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**From:** sbwhoep [redacted]  
**Sent:** Thursday, November 5, 2009 12:40 AM  
**To:** H  
**Subject:** Memo: agenda for Merkel, transatlantic economic council we discussed. Sid  
**Attachments:** hrc memo merkel transatlantic council 110509.docx

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CONFIDENTIAL

November 5, 2009

For: Hillary  
 From: Sid  
 Re: Agenda with Merkel

The Transatlantic Economic Council was Chancellor Angela Merkel's major initiative when Germany held the EU presidency in 2007. She got President George W. Bush to agree to its formation. But the council now languishes. Has the US appointed its representative? The council is more about coordinating regulatory matters than trade, by the way. Raising Merkel's project and reinvigorating it would undoubtedly be well received. Below is an article from Europolitics Daily from January 2009 on the council. State could work this up.

<http://www.europolitics.info/dossiers/usa-obama/transatlantic-economic-council-facing-uncertain-future-art147529-77.html>

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 Trade

## Transatlantic Economic Council facing uncertain future

By Brian Beary in Washington | Friday 16 January 2009

As Barack Obama was coasting to victory last November, the leader of the Socialist MEPs, Martin Schulz, urged him to "make sure Europe is on the top of his in-tray". Two months on, there is considerable doubt as to whether Obama will indeed take this advice or leave Europe lingering towards the bottom of the pile. Nowhere is this danger more striking than with the Transatlantic Economic Council (TEC), the body German Chancellor Angela Merkel persuaded President George Bush to set up in April 2007 to remove regulatory barriers to transatlantic trade.

### STILL NO TEC CHAIR

Obama has been widely praised for moving quickly, by comparison to previous new presidents, to nominate his new administration. Yet his spokesman told *Europolitics* he has still not appointed the future co-chair of the TEC. In the interim, Michelle O'Neill, Deputy Undersecretary at the Department of Commerce, has been tasked with ensuring

continuity. The EU Co-Chair is Commission Vice-President Günter Verheugen. Given that dozens of nominations have already been announced, this may be a sign that among his long list of priorities, the TEC, the most significant EU-US initiative to emerge in recent years, will not feature highly. It should be noted that when Obama was chair of the Senate Subcommittee on Europe, from 2007 to 2008, he did not organise a single hearing, something on which his then rival in the presidential campaign, Senator Hillary Clinton, tried - and failed - to score political points.

The Democrats, who have grown more protectionist-minded on trade, now have a commanding majority in both the US Senate and House of Representatives. Obama, himself a Democrat, is being careful to cultivate good relations with them and not take for granted their support, which he desperately needs to push through his ambitious economic policy agenda. It was Congress that in 2007 introduced the 100% rule, requiring all US-bound containers leaving European ports to be scanned before being loaded onto the departing ship. This has been a thorn in the EU's side ever since and now features on the TEC agenda. In the current climate, Congress is unlikely to be clamouring to scrap the rule and may not even wish to extend the 2012 implementation deadline as the EU is asking. Anxious not to burn bridges, Obama could well go along with Congress in order to avoid an unnecessary fight.

#### AMERICANS NOT SO HOT ON TRADE

Congress' protectionism does not magically appear in a vacuum. It is reflective of mounting fears among the US public about the impact free trade has on US jobs. Their fears are not entirely groundless. American manufacturing jobs are indeed going overseas - notably to India and China. And being unemployed in the US is a more perilous predicament than in Europe because government unemployment benefits are less generous and more temporary. Moreover, most Americans, unlike Europeans, have their health care paid for by their employer so if they lose their job they also lose their health care. Hardly surprising, therefore, that only 59% of Americans think trade is good for their country, compared to 78% of French and British, 80% of Czechs and 85% of Germans, a Pew Research Centre survey has shown.

This bearish sentiment has a knock-on effect on all trade dossiers. For example, it makes Congress less amenable to scrapping the law requiring US airlines to be in 'actual control' of US citizens - something the EU is urging in the current Open Sky II aviation liberalisation talks. It makes US lawmakers more likely to take action to prevent European companies winning lucrative US defence contracts. This is happening already with the epic tussle between Boeing and Airbus over the Pentagon's US\$35 billion refuelling tanker contract (see separate article). EU officials are clinging to the hope that Obama, as president, will adopt a more global outlook and drag the Democratic Congress along with him rather than the other way around.

#### A VICTIM OF DULLNESS?

The TEC, despite having failed to deliver as much as many hoped for, remains an extremely useful tool. By emphasising regulatory rather than tariff barriers, it shows an understanding of where the real problems lie in today's trading environment. The EU and the US could use the TEC to create a global standard in hugely important sectors, such as toys and food. "The alternative," as Dan Hamilton, director of the Centre for Transatlantic Relations at Johns Hopkins University in Washington notes, "is that we end up with Chinese standards".

Yet the TEC has one weakness no one should underestimate: its dullness. Discussing highly technical regulatory divergences, such as whether to wash chickens in chlorine or water, may have been Chancellor Merkel's cup of tea but French President Nicolas Sarkozy showed little interest in it during the French EU Presidency. Without strong impetus from someone on Obama's team who has the power to make things happen, the TEC - like an old soldier - might not actually die but just fade away.

#### EU-US economy

While there is much talk about the rising power of China and India, the transatlantic economy still far outstrips the rest of the world in size and wealth. The EU27 and the US accounted for nearly 57% of world gross domestic product in 2007, while the transatlantic economy made up 47% of world exports and 52% of world imports. The net worth per household in the US is US\$565,000, in France US\$518,000, in the U.K. US\$599,000, compared to just US\$18,000 in China, US\$31,000 in Russia and US\$44,000 Brazil.