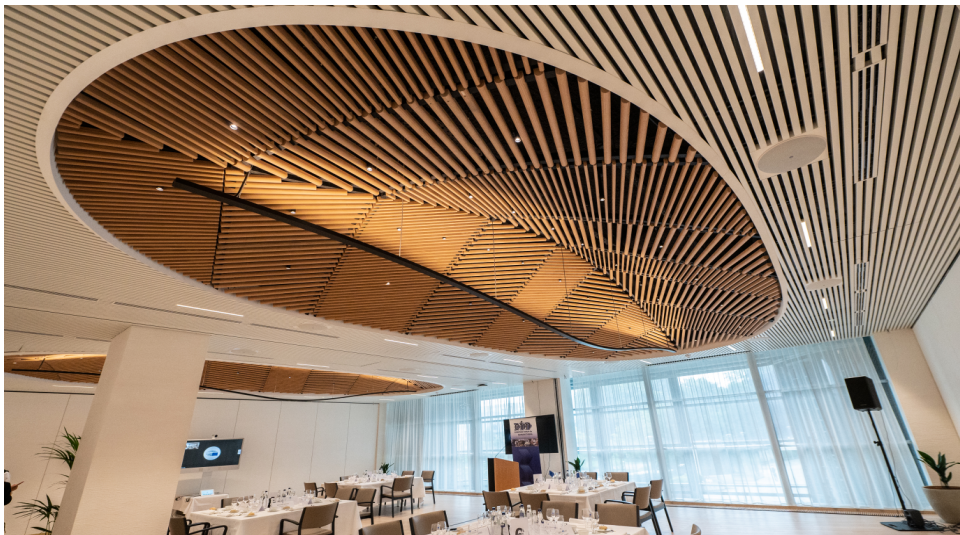


PROMOTING EU & US TECHNOLOGY LEADERSHIP

Wednesday 7 June 2023

18h00 Cocktail – 18h30 Roundtable – 19h30 Dinner & Debate
Salon 3 Spinelli Building, European Parliament



Prof. Danuta HÜBNER MEP, (EPP, Poland) Committee on International Trade, Chair Advisory Steering Committee, Transatlantic Policy Network



INTRODUCTION

Welcome to this first EFM meeting in the European Parliament Members' Salon since Covid. We are pleased to welcome US guests joining us virtually, and the European Commission and European Manufacturers here in the Parliament. Also, we are delighted to have Silvia Savich with us tonight in her new role as Deputy Assistant U.S Trade Representative for Eurasia

All speeches announced in the Programme will, as usual, be on the record apart from the speech by Sylvia Savich, who will give us a top level high level briefing which will be off the record. As usual, the discussion and the questions and answers are also off the record .

RESETTING THE NARRATIVE

In the EU-US relations, we are not back to TTIP times. Somebody said that the focus now is more existential.

The good news is we are now thinking about the EU and the US as the transatlantic economy, sharing challenges and common interests, which go well beyond trade relations.

For the transatlantic economy, the flows that matter are largely covered by the work of the ten Working Groups of the Trade and Technology Council (TTC).

But, not at all out of nostalgia for the TTIP, let me say that getting rid of remaining traditional trade barriers, including tariffs between EU and US, would lower substantially costs for businesses.

I feel tempted to remind us that the transatlantic economy is the most interconnected, robust and resilient commercial artery in the world.

Last year, US and EU companies broke historic record in trade in goods, in particular in comparison with EU-China and US-China trade flows.

This economic relation runs very deep. 64% of global investment into the US comes from Europe. 61% of US global investment goes to Europe. This is two-thirds of global foreign direct investment stock.

Our trade in services is six times bigger that the one between the EU and China.

And my favourite data that I never hear from our politicians is about jobs. The EU and the US relations generate 16 million jobs on both sides of the Atlantic.

In the current geostrategic context, it is not only economic strength that matters. The EU and the US share fundamental values: democracy, human rights and the rule of law. The aggression on Ukraine showed those shared values in action.

Today, different flows build and accelerate globalization. A closer look shows the role of clean technology, sustainability efforts, security concerns, changing business models, state aid and geopolitical concerns in reshaping the global economy.

Related policies are leading to strategies of “de-risking”, decoupling, and generous reaching-out to state subsidies.

The global narrative is being reset. We are moving from a logic of cost efficiency to investments based on resilience and security considerations. I would say that if we are serious about a truly strategic de-risking, the challenge here is to make resilience based on security considerations also cost efficient.

In both the EU and the US, there are concerns about supply chain dependencies on China, especially for many critical materials and products needed for the digital and green transitions, and there are risks of switching addictions.

I mentioned that the EU and the US share a common understanding of global threats, but we have a preference for different policy paths to respond to them.

The US is more prone to seeking bilateral partnerships with like-minded countries. The EU chooses to root its policy response in the multilateral rules-based system, with the WTO at its helm. Both, however, seem to increasingly appreciate opportunities opened by plurilateral frameworks and on both sides of the Atlantic, there is awareness of our shared global responsibility.

And I also think that we are both looking for a good balance between the rationality of domestic policies with a strong element of economic security, and the rationality of global responsibility, for which we need to be working together.

We are both open to working on plurilateral agreements. This format could integrate conversations of common interest at the global level.

Demonstrating leadership at global level is important. The G7 has become a platform for global engagement of the US and the EU.

At the recent G7 meeting, leaders endorsed the 'G7 Clean Energy Economy Action Plan', which emphasizes the importance trade policies and sharing necessary data will play in reaching net-zero emissions.

The G7 also mandated the OECD to report back on the progress of the Inclusive Forum on Carbon Mitigation Approaches (IMCMA) to explore methodological approaches for computing carbon intensity of goods or sectors.

We might remember that already at the June 2021 EU-US Summit, Presidents Biden and von der Leyen announced the creation of a "Green Tech Alliance". We see now the first building blocks of that alliance being created in the TTC with the Transatlantic Initiative for Sustainable Trade, and the EU-US Clean Energy Incentives Dialogue. That dialogue will also undertake joint analysis of non-market policies and practices of third parties to better understand their impact on US and EU companies.

At the TTC4 meeting, the EU and the US also launched the Transatlantic Initiative on Sustainable Trade to amplify the potential of the transatlantic marketplace as a catalyst for decarbonization and the green transition.

In all those dialogues, our focus should be on helping to rapidly scale up clean tech so that EU and US innovations can become more affordable, accessible, and attractive.

I trust that our respective policy packages addressing climate change and the transition to a low-carbon economy will build the resilience of the transatlantic marketplace in a mutually supportive way.

The EU and US have completed a joint early warning mechanism for semiconductor supply chain disruptions and a transparency mechanism for reciprocal sharing of information about public support provided to the semiconductor sector. It is essential to remain coordinated and avoid a race to the bottom in semiconductor public support. The TTC will collaborate on incentives for research on alternatives to some elements in chips manufacturing to build more resilient supply chains.

We probably all agree that in the ongoing technological race against China, we need to assert transatlantic technological leadership to ensure that future technology and standards will be aligned with our democratic values respectful of human rights. In that regard, the TTC helps us not

only advance on the resilience of transatlantic supply chains in key sectors for the green and digital transition but also cooperate on standards for emerging clean technologies.

The EU and the US announced at the end of the fourth meeting of the EU-US TTC (TTC4) that we developed a common standard for charging electric heavy-duty vehicles. I understand the alignment of EU-US approaches to standardization will be critical for the roll-out of dedicated recharging infrastructure.

The EU and the US should continue their cooperation on standards setting and should also cooperate on nominations in standards setting bodies to ensure that we have geopolitically sensitive experts in the technical committees.

In Sweden, the EU and the US announced they extended the scope of the EU-US Mutual Recognition Agreement annex for Pharmaceutical Good Manufacturing Practices to include veterinary medicines and updated the existing EU-US Marine Equipment Mutual Recognition Agreement. These are steps in the right direction.

However, to achieve more frictionless trade between our markets, we still have a hugely untapped potential for adding more sectoral mutual recognition agreements in a range of sectors, such as machinery, auto safety, or digital tools.

On the digital front, there remains a gap between the EU and the US on AI rules.

The EU is moving ahead with mandatory rules for AI that would require firms to not use the technology in pre-defined “harmful” ways.

On the US side, ongoing political division within Congress makes it unlikely that any AI-specific legislation will be passed before next year’s US election.

Regardless of Congress, the Biden administration has made international collaboration on AI a policy priority as helping leading US AI companies compete against China’s rivals is also a national security priority.

The fact that the EU and the US announced at the TTC4 meeting that they are launching three dedicated expert groups on AI, including on terminology and standards shows we are collaborating the right way. We all expect to see more deliverables being announced at TTC5.

And it goes without saying that these unprecedented challenges can be adequately addressed only with an active role of the business community – actually with a new approach to collaboration between policy makers, legislators, regulators and those who generate technology, growth, trade, and jobs.

We need collaboration that will be more transparent and based on a common understanding of risks, of economic and national security challenges, as well as of the importance of sectors to the digital and green transitions.

And when I talk about collaboration I see it as a process and not a one-off event.

US TRADE PRIORITIES



Silvia Savich, Deputy Assistant U.S. Trade Representative for Eurasia

Off the Record Top Level Overview of USTR's Trade Policy Priorities, Work under the Trade & Technology Council & Working Group 10 Global Trade Challenges

The Office of the U.S. Trade Representative (USTR) provided remarks regarding the importance of the U.S.-EU transatlantic trade relationship and reflected on the recent Trade and Technology Council Ministerial in Sweden

PROMOTING EU & US TECHNOLOGY LEADERSHIP

Chris Haenen, GE AEROSPACE, Vice President Government Relations EU & NATO

We are very pleased to be the Manufacturing Partner for this European Forum for Manufacturing on Promoting EU and US Technology Leadership. I would like to thank you for chairing this important debate and for your tireless work, Danuta, in Polish and European politics and especially for fostering the transatlantic relationship.



Allow me to briefly introduce our company for those who are not familiar with it. GE Aerospace is a global leader in aircraft propulsion, both in the military as well as the civil domain. We have close to 50,000 employees globally, of which almost a third are based in Europe. The aviation industry is a truly global one and we have partnerships all over the world. One of the most important ones, is our Joint Venture CFM with Safran from France. Over the course of 50 years, CFM turned into a transatlantic powerhouse and now offers the engine of choice for the narrow body market.

Before I continue to talk about our technology, I would like to get everyone grounded on the importance and magnitude of the Transatlantic economy. There is a persistent narrative from certain corners of the globe on the West's decline. We have been hearing this for many, many decades, and it is clearly exaggerated. Instead, the Transatlantic economies and our bond has been strong and remains strong. Allow me to share some statistics. Between the US and Europe, we create 16 million jobs on both sides, and we represent a third of global GDP. When looking at Foreign Direct Investment, 60% of US foreign investment goes to Europe (approx. 230 billion EUR) and over 60% of foreign investment into the US, comes from Europe, a nearly equal value.

Values from China on the other hand, are about twenty-fold smaller. Trade between the US and Europe is currently 900B, higher than with China. This comes on top of the affiliates sales on both sides of the Atlantic which comes in at >600B for both Europe and the US. While I am not denying in any sense the rise of China and the changing global economic dynamics, we are far from being marginalized.

On tonight's topic, promoting US and EU technology leadership, I have the following remarks. The US and Europe have been leading for a long time and for Aerospace I expect we will remain in the lead for many years to come. Since the introduction of the jet engine in the 1960's, efficiency has improved by more than 70%. A lot of progress has been already and there is more to come. We have a lot of work to do but we hold all the right cards. We have the know-how, the research

facilities, and the financial backing to address the challenge of climate change. As GE Aerospace, we are working on revolutionary propulsion technologies, such as open fan, hybrid electric and hydrogen.

The next generation of engines could bring >20% additional efficiency. But no one can do this alone. Net-zero carbon emissions by 2050 requires a global solution and global participation, also from a regulatory and safety perspective. With the Federal Aviation Administration and European Aviation Safety Agency we hold the global standard in Aviation safety.

But as we think about investment in R&D to support climate goals, the concept of Strategic Autonomy, Buy American, or similar well intended but possibly protectionist themes, could weaken the ability to reach those goals. For American companies invested in the EU, such as ours, this could mean the exclusion from vital European R&D activities and therefore actually weaken the European competitiveness. We have been a partner in every rendition of the Clean Sky and Clean Aviation public-private partnerships. We collaborate with many European partners to introduce the next generation of aircraft engines and actively support Europe to address the decarbonization of the aviation sector.

Historically, the EU has always been a very attractive region for these activities. It has a large and highly educated population and has excellent research facilities. It has thrived because of its open economy and its strong trade relations across the globe. No one argues that Europe needs more resilience, certainly in energy supply, but also in critical raw materials and defence capabilities. The way to achieve this, is to diversify supply chains and cooperate with like-minded allies in support of commonly held objectives. We believe that free economies should collaborate and partner to create mutually beneficial investment climates that are predictable and ensure fair competition. We may look at the TTC to play a role, which got together again just recently. We should also work together on aligning ourselves better with what is known as the Global South. We need to offer an attractive and pragmatic alternative, as opposed to a model based on economic coercion.

Let me finish with a more personal observation. For a long time, we have taken things for granted. I grew up during the Cold War, the world was divided yet stable and predictable. I have seen the fall of the Iron Curtain, the Berlin Wall and the wave democratisation in the 1990's. I experienced the digital boom in the 2000's, but also, the dot com bust. Then the financial crisis, a pandemic and now war has returned to Europe. Democracy and the rule of law are under pressure across the world, dictators are returning to the political arena. And while in the past decades we have learned that democracy may not be an export product, on the other hand we should never allow autocracy to become one either. Now is not the time for isolation, instead we need to reinforce alliances and strive for a world order that is based on the rule of law, fair competition, and the protection of our citizens.



Bertrand Deprez, SCHNEIDER ELECTRIC, Vice President EU Government Affairs
(Notes taken from his presentation)

Let me first introduce Schneider. I have been with Schneider for about ten years. We are global leader in automation and electrical distribution products.

So, it may sound a bit barbaric but what it means is that all the equipment that helps you to have more energy efficiency, to integrate renewable energy, to be more productive in your plants in your data centre, in your grid. We have both physical equipment and a software layer.

So, if you take all in all what we are doing, we are quite central in the energy transition.

Because that is about how we integrate renewables

Today we are a global company, but from the European side in terms of headquarters.

Let me go back to history, for Schneider history it was more than 20 years ago the European Commission refused Schneider to merge with another French company – company Legrand. The hope was to create a European champion. So, we did not succeed because one of the Commissioners refused.

Instead, we decided to acquire a US company. That gives us a global direction which we have, I think, very well managed. We multiplied by 10, our turnover within the past 20 years. I think that we are recognised not only as a leader in terms of industrial automation but also sustainability. It shows even if at that time Europe has no strong industrial policy, the openness in terms of trade and the existence of the transatlantic market helps companies like us to grow and to keep very strong roots in Europe.

Now another bit of perspective from my own perspective.

Thanks to the US State Department, I joined, 15 years ago, their international leadership development program. So, I travelled in the States, went to Detroit, to Houston, to a lot of places meeting a lot of people focusing on the Green Transition.

The US's diversity struck me.

Because in Europe we tend to see the US as a block but I am not sure that there is as much diversity in term of governance but in terms of culture, I think there is a great set of diversity.

That teach me four things that I want to share with you tonight.

- Better to collaborate than to fight. Our first country in terms of turnover is the US. If you look region by region US, Europe, Western Europe is about the same size. What is very useful about the US is that it is much more integrated in terms of governance and it helps us to scale up our business model. For example, we have actually a collaboration with Carlisle – which is a big bank in the US – in an organisation called Alpha Structure and we develop a new business model about energy as a service, which is basically we develop a micro-grid and provide services to customers.

So, they can see how they improve their sustainability for instance. This started in the US, we will bring it to Europe. It is a bit more challenging in Europe also because of the difficulty of scaling up. But the whole point is that is not because you are doing something in the US that you will not do it in Europe. So the confrontation is not really what we are aiming for, it is clearly collaboration and learning from the US about new business model that we could import here in Europe. As Chris said EU-US Trade relationship is big – we have very strong ties and the US Inflation Act from our point of view is not a threat for us.

There were a lot of big stories as how we should reply but the reality is that what hurt European competitiveness was the energy prices, was the inflation. By the way, on overall Europe has spent €700 billion to subsidize energy during last year in the EU. Which is €200 billion more than the total amount of the US Inflation Act.

So, I think what is at stake here is not really the response to the US Inflation Act as such. Of course, we need to react but it is more what is a green industrial policy in Europe. And so, we can manage the energy transition in Europe and then we can develop the right tools without being naive. I think the Commission has done a pretty good. Job. There are things always to improve to develop something in Europe for Europe but not in reaction to the US. Because we cannot import the US Inflation Act, as it is, in Europe.

- The elephant in the room is the energy transition in the context of the TTC and the EU-US relationship. Are the dialogues visible enough? The challenge is huge. Couple of trillion euros investments from both sides by 2030 and I think that we are not going to succeed on our own.

Here I am just talking about investments but obviously you have also the international negotiations issues which is even more challenging, if we don't act together.

We need a complementary approach. From a business point of view, Europe has very strong strengths in renewables (we are investing much more than the US), energy efficiency (renovation of buildings). I think Europe industry in overall is much more advanced, hydrogen (US is moving fast, still we have a lot of leaders in that space). But of course, we should not be naïve. There are very advanced competitors from the US. There are Innovative business models in the US that we can replicate in Europe.

If you look in my own sector, for the past twenty five years, the global players came from the EU and the US. They are Schneider, Siemens, ABB, Honeywell. Of course, we are competitors, we managed to create a transatlantic leadership in that field that could be replicated in the green tech world. That will not happen if we do not try to force more convergence. When I started in Brussels there were initiative like Energy Start, that was a green label on computer. At that time in the field of Data centre there were something called the green consortia with both EU-US players that fixed the same rules in terms of energy performance for data center and unfortunately, I do not see so much initiative, similar to that one happening today from the two sides of the Atlantic.

- I believe that TTC is a unique opportunity to create such convergence. For instance, the European Commission has created a green digital coalition with a lot of players from US and Europe, so you have Google, Siemens, etc. The whole point is to look at the impact of IT technologies in greening the economy. This is a great example of collaboration that could be used on both side of the Atlantic and could help industry and the policymakers to say how much IT could generate in terms of greening the economy.

But then for that we need indicators by the industries - and again what Europe is doing is very interesting - and why do we not put that in the context of the TTC? We need to better map our areas for collaboration: standardisation (super important); smart home devices. A lot of things are happening but need also more attention at political level about what makes sense and what do not make sense to have a benchmark in Europe and the US. There is also very interesting best practice in terms of regulatory initiatives in California pushing on solar panels and batteries at the same time. We have great example in Europe also that could be discussed. So, it is a pledge to have the Green economy much more at the centre of the TTC with all the components and especially, standardization and regulation.

- Hopefully we should see the EU-US relationship as a small to bigger steps policy - "*politique des petits pas*". Of course, we see that indeed there is the policy momentum which is challenging in Europe but also in the US. When it comes to trade relationships, we should identify things that are important, vital for the economy of both sides. And such approach, I mention for the green economy we could look at this also in AI. For instance, our company on Cyber security there are a lot of products that we need to certify and a lot of things happening in Europe in terms of fixing the rules with the CRA – that's again is typically an example of regulatory dialogue that we should have in the US because digital is really something we take as a integrated matter both for Europe and US in terms of developing our software and our products. So, it is very important to have that as a part of the regulatory dialogue. Conformity assessment is also something very important to look at.

So, I am very happy to be here, to have this opportunity clearly to state that we can be stronger together in Europe but also with you (in the US), not in every field of the economy, but at least in green and digital.

MAKING THE US – EU TRADE & TECHNOLOGY COUNCIL EFFECTIVE AND FORGING A TRANSATLANTIC CLEAN TECHNOLOGY ALLIANCE

Jules Besnainou, CLEANTECH GROUP, Executive Director

I am pleased to brief you on the Report that was presented to US Secretary of State Antony Blinken and European Union Vice President Valdis Dombrovskis at the Trade and Technology Council in Luleå last week.

The dual climate and energy security crises urgently demand a shift towards a cleaner, more sustainable economy. Despite their ambitious industrial strategies, the United States and the European Union are playing catch-up to China in this race and need to join forces to remain competitive. Our report provides a comprehensive overview of the state of play of transatlantic clean tech cooperation, identifies opportunities for improvement, examines potential barriers, and provides recommendations for the next steps that could be taken by policymakers to advance transatlantic collaboration.

- According To Our Data, Investors in The EU and US Are Demonstrating Increasing Interest in Trans-Atlantic Dealmaking

Over the past decade, from 2012 to 2022, US investors' participation in EU clean tech deals increased sevenfold, while EU investors' participation in US cleantech deals increased threefold. Until 2017, EU investors were most active in transatlantic deals, but since then, US investors have taken the lead. This massive increase underlines the growing interest in clean technologies following global policy signals such as the Paris Agreement, and show that investors are actively looking for opportunities across the Atlantic.

This increased transatlantic investment is mutually beneficial: US investors are providing much-needed growth capital to EU companies, which are struggling to find sufficient funding from local investors to scale up. Meanwhile, large corporations from the European Union are actively investing in US innovators, driving innovation and demand for their products. Overall, transatlantic investment is correlated with positive outcomes for cleantech companies, such as faster growth timelines and larger investment rounds.

Bottom-up, ad-hoc transatlantic collaboration between public and private entities is already taking place, for instance with venture capital funds partnering with each other, or in specific sectors such as batteries.

- Despite the Increasing Focus on Cleantech Innovation and Policy on Both Sides of the Atlantic, Significant Gaps Exist in Transatlantic Cleantech Cooperation

While the EU and US are investing considerably in cleantech R&D, coordination between their R&D agendas is lacking. Improved coordination among governments could lead to faster innovation break throughs.

Cross-border investment suffers from administrative barriers, as investors have to understand and comply with differing practices and legal obligations pertaining to various aspects such as term sheets, fiduciary duties, and employment contracts. This is exacerbated by inherent policy complexity and increasing policy divergence between the US and EU, both of which have implemented novel financial and industrial policies. One example is the EU's Sustainable Finance Framework, which over the past few years has created a number of new disclosures requirements for investors aimed at promoting sustainable investments. These disclosures, though burdensome and complex, are designed to enhance transparency, enable informed decision-making and encourage responsible investment practices.

The voice of cleantech innovation is currently absent from transatlantic policy discussions.

There is no place for cleantech innovators and investors to inform and exchange views with US and EU officials. Facilitating regular and structured communication between the innovators and policymakers will help identify ripe areas for federal investment and remove barriers to cross-border investment.

Finally, demand owners such as large corporations are lacking access to transatlantic deal-flow, and do not yet benefit from a "Green Transatlantic Marketplace".

- To Further Accelerate Transatlantic Collaboration and Leverage Existing Strengths, We Recommend the Following Actions:

Harmonize policies, incentives, and standards to scale cleantech on both sides of the Atlantic.

- Mobilize cleantech leaders (investors, innovators) in regular dialogues with policymakers to convey needs and opportunities.
- Engage demand owners and innovators to facilitate transatlantic deal-making and scale-up.

INDUSTRY PROPOSAL FOR A TANGIBLE REDUCTION OF TRADE BARRIERS IN THE MANUFACTURING SECTORS

Lorenzo Livraghi, ORGALIM - Europe's Technology Industries, Senior Adviser Trade Legal

- The industries Orgalim represents are comprised of 770,000 innovative companies (mostly SMEs and microbusinesses) spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches, with eleven million direct employees. They constitute one third of Europe's total manufacturing industry.
- Our industries provide the high-tech solutions that will enable a more sustainable, circular and decarbonised economy in Europe - good examples are batteries and charging stations for electric vehicles, among many others.



The Importance of the US Market for Our Industries

- The US is our industries' first export market and the second biggest overall trading partner after China. The annual transatlantic value of trade for our products is €191 billion (2021).
- Despite that, we still face considerable barriers to trade, including tariffs on industrial products as well as non-tariff barriers to trade (e.g. diverging technical products requirements and different conformity assessment systems)
- Due to such barriers, we estimate that our products for the U.S. market cost between 5% and 18% more than a comparable product for the EU market, because they must be specifically manufactured to meet the requirements of the US market.
- Our key priorities to promote stronger transatlantic market integration are to:

- remove tariffs on industrial products.
- promote an agreement on conformity assessment.
- advance EU-US cooperation on the development and transposition of international standards to achieve harmonisation in technical product requirements.

Our Views on the Trade and Technology Council

- Following the collapse of the TTIP negotiations in 2016 and a long period of tense EU-US trade relations under the former Trump Administration, the establishment of the TTC in June 2021 was certainly a welcome development.
- The TTC has greatly improved the quality of the transatlantic dialogue and is working well as a forum for regular exchanges between the EU and the US on important issues like public support for semiconductor manufacturing and cooperation on standards for emerging technologies, such as charging systems for electric heavy-duty vehicles.
- However, we still fail to see concrete outcomes in terms of reduction of trade barriers that could bring tangible benefits to our industries, on both sides of the Atlantic.
- In the joint statement published following the TTC meeting in December 2022, the EU and the US agreed to “continue exploring opportunities to improve cooperation in conformity assessment, including in machinery [...]”. We were glad to see similar wording being included in the joint statement that was published following the last TTC meeting in Luleå last week.
- However, we really need to translate this high-level commitment into a more concrete initiative that can bring benefits for companies on both sides of the Atlantic. As representatives of Europe’s technology industries, we felt compelled to provide concrete recommendations on what exactly could be a desirable outcome of such EU-US cooperation on conformity assessment.
- Following months of work and consultations with our members, we have recently finalised our proposal for a Mutual Recognition Agreement on Conformity Assessment (MRA on CA) for Machinery and Electrical Equipment.

EU-US MRA on Conformity Assessment

What Is the Situation Our Industries Currently Face and What Changes Would an MRA Bring?

- Both in the EU and in the US, manufacturers of machinery and electrical equipment in some cases must have their products certified by a Conformity Assessment body (CAB).
- CABs certify a product as meeting certain requirements/standards of the market in which the product is sold. Currently, in the vast majority of cases if an EU company wants to export certain machinery/electrical equipment to the US, they need to rely on a US CAB to certify such products as conform to the US market requirements.
- Similarly, US companies are obliged to rely on EU CABs for their exports to the EU (when their products are subject to mandatory third-party certification).
- This brings considerable costs and barriers to trade, which are especially problematic for export-oriented SMEs:

- Exporters need to work with different CABs for similar products in their portfolio, depending on whether such products are aimed at the domestic or the foreign export market, therefore leading to additional costs.
- Exporters often face language barriers due to the fact that CABs are based in the export market.
- In some cases, after preliminary inspections in the country of origin, new products have to be shipped to the target export destination in order to finalise the conformity assessment process, leading to considerable waiting times and additional costs.
- Even when European machinery and electrical equipment exporters utilise the limited amount of Nationally Recognised Testing Laboratories available in Europe to certify their new product for the US market they often face major backlogs that can last up to nine months.
- An EU-US MRA on Conformity Assessment for machinery and electrical equipment would allow EU companies to rely on EU CABs (in addition to US ones), if they wish, to certify their products as conform to the US market standards and vice versa.
- In essence, and MRA on CA would make it easier for companies to get mandatory third-party certification of their products when they export to the other market.

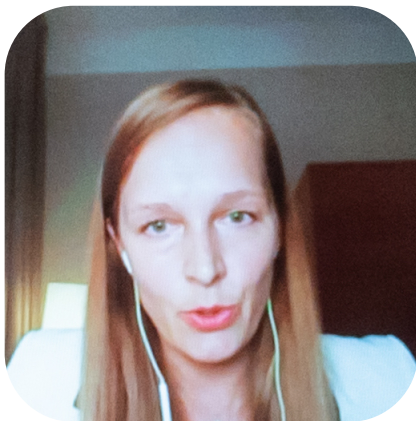
Why Our Proposal Matters:

- First, it would bring concrete benefits to exporters on both sides of the Atlantic:
 - Exporters would benefit from reduced waiting times due to increased availability of CABs to choose from.
 - Exporters would incur reduced costs associated with conformity assessment, resulting from:
 - Increased competition among CABs that would drive prices down in the long term.
 - The elimination in some cases of the need to ship products to the target export market to have the products certified.
 - The ability for exporters to liaise with one single CAB based in their home market rather than having similar products shipped to separate CABs in the EU and the US.
 - Exporters would benefit from reduced or no language barriers.
 - A recent study by Lucian Cernat (Head of Unit for Global Regulatory Cooperation and International Procurement Negotiation at DG TRADE) showed that, according to available econometric data, the existence of an Mutual Recognition Agreement (MRA) typically makes a positive difference both to the value of exports (15-40% increase) and to the potential for firms to export (new) products to (new) markets (up to 50% increase in the potential to export).
 - The conclusion of an EU-US MRA on Conformity Assessment would represent one concrete achievement of the EU-US Trade and Technology Council, which will make a difference in the day-to-day operations of thousands of innovative European companies exporting to the US market.

- A fully-fledged EU-US Free Trade Agreement (like the former TTIP) will not be feasible for a while, therefore there is a need for more limited but still beneficial solutions to lift trade barriers.
- On the EU side, our industries are facing constant threats to their international competitiveness due to a “Regulatory Tsunami” aimed at delivering the green agenda. There is an imperative need for positive initiatives to address market access barriers for our industries to counterbalance the negative effects of the increasing EU regulatory burden.
- However, the significance of our proposal goes beyond delivering benefits for exporters on both sides.
 - By reducing transatlantic trade barriers, a EU-US MRA on CA will eventually bring the EU and the US closer. And this is crucial, at a time in which they are under pressure to build stronger ties with like-minded partners worldwide to thrive in a more competitive and volatile international geopolitical scenario.
 - The EU and the US are currently facing a major challenge coming from China in establishing a firm worldwide leadership in the manufacturing of those technologies that are essential to deliver the green transition.
 - These are the technologies manufactured by companies throughout Europe that Orgalim represents. Given the importance of the US market for our industries, we simply cannot overcome this challenge without stronger transatlantic market integration.

This is why we believe that a Mutual Recognition Agreement on Conformity Assessment will bring the EU and the US one small step ahead in their common effort to deliver the net zero transition while maintaining a strong and internationally competitive industrial base.

DEBATE WITH INTERVENTIONS



Miglé Niauraité, SIEMENS AG, Senior Director Government Affairs & Geopolitics & International Relations, Chief Executive’s Office
(Virtual link)

Introduction

- Siemens as a technology company and world leader in developing and producing the most advanced engineering and digital technologies, just last year (2022) celebrated its 175th anniversary, out of which it has been present in U.S. for over 160 of those years.
- We have a strong European and U.S. footprint with approximately half of the workforce in Europe and around 40,000 plus employees, 25 manufacturing facilities & R&D sites in U.S.
- As a technology group, Siemens is active in nearly all countries of the world, focusing on the areas of automation and digitalization in the process and manufacturing industries, intelligent infrastructure for buildings and distributed energy systems, smart mobility solutions for rail and road and medical technology and digital healthcare services.

On Transatlantic Relations

- We see the transatlantic discussion as critical in addressing all kind of areas of relevance for Siemens, including cooperation in semiconductors, standards for cybersecurity, 6G, energy efficiency, and AI, a- data protection harmonization, and beyond.
- We support global standards and deepen regulatory cooperation with respect to technology, especially where standards do not yet exist based on our shared values of transparency and openness.
- We support EU and U.S. efforts to use the Trade Technology Council as a platform to cooperate on the green transition and to tackle climate change.
- We equally welcome progress that is being made in the Inflation Reduction Act Task Force and the Transatlantic Initiative on Sustainable Trade. And we recommend the both sides to continue cooperation on the development of shared terminologies; and increase the focus on multi-stakeholder engagement through formal forums for feedback on transatlantic cooperation on AI approaches.
- Today as tech player in digital industries, smart electrification, mobility, and healthcare, we see opportunities as well as challenges from global megatrends. Three of biggest: climate change, digitalization, glocalization.
- These challenges and opportunities show the important time to reinforce our commitment to transatlantic cooperation and we glad to see some progress made in Luleå (TTC4) where Siemens was present at the in-person TTC Stakeholder Meeting.
- Through this proactive dialogue, collaborating in ecosystems and contributing our diverse expertise, we can jointly:
 - overcome challenges
 - identify opportunities to enable green and digital transition
 - ultimately: further strengthen transatlantic relations
- In recent years the world has been facing increasing challenges related to trade conflicts, pandemic, supply chain bottlenecks, war, energy security and inflation.
- Due to these challenges and increasing focus on national interests and strategic competition between countries, we are entering a phase of strategic competition which reflects on one side in investments & diversification to ensure national security interests and self-reliance, and on the other, impacting also on more regulation over the economy and increasing restrictions to trade (e.g. export controls and bans).
- Worth quoting the view expressed recently by the Present von der Leyen: “The imperative of security and control has now prevailed over the logic of the free market and open trade”
- Despite these geopolitical challenges, as a multinational company, we support initiatives to strengthen multilateralism, as well as bilateral cooperation such as EU-US transatlantic relations, and dialogue: expand trade agreements, foster fair competition, level playing field, and international standards.
- Moreover, diversification is the right strategy to increase the resilience of companies and economies. Therefore, we welcome the latest trade negotiations around EU-Mercosur, EU-Chile and EU-New Zealand, Australia as well as ongoing talks with India, in this context.
- Another aspect of strategic competition between great powers is a new era of industrial policy with increasing investment to strengthen domestic resilience, international competition and drive transformation (e.g. US Inflation Reduction Act, EU Green Deal Industrial Plan and China's 14th Five-Year Plan). However, these programs do not only pose challenges, but also offer great opportunities for companies.
- Several industrial policy programs announced showed the important path to achieve sustainable and digital transformation of the economy.
- The EU should focus on strengthening innovation and competitiveness: instead of a restrictive regulatory approach, we need better framework conditions, a reduction in bureaucracy, more speed in implementation and pragmatism to enable new partnerships globally.
- In addition, it is important to identify and promote future-oriented sectors (e.g., semiconductors, batteries, raw materials, AI).

- Despite all the geopolitical challenges: to achieve common goals (climate change, Sustainable Development Goals), we need a constructive exchange with each other – dialogue and cooperation – instead of confrontation.
- We can play a major role in Europe and in the U.S. to contribute to digital solutions that help to achieve the climate targets.
- Green technologies are key enabler to reach these targets, therefore, transatlantic cooperation – especially in the field of research and development – is in the interest of the economy.
- We are committed to the goal of carbon-neutrality by 2050 and consider sustainable development as the means to achieve profitable and long-term growth.

To conclude

- We have been an asset in both Europe and the United States for nearly two centuries and will continue to offer solutions to governments and businesses seeking to improve their operations and seek efficiencies.
- The need to continue working in ecosystems and initiatives such as the TTC and/or Transatlantic Business Initiative (TBI) or alike, and the focused events like today's hosted by EFM to promote the transatlantic dialogue - should continue being at the core and we are keen to continue contributing more.
- Working with partner countries and companies we can identify needs and provide solutions to meet the ever-changing technology landscape.
- For that, we need solid rules and mechanisms for cooperation. That is the basis to maintain openness and exchange, as well and as far as possible.



Femke Neijts, DOW, Government Affairs

As Dow, we strongly support efforts to negotiate a proactive and progressive agenda that reflects the highly integrated nature of transatlantic trade. Trade is essential to Dow's operations since we manufacture products in 31 countries and sell to 170 countries globally.

As I am sure you are aware, Dow is a world leading material sciences company, driving innovation through chemistry.

Dow welcomes the strong support for the EU-US Trade & Technology Council, and the commitment to help drive practical results from this process. The US and European chemical industry particularly given the long-standing investments in sustainable production, CO₂ emissions reduction, and the creating of high value jobs, is a critical bridge to ensure meaningful progress in these discussions and foster supply chain resiliency. In addition, we are also proud to have supported development of a set of joint recommendation for the TTC ministerial by the American Chemistry Council together with the European Chemical Industry Council.

In my presentation, I will touch upon two topics: Supply Chain Resiliency and Circular Economy.

Supply Chain Resiliency

Dow supports policies which ensure resiliency and growth in manufacturing, including access to inputs from key allies and access to export markets.

These policies entail:

- the identification of chemicals as essential to supply chain resiliency,
- the opportunity to promote transparent high standards by developing processes to exchange of data and information on these chemistries and status of any regulatory approvals or restrictions e.g. risk assessments methodologies, priority lists, which are aligned with OECD industry proposals and work,
- and an early warning mechanism where information from the industry is shared on trade or regulatory policies for chemical inputs which could affect US EU supply chains on priority products.

Trade policy is a key part of resiliency, including access to key markets for both supply of critical materials and end markets for US-EU produced goods, services, and technologies.

Furthermore, commerce efforts are critical to promote reasonable and efficient regulation. Promoting a sound science risk based regulatory framework, that ensures critical chemical inputs are available for EV batteries, semiconductors, and other priority industries, is essential. And industry welcomes the opportunity to engage with regulators to ensure that there is clear understanding of the importance of key chemical elements necessary to products such as carbon capture storage, ethylene carbonate for lithium-ion batteries, and solvent for semiconductors.

Circular Economy

It is key to develop initiatives on the transition from waste products to commercial feedstock and establish criteria for trade in feedstock approaches in alignment with the OECD's work.

For example, this would include labelling and the removal of import and export restrictions.

Furthermore, it is also important to promote and implement waste management practices for plastic waste including the enabling of innovative approaches such as advanced recycling, developing recycled plastic standards, and EV battery passports involving chemicals.

There is also a need for a common approach to Extended Producer Responsibility (EPR) schemes in order to potentially coordinate guidance documents of the best practices of EPR.

When it comes to circular economy it is important that the EU and US start working together instead of competing with each other. Cooperation between the EU and US will help to drive global approaches and leverage these sustainable economic models to make positive environmental impact.

Conclusion

Dow urges support:

- to establish a mechanism for meaningful consultation to advance TTC deliverables.
- to work with industry to identify key gaps in diversifying supply chains, particularly in development of battery technology; electric vehicles & infrastructure; semiconductors and medical equipment.
 - similarly, EFM could work with our EU and US officials to promote specific projects around developing models of circular economy.
 - for example, supporting an industry-led workshop on recycling technology that can demonstrate how everyday plastic has an economic value as feedstock to become next generation packaging, road asphalt, light weight car parts etc.
 - this could lead to a productive TTC agenda to develop and implement cohesive clear policies and practices to address waste management and recycling

These are constructive areas that would encourage greater investment, export of more circular and sustainable technologies, and safer, sustainable practices & products for workers, manufacturing, and consumers.



Anto Jerkovic, CECIMO European Association of the Machine Tool Industries & Related Manufacturing Technologies, EU Public Affairs Economist

Further Efforts Are Needed to Facilitate Trade Between Two Large Trading Partners

CECIMO brings together 15 European countries and represents the manufacturers of two important sectors in the advanced manufacturing industry - machine tools and additive manufacturing.

It is important to highlight the strength of the European machine tool sector on a global scale, where Europe has a share of around 32% of global production (€25 billion in 2022). In terms of trade, it is a highly export-oriented sector, with the main export destinations in 2022 being the US, closely followed by China in second place.

As the US is traditionally one of the main export destinations, CECIMO is strongly committed to improving trade relations between the EU and the US.

In the light of this meeting, we would like to highlight a few important points:

- Firstly, we believe that further efforts are needed to develop a strategy to achieve a mutual recognition agreement on conformity assessment for machinery.
 - This agreement would facilitate trade by reducing procedures and costs for exporters caused by the lack of conformity assessment bodies in each market.
 - We were pleased to hear positive progress in this area at the last TTC meeting. However, we believe it is necessary to develop a concrete strategy with a clear timeframe in order to reach an agreement on conformity assessment regulations for machinery as soon as possible.
- With a view to securing supply chains and the competitiveness of European manufacturing, CECIMO fully supports the recent announcements that the United States and the European Union (EU) will start negotiations on a targeted Critical Minerals Agreement (CMA).
 - In this context, we hope that issues relating to the Inflation Reduction Act (IRA) subsidies will also be resolved. Currently, IRA subsidies have requirements that could disadvantage EU machinery manufacturers. As a reminder, the EU has raised concerns about IRA subsidies in recent months, claiming that they are discriminatory and warning that they divert investment away from Europe.
 - When speaking about supply chains, we would also like to mention the semiconductor shortage experienced by European manufacturers during the COVID pandemic, which also had a significant impact on our producers. We hope that recent announcements of increased cooperation in this area will lead to concrete action, increased investment and stronger supply chains for manufacturers on both sides.

- CECIMO is committed to free and fair trade and strongly opposes industrial tariffs. Hopefully, the Global Agreement on Sustainable Steel and Aluminium will be negotiated and concluded by October 2023, which would put an end to the Section 232 dispute.
 - Although the machine tool sector is not a big user of steel, without an agreement with the US, the situation would worsen in terms of steel availability in Europe and therefore the price of steel and aluminium in Europe would be higher than in the rest of the world.
- We are very pleased to see positive developments in the progress of common technical specifications for key critical and emerging technologies.
 - Of particular importance to our sectors is the development of international standards for additive manufacturing (3D printing).
 - CECIMO is playing an active role in the standardisation working group, particularly on the additive manufacturing topic.
- CECIMO strongly supports the activities of the Trade and Technology Council and believes that a step-by-step approach to resolving the issues will lead to a trade agreement between these two trading partners.
 - However, while we see positive progress in the negotiations in a number of areas, we are concerned that without further efforts and a clearly defined timeframe, important trade issues may not be resolved so quickly.

REDUCING TRADE BARRIERS FROM A US PERSPECTIVE

(Virtual link from Washington DC)



Ken Monahan, NAM – National Association of Manufacturers, Vice President International, Economic Affairs

A few quick remarks about NAM:

- The NAM works for the success of the nearly thirty million men and women who make things in America
- The US manufacturing industry contributes \$2.8 trillion to the US economy annually and manufacturing exports support for jobs of more than 6 million manufacturing workers in the US
- Manufacturers play a central role in addressing the

biggest challenges facing the world – protecting the planet, providing humanitarian relief and building an economy that lifts people from poverty.

Increasingly, we find that the values that manufacturers work to advance and are shared by so many in Europe – free enterprise, competitiveness, individual liberty and equal opportunity – are under attack, in particular from authoritarian regimes.

Recently I joined NAM President and CEO Jay Timmons on a two week trip to Europe, during which:

- We highlighted the strong NAM support for Ukraine and manufacturers' commitment to help rebuild the country
- We underscored the importance of strengthening transatlantic partnerships and our strategic alliances

- We advocated on NAM member company priorities, including the importance of reducing transatlantic trade barriers
- We emphasised the power of commerce to preserve, protect and expand democracy and
- We shared perspectives on the future of globalisation.

One of the primary ways the US can engage with our friends and allies is through the negotiation and implementation of strong and lasting trade agreements, including with Europe.

In our view, US trade agreements can and should promote our values, comprehensively open markets, create more export opportunities, support supply chain resiliency and counter rising economic threats from countries like China.

The NAM was a strong supporter of the Transatlantic Trade and Investment Partnership, and as we stated in a letter to President Biden on 15 March, manufacturers in the US would welcome the relaunch of more robust, comprehensive trade agreement negotiations between in the US and the EU. We are also advocating for a robust US EU Trade and Technology Council that delivers clear meaningful economic and trade deliverables for manufacturers.

That includes strengthening US EU cooperation on technology and product standards, improving regulatory cooperation, and strengthening procedures in areas such as conformity assessment across sectors that facilitate trade and business in both directions.

While the US and EU have strong, well-established systems for standards, conformity assessment and regulation, there remain significant barriers and differences that directly undermine the competitiveness of US manufacturers in European markets.

We are concerned about any proposal for a TTC Mutual Recognition Agreement on conformity assessment for machinery that will not provide real, reciprocal market access for manufacturers into the European market.

Manufacturers in the US are willing to engage in constructive dialogue and real open negotiations with our partners to reach a reciprocal, horizontal agreement on conformity assessment, but we believe that any such agreement must benefit manufacturers and workers in the US – through real, reciprocal access to the European market.

EUROPEAN COMMISSION PRIORITIES FOR EU- US TRADE



Matthias Jørgensen, EUROPEAN COMMISSION, DG TRADE, Head of Unit for Trade Relations with US & Canada

- I have just come back from the fourth ministerial meeting of the EU-US TTC. It was overall a successful event.
- It was an important opportunity to reiterate EU – US unity.
- In fact, the current complex geopolitical situation and I need to face joint challenges makes a case for a strong EU – US partnership across many policy areas: defence, security, economics in general, and climate change.
- And also trade. The dynamism and quality of the bilateral commercial relationship is a very tangible part of the transatlantic relationship.
- In 2022, bilateral trade in goods and services recorded a strong increase (+60%).

- It is now worth over €3 billion a day. The mutual stock of total investment has now reached almost US\$6 trillion (2021).
- This impressive relationship matters for thousands of companies on the two sides of the Atlantic and for the millions of people whose jobs are dependent on these exchanges. It is unique. Different from any other trade and investment relationship in its breath, depth and the amount of people who have a stake in it on both sides.
- This is why it is so important that we continue to nurture this relationship. Protect it and develop it. That is what we are trying to do. There are both opportunities and challenges and we have many tasks ahead of us for this year on the trade front.
More specifically:
 - We want to have a Global Sustainable Arrangement on Steel and Aluminium by October—both sides are strongly committed—but there are important differences are to bridge
 - We continue the work to address and mitigate the EU’s concerns over the IRA. We do this through a Critical Minerals Agreement with the US and the EU –US Clean Energy Incentives Dialogue. We will soon enter into a formal negotiation on this. We will propose to the Council to give us a negotiation authorisation.
 - Very importantly we will work on opportunities and developing a positive bilateral agenda. The TTC cooperation is key. That is the point I want to dwell on today.
- The TTC remains a key driver of a positive transatlantic agenda and allows us to react and respond to new opportunities and challenges that arise. It also allows us to take up bilateral problems.
- The joint statement that was released at the occasion of the fourth TTC ministerial meeting on 31 May in Luleå reflects this. It takes stock of the progress made and sets out the way forward on our positive agenda.
- On the trade side, key outcomes were the launch of the work program for the Transatlantic Initiative on Sustainable Trade, as well as the agreement on a common standard for heavy duty electric vehicle charging.
- Additional (more modest but very tangible) trade outcomes are:
 - The expansion of the mutual recognition agreement on Pharma to veterinary medicines.
 - Date of the marine MRA to reflect recent developments
 - The agreement to start working on global digital trade principles and to continue work on digital initiatives that enhance trade and on conformity assessment.
- The deadline for finalising the negotiation of the Global Steel and Aluminium Arrangement (GSA) by October 2023 was reaffirmed by both sides.
- On China and economic security, we will continue to work on export controls and investment screening as well as on non-market policies and practices (NMPP) in relation to medical devices and government-owned/controlled investment funds. Furthermore, it was agreed to also investigate NMPP in semiconductors (in particular on legacy chips). Addressing economic coercion also remains firmly on the US agenda.
- On the tech side, the main outcome was a joint understanding to come forward with a voluntary code of conduct on AI, which could feed into the G7 and beyond. In addition, there was agreement to continue the ongoing work towards the publication of the 6G Outlook, adoption of joint platform principles, and the common approach to standards regarding the megawatt charging system and to step up coordination and agree on joint actions on semiconductors and secure and trusted connectivity in third countries.
- From the trade perspective, our priority is to continue to work on actions that will help grow bilateral trade and investment opportunities while moving forward on a mutually supportive trade and green transition agenda.
- We are therefore now stepping up the sustainability agenda of the TTC. At TTC4 we agreed on a comprehensive work program for the “Transatlantic Initiative on Sustainable Trade” (TIST).

- The TIST work program will move forward corporation on different elements grouped around four building blocks: i) a sustainable business environment for an integrated transatlantic marketplace; ii) resilient and sustainable supply chains for the green economy; iii) benefits for workers and consumers in the green economy; and iv) a global pass for the green transition.
- We hope it will harness the economic opportunities from the green translation on both sides of the Atlantic, foster a transatlantic green marketplace and strengthen the resilience of key clean tech/green supply chains.
- It aims to turn the policy focus on the shift the carbon neutral and resilient economies into an opportunity for the transatlantic market. The thinking behind this is simple and if we are to maintain global leadership and prevail in standard iPhone setting in the current geopolitical climate, the EU and US cannot afford to have two separate green market to merge on the two sides of the Atlantic.
- There's more to gain, if we work together to promote a fair, competitive, innovation environment in which our companies, workers and consumers can thrive, and which is also resilient to sudden shocks or ruptures in supply chains. It was also contributes to address the issue of excessive dependencies on a few suppliers of key inputs.
- In addition to the TIST and the Dialogue, we continue to push for the TTC to explore opportunities to make progress on facilitating bilateral trade in continuation of the work done under the TTC until now.
- We continue to push for advancing, for example, the cooperation on conformity assessment and our mutual recognition agreements and exploring the use of digital tools.
- We will need to insist with the US for more ambition on this. And stakeholders like you need to insist. There are clear and undisputed benefits that cutting unnecessary red tape through conformity assessment agreements or promoting digital solutions have on the business environment.
- Another area that I would like to highlight is the agreement to work on the promotion of global digital trade principles that reflect our shared values.
- Building on ongoing work (notably at G7) we intend to identify additional commonalities in current EU and US digital trade policies and to work jointly to promote those principles with other trading partners.
- We have also agreed to exchange information on non-market policies and practices affecting digital trade, as well as on our respective policies linked to the risks stemming from digital firms from non-market economies, and on promoting global digital trade principles that reflect our values.
- Overall, addressing the challenges related to economic security was also an important part of the discussions at Luleå, we had the traditional public session between principals and representatives of business and civil society with two panels, focusing on (1) "Furthering the Green Transition Through the Transatlantic Marketplace" and on (2) "Perspectives on large AI models".
- We also had another ministerial-level Trade and Labour Dialogue as well as a CEO for level discussion on connectivity-related issues. And the first-ever joint recommendations from social partners on both sides.
- Support and guidance the stakeholders is key to ensure that the TTC continues to fulfil its role as a central platform for bilateral engagement on strategic issues on the interface of trade and technology.
- So, look out for events in the build-up to the TTC5 e.g. putting meat on the bones of the TIST.

CONCLUDING REMARKS

Antony Fell, EUROPEAN FORUM FOR MANUFACTURING, Secretary General

A wide range of important issues have by our contributors tonight.

I would like to highlight 2 important areas which will be taken forward. The first is the Clean Technology Report where we would encourage you to examine the key recommendations. The second is the Orgalim proposal for a tangible reduction of trade barriers in the manufacturing sectors. We hope that you will examine the details of the proposal, summaries will be found in the EFM website report.



I would like to conclude by thanking our Industry Partner this evening, GE Aerospace, our manufacturing contributors from the EU and the US, the European Commission, the US Eurasia Trade Representative and our Parliamentary Host and Chair Prof Danuta Hübner MEP, who is playing a major role in strengthening transatlantic relations.

I formally close this European Form for Manufacturing meeting on Promoting EU US Technology Leadership.

