

## **A Transatlantic Jobs and Growth Initiative**

Testimony before the House Committee on Foreign Affairs

Subcommittee on Europe and Eurasia

“The Eurozone Crisis: Destabilizing the Global Economy”

October 27, 2011

### **Testimony:**

#### **Bruce Stokes**

Senior Transatlantic Fellow for Economics

German Marshall Fund of the United States

Washington, D.C.

Chairman Burton, Ranking Member Meeks and  
Distinguished Members of the Committee:

It is a distinct honor and a privilege to appear before you.

My remarks today represent my own opinions and are not  
the views of the German Marshall Fund of the United  
States.

It is particularly timely that we meet the day after another  
European summit about the euro crisis. It is far too early to  
know whether the measures announced yesterday will stem  
the bleeding and start to heal Europe’s wounds. But  
experience has taught us that--at every junction in this  
unfolding saga--European actions have been a day late and

a euro short. We have every reason to be skeptical. And we can only hope for the best.

America has a huge stake in Europe finally resolving its crisis. American banks have a trillion dollars in European exposure. Europe is America's largest trading partner. Europe generates more than half the earnings of the overseas affiliates of U.S. companies. And hundreds of thousands of Americans work for European firms. A European "Lost Decade" would do profound damage to the U.S. economy.

To date, much of the discussion in Washington about the euro crisis has been about how to defend ourselves against contagion from Europe's sovereign debt problems. But to turn the old football maxim on its head, in this case the best defense would be a good offense.

The Great Recession has demonstrated once again that the economic fates of Europe and America are inextricably linked. Stubbornly high unemployment on both sides of the Atlantic and flagging consumer and investor confidence have shaken the transatlantic marketplace more than any other event since the Great Depression. The need for closer economic cooperation to overcome these problems has never been greater.

Americans and Europeans are both telling their elected leaders that they need jobs and growth. Our mutual debt overhang and the near exhaustion of monetary policy means both Washington and Brussels must look elsewhere

to address their citizens' needs. The most promising and immediate way to do this is by launching a "Transatlantic Jobs and Growth Initiative" anchored in an effort to remove all taxes on and barriers to transatlantic trade and investment. Never has such an initiative been more timely, nor more necessary.

The benefits of such an effort would be significant.

A study last year by the European Center for International Political Economy in Brussels estimated that elimination of all EU tariffs on U.S. goods would boost American exports to Europe by \$53 billion.

A 2009 European Commission study found that eliminating non-tariff transatlantic trade barriers would add more than \$50 billion to the U.S. economy.

These estimates are a reminder that transatlantic barriers to trade and investment may be small compared with the barriers we face in other parts of the world. But their removal will pay significant dividends.

To put these prospective benefits in context: the payoff from eliminating transatlantic trade barriers exceeds the likely economic benefit to the United States from completion of the Doha Round. It also exceeds the potential economic benefit to the United States of TPP--the Trans-Pacific Partnership--now under negotiation.

How can we possibly leave these benefits sitting on the table while we pursue less substantial, more elusive payoffs elsewhere?

Interest in a Transatlantic Jobs and Growth Initiative is mounting. The U.S. Chamber of Commerce has called for the elimination of all barriers to goods traded between Europe and the United States--as a first step toward a full free trade agreement. The U.S. Coalition of Services Industries has suggested pursuit of a transatlantic free trade area in services. The Transatlantic Business Dialogue advocates the establishment of a Barrier-Free Transatlantic Market. The Transatlantic Policy Network, made up of members of Congress, the European Parliament and transatlantic business leaders, has recently called for a growth and jobs initiative that would lead to the creation of a Transatlantic Market by 2020. And, in late September, your counterparts in the European Parliament called for a “comprehensive Transatlantic Growth and Jobs Initiative”.

I might add, the German Marshall Fund is helping facilitate a task force led by the Swedish trade minister and your former colleague Rep. Jim Kolbe that early next year will add its own recommendations to these calls for creating jobs and growth through greater transatlantic trade and investment.

So, how to proceed:

- At the U.S.-EU summit November 28, president Obama and his counterparts in Europe should

instruct their teams to come up with a transatlantic Jobs and Growth Initiative.

- This Initiative should be ready to be signed in mid-May 2012, at the G8 summit in Chicago.
- The Initiative should have multiple pillars: these should include, but would not necessarily be limited to, elimination of all tariffs, free trade in services and an investment agreement.
- Most important, these efforts should run in parallel, but not be dependent on each other. We can eliminate tariffs rapidly. We should do so. If it takes longer to hammer out an agreement on services, that should not hold us back from harvesting the benefits of eliminating taxes on goods.

Mr. Chairman, the current economic crisis presents a unique opportunity for political leadership. Americans and Europeans want jobs, they want growth and, above all, they want a reason to hope. What they lack is a sense of direction and purpose from their leaders.

A Transatlantic Jobs and Growth Initiative is a way to turn the euro crisis into an economic opportunity for all Americans.

Thank you. I look forward to your questions and comments.

**United States House of Representatives  
Committee on Foreign Affairs**

**"TRUTH IN TESTIMONY" DISCLOSURE FORM**

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee require the disclosure of the following information. A copy of this form should be attached to your written testimony and will be made publicly available in electronic format, per House Rules.

<p><b>1. Name</b></p> <p>Bruce Stokes</p>	<p><b>2. Organization or company from which you are representing</b></p> <p>German Marshall Fund of the United States</p>
<p><b>3. Date of Committee hearing</b></p> <p>October 27, 2011</p>	
<p><b>4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b></p>	<p><b>5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?</b></p>
<p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p>
<p><b>6. If you answered yes to either item 4 or 5, please list the source and amount of each grant or contract and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b></p>	
<p><i>(Empty space for listing grants and contracts)</i></p>	
<p><b>Signature:</b></p> <p align="center"><i>Bruce Stokes</i></p>	

*Please attach a copy of this form to your written testimony.*