

December 23, 2004

Public Dialogue on Enhancing the Transatlantic Economic Relationship
OFFICE OF THE U.S. TRADE REPRESENTATIVE (USTR)
Office of Europe and the Mediterranean
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The Institute for Agriculture and Trade Policy (IATP) is pleased to respond to the USTR's Federal Register request for comment for "Public Dialogue on Enhancing the Transatlantic Economic Partnership". We hope the following will be useful.

Let me first say what a pleasure it was to host the "Transatlantic Stakeholders" listening session on October 29th and to serve as co-chair with Assistant Secretary of State for Economic and Business Affairs, Tony Wayne. It was gratifying to witness frank dialogue about individual transatlantic business problems, particularly those resulting from inconsistency between European Commission directives and their implementation or lack thereof in European Union member states. Such problems can be resolved readily through diplomatic intervention, as Assistant Secretary Wayne demonstrated in his skillful responses to the wide range of problems put to him by the participants.

The problems that I wish to address here are more complex than those discussed at the October 29th listening session, since they concern horizontal regulatory issues, and economic sectors, particularly agriculture, rather than problems of individual firms. To illustrate IATP's work on issues outlined in this letter, IATP is sending printed materials under separate cover. In this comment, electronic URLs for these documents are given.

First, IATP is concerned about the consultative structure of the Transatlantic Economic Partnership (TEP), particularly the U.S. government's treatment of the Transatlantic Consumer Dialogue (TACD), for which IATP serves as Trade Working Group co-chair. As the USTR knows, TACD was excluded from the U.S.-E.U. Summit held in June in Ireland, although President George Bush and EC President Romano Prodi met with representatives of the Transatlantic Business Dialogue. It is urgent to repair the damage this uneven treatment has done to the wider Transatlantic Economic Partnership; public confidence in U.S. trade policy cannot have been strengthened by such obviously biased treatment. We underline the importance of the joint TACD letter, agreed to by IATP and sent to you on December 22, where these concerns and more than a dozen recommendations were also expressed.

Second, I wish to draw USTR's attention to IATP's work on agricultural export dumping and our analysis of the Framework Text for the Doha Negotiations, known as the July Package. This work may be consulted at <http://www.tradeobservatory.org>, particularly at <http://www.tradeobservatory.org/library.cfm?refid=37471> and at http://www.tradeobservatory.org/library.cfm?filename=United_States_Dumping_on_World_Agricultural_Ma.pdf. An overview of our approach to agricultural trade policy is

“10 Ways to Fix Agricultural Trade” at
<http://www.tradeobservatory.org/library.cfm?refid=37141>

TACD circulated to U.S. and EC officials a position paper and resolution on agricultural export dumping at the Sixth Annual Meeting of TACD in February in Brussels. The position paper was in part the result of IATP’s work on the subject. Regrettably, the United States did not send an agricultural attaché from its Brussels embassy to the meeting so that TACD was unable to have a full discussion of the paper. TACD hopes to have a fuller discussion of agricultural trade policy with U.S. and EC officials, as well as with academic and industry representatives, at a TACD workshop on April 19, 2005 in Washington. The issue is of the utmost importance. It will be impossible to fulfill the Doha Round objective of a “fair and market-oriented agricultural trading system” if governments do not negotiate and implement rules, specific to the economics of agricultural markets, that prevent export dumping.

Third, the current framework of U.S.-EU regulatory cooperation treats regulations as *a priori* threats to trade (hence the “Early Warning System” moniker), rather than as necessary elements for structuring fair and orderly markets. IATP’s approach to agricultural market regulation has been to study best practices and encourage their use. For an example of this approach, see the document “Marketing Sustainable Agriculture: Case Studies and Analysis from Europe” at http://www.iatp.org/enviroObs/library/uploadedfiles/Marketing_Sustainable_Agriculture_-_Case_Studi.pdf. U.S. and EC officials should undertake a regulatory cooperation program on sustainable agriculture best practices to encourage innovation in agriculture. At present, the only new agricultural technology supported and marketed by the U.S. government is biotechnology, which depends heavily on public subsidies and which has generated a great deal of unease among consumers and environmentalists alike.

Fourth, IATP strongly urges the United States to revise its agricultural export prediction methodology. Years of chronically erroneous predictions by the U.S. government, which grossly overestimates likely agricultural export growth, have led to misinformed planting decisions, wasteful and inefficient resource allocation and massive product surpluses that the U.S. has distributed as program food aid or otherwise dumped on world markets. IATP has published an analysis of this issue, “How U.S. Grain Export Projections from Large Scale Agricultural Sector Models Compared With Reality” by Professor C. Phillip Baumel, at http://www.iatp.org/enviroObs/library/uploadedfiles/Marketing_Sustainable_Agriculture_-_Case_Studi.pdf. IATP believes that overly optimistic export projections lead to unrealistic producer expectations about the role that international trade plays in the profitability of their operations. In fact, it is domestic demand that has been growing steadily, while many agricultural exports are flat or declining. These false expectations have been used to support the current litigation strategy with U.S. trading partners, particularly with the European Community. A modernized and transparent export projection methodology would have as one of its benefits the reduction of unnecessary trade litigation.

Fifth, IATP believes that the United States and the European Union should deepen their co-operation to ensure that regulatory harmonization does not weaken implementation and enforcement of regulations. The recent sharp increase in alleged or proven transnational corporate crime and rule violation, particularly by protagonists of the General Agreement on Trade in Services (GATS), such as Arthur Anderson, Citigroup, Enron, Merrill Lynch, WorldCom, Vivendi, and others, should have triggered a trade policy review that estimates the costs to consumers of deregulating service industries.

IATP proposes that the “Roadmap for EU-U.S. Regulatory Cooperation and Transparency” undertake a horizontal initiative review of general regulatory policy to investigate ways in which the removal of regulations and regulatory authority as presumptive trade barriers may have contributed to opportunities for rule violation and corporate crime. The review could use transnational corporate case studies, such as the Parmalat-Citigroup affair, to determine how to harmonize up financial regulation standards and enhance transatlantic enforcement of regulation. Current measures are inadequate. Wall Street firms themselves say the so-called “nuisance fees” now in place have no material effect on their operations. There is an urgent need to rebuild consumer confidence, not least to stabilize markets, and that will require effective regulation.

Finally, U.S. and EU influence on global trade and development policy, while not strictly a transatlantic economic issue, has ramifications for the U.S. and EU economies, e.g. in terms of the costs of trade related migration. As the fifth anniversary of the Millennium Development Summit approaches, the United States government increasingly will be criticized, as it was in today’s *New York Times* (“America, the Indifferent”), not only for retreating from promises made concerning the Financing for Development Summit and the Millennium Challenge Account, but for supporting incoherent trade and development policy. For example, the latest WTO/IMF/World Bank “coherency” paper (WT/TF/COH/S/9; October 11, 2004) blithely forecasts trickle down development benefits from increased agricultural market access opportunities, while ignoring depressed commodities prices, increased non-tariff barriers, and declining terms of trade for developing countries. The United States and the European Commission should use their influence at the Bretton Woods institutions to support independent auditing, such as the Structural Adjustment Project Review Initiative (<http://www.saprinet.org>), of the performance for development of international financial institution trade-related loans. The United States and the European Commission should support implementation of the approach to trade and development outlined in the United Nations Development Program’s *Making Trade Work For People* (Earthscan Publications, 2003).

Thank you for this opportunity to share our views on how to improve transatlantic economic relations. We look forward to all policies for U.S.-EU cooperation in trade and investment that benefit all sectors of civil society, in our regions and in the world beyond.

Respectfully,
Mark Ritchie
President

