regulatory practice and principles to regulatory cooperation in the field of new and emerging technologies. We call for focus on three technologies: nanotechnology, RFID and future communications/ internet technologies.

People and goods movement, disaster preparedness cooperation

U.S.-EU innovative capacity also depends on secure movement of goods and on the fastest and freest movement of people possible, with due respect to security considerations designed to keep us safe. We have four recommendations:

- Establish a transatlantic task force capable of assessing and responding to global emergency situations as they relate to the international movement of people and goods. Members of this task force should include health, security, trade, and travel representatives.
- Develop a single Transatlantic Registered Traveler Framework.
- Review and reform U.S. visa issuing policy so as to increase the number of H1-B and B-1 visas. We also call for a coordinated effort to review, consolidate and minimize the burden of conflicting U.S. passenger data requirements. On the EU side, greater coordination is needed among competent authorities to enable uniform programs for skilled immigrants.
- Complete and implement mutual recognition of C-TPAT and AEO secure trade programs in 2010 and reengage with the U.S. Congress regarding legislation requiring 100% scanning of all cargo entering the U.S..

Institutions of the Transatlantic Innovation Economy

The network of expert transatlantic dialogues developed over the past years, with the addition of the TEC in 2007, and with we hope, a specific energy-focused council later this year, provides strong support for transatlantic economic integration. We believe this is a powerful structure that links technical capability, such as within the HLRCF and the Financial Markets Regulatory Dialogue, with a high-level political mechanism. Our experience as an Adviser to the TEC convinces us that this is the right modus operandi for high-level political/economic transatlantic relations. But we also believe that the model needs to be enhanced to ensure more priority political attention on high-level issues, with these current priorities:

- “Win-win” approaches to avoid protectionism in the transatlantic market.
- Transatlantic alignment with financial market regulation.
- Focus on how to build a Transatlantic Innovation Economy – particularly around energy and healthcare.
- Focus on protecting IPR as a pillar of American and European firm level competitiveness.

TEC should agree a work plan for barrier elimination so as to deliver defined tangibles over short, medium, and long-term, thus releasing more time for high-level political discussion on decisive issues. In turn, we believe that efforts towards mutual recognition for regulatory equivalence need to be refreshed using a flexible, outcome oriented approach to the instruments deployed avoiding one-size-fits-all requirements.

TEC also needs to deliver greater transparency and document publication in TEC stakeholder engagement. Furthermore, TEC has to give a bigger role for European Member States to allow for “competence inclusive” capability on the EU side, and to legislators who are often critical actors in driving transatlantic intention into domestic political action.

The Transatlantic Innovation Economy as a workshop for global solutions

The Transatlantic Innovation Economy can “transport” high quality, world-class, standards onto a global level. Transatlantic cooperation between standard setters, shared empirical reflexes and aligned regulatory outcomes, especially in the areas identified for these recommendations, can play a decisive role in creating an open climate-friendly global economy.



The TransAtlantic Business Dialogue: The leading voice promoting a barrier-free transatlantic market for growth, innovation and sustainability in the global economy.

The TransAtlantic Business Dialogue (TABD) was created by the U.S. Government and the European Commission as part of the 1995 New Transatlantic Partnership Agreement. TABD, which is comprised of Chief Executive Officers or Chairmen of American and European companies operating in the U.S., Europe and globally, serves as the official dialogue between transatlantic business and U.S. cabinet secretaries and EU commissioners.

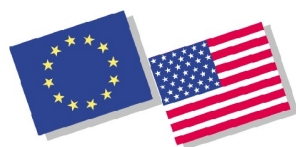
The TABD is headed by two co chairs, one American and one European. The current co chairs are Jim Quigley, Chief Executive Officer of Deloitte Touche Tohmatsu, and Jürgen Thumann, Chairman of the Heitkamp & Thumann Group.

The TABD has a unique meeting structure. “Dialogue” is part of our name because it is at the heart of how we operate. Meetings are structured to allow free-flowing conversation between transatlantic business leaders and U.S. cabinet secretaries, EU commissioners and other government officials. The candid exchange of views and discussion of policy options enables us to partner with governments in promoting enhanced transatlantic cooperation.

TABD promotes a barrier-free transatlantic market for growth, innovation and sustainability in the global economy. We believe a barrier-free transatlantic market will serve as a catalyst for global trade liberalization and investment and help stimulate innovation, job creation and economic growth. In addition, TABD speaks out against protectionism and supports conclusion of the Doha Round of multilateral trade negotiations as critical tools in this time of global financial and economic crisis.

Our goal is to achieve the freest possible exchange of goods, services, people and capital across the Atlantic. Since 2004, TABD has enjoyed strong relationships with key U.S. cabinet secretaries and European commissioners and provided recommendations for action directly to the U.S.-EU Summit Leaders.

Drawing on our history of business-government engagement at the highest levels, TABD serves as the official business advisor to the Transatlantic Economic Council (TEC). This body was established at the 2007 U.S.-EU Summit and charged with resolving specific issues, thereby restoring confidence, bolstering the competitiveness of American and European firms, stimulating innovation and expanding transatlantic trade, investment and job creation. In preparation for the biannual meetings, TABD conducts a broad-based consultation with business associations and stakeholders on both sides of the Atlantic to ensure views put forward are fully representative of business interests. The TABD co chairs participate in TEC meetings.



**T R A N S A T L A N T I C
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2009 TABD Membership

U.S.	EU
<p>US Co Chair Deloitte, <i>James Quigley</i></p> <p>Applied Materials, <i>Michael Splinter</i></p> <p>Chartis International, <i>Nic Walsh</i></p> <p>The Coca-Cola Company, <i>Muhtar Kent</i></p> <p>Covington & Burling LLP, <i>Ambassador Stuart Eizenstat</i></p> <p>Ernst and Young, <i>Beth Brooke</i></p> <p>GE, <i>John Rice</i></p> <p>Greenfield World Trade, <i>Neal Asbury</i></p> <p>Intel, <i>Paul Otellini</i></p> <p>KPMG International, <i>Timothy Flynn</i></p> <p>Merck & Co., Inc., <i>Richard T. Clark</i></p> <p>Microsoft, <i>Steve Ballmer</i></p> <p>Pfizer, <i>Jeffrey Kindler</i></p> <p>PricewaterhouseCoopers, <i>Samuel A. DiPiazza Jr.</i></p> <p>Travelport, <i>Jeff Clarke</i></p>	<p>EU Co Chair Heitkamp & Thumann Group., <i>Jürgen Thumann</i></p> <p>Airbus, <i>Tom Enders</i></p> <p>AstraZeneca, <i>David Brennan</i></p> <p>Atemation, <i>Bernard Hagège</i></p> <p>BASF, <i>Jürgen Hambrecht</i></p> <p>BBVA, <i>Francisco González</i></p> <p>British Airways, <i>Martin Broughton</i></p> <p>British American Tobacco, <i>Paul Adams</i></p> <p>BT, <i>Michael Rake</i></p> <p>Deutsche Bank, <i>Josef Ackermann</i></p> <p>Lafarge, <i>Bruno Lafont</i></p> <p>MAN AG, <i>Håkan Samuelsson</i></p> <p>Siemens, <i>Peter Löscher</i></p> <p>ThyssenKrupp, <i>Ekkehard D. Schulz</i></p> <p>Unilever, <i>Michael Treschow</i></p>
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