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Special Briefing
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Readout of the First Meeting of the Transatlantic Economic Council

**National Economic Council Chairman Al Hubbard and
European Commission Vice President Günter Verheugen**

(2:42 p.m. EST)

MR. GALLEGOS: Welcome. I appreciate you all attending. Today we have National Economic Council Chairman Al Hubbard and European Commission Vice President Günter Verheugen who will provide a readout of the First meeting of the Transatlantic Economic Council.

MR. HUBBARD: I'm going -- let me just first say thank all of you for being here. And we were especially appreciative of the extraordinary participation on the part of the Europeans. We had a number of commissioners. All the commissioners that dealt with the issues at hand. This -- as you know, this was the Transatlantic Economic Council was created by President Bush and Chancellor Merkel back in the end of April of this year. The purpose of which was to -- and I'm sure you've read the materials creating the Council -- but the purpose is to address regulations that inhibit or reduce commercial transactions between the two economies. The goal is to basically improve efficiency in terms of our trading and commercial relationship. The result of which will be to reduce the cost of goods and improve the standard of living of the Americans and Europeans.

Gunter and I are the co-chairmen. We have worked incredibly well together. We have had a telephone call every two weeks to look at the very specific issues. Our goal from the beginning was to have specific results, tangible results. And I'm happy to report that we have made enormous amount of progress in the six months that we've been working. And we have some specific results that we want to share with you and then we will open it up for questions. I will ask Gunter to share with you what we've accomplished today and what our statement will be. But I also want to make clear that this will continue, hopefully, for the foreseeable future and to the next -- and to the next Administration because this is very important to the people of both of our economies and it's been a great pleasure for me, especially to work with Gunter. So let me turn it over to Gunter.

MR. VERHEUGEN: Thank you very much, Al. Ladies and gentlemen, after so many years, could even say decades, of failed attempts to find a solution for a problem of non-tariff barriers, unnecessary red tape, unnecessary obstacles for doing business -- both are (inaudible). We now finally have found a working method, a way to work together which produces results. I must say that I am absolutely impressed by the fact that after so few months of preparation, we have been able to make more progress in one meeting than we could do with the previous method in years.

And I can confirm what Alan Hubbard has said. The difference is that we now have political guidance, political steering and political responsibility to solve issues which are only seemingly technical. They seem to be technical. But in reality, we are discussing a volume of trade benefits for both sides which exceeds everything that we can get from business corporation and trade relations with other part of the -- must never forget the United States and the European Union together represent more than 60 percent of world's GDP. We, together, are by far the strongest economic region in the world. We are the regions in the world who have the strongest political and economic links. Trade between the U.S. and European Union is by far the biggest -- by far the biggest in the world. And yet, it is not fully exploited. Business people told us today that they believe that non-tariff barriers cost business on both side of the Atlantic 3 percent of the whole GDP. So we are discussing quite -- we are discussing quite a big number.

We have today produced a progress report that will be made available to you that will show you that we have made progress in more than 20 areas of unilateral cooperation and as our -- and other policy fields. And I'm really very confident what the Transatlantic Economic Council, which will meet every six months, will be able to solve long and difficult outstanding issues and at the end of the day, we will have a Transatlantic Economic era that is free of non-tariff trade barriers, unnecessary obstacles and unnecessary red tape.

I would also like to mention that it was very important that we had a high-level participation from the European side. Five members of the European Commission were here, plus a representative of the presidency of the European Union, the Portuguese Minister of Economy. Our American counterparts were there all together, Secretaries and Ambassador Schwab. And we had a very frank and open discussion over lunch, which in my view was politically the most important event of the day where we discussed ideas and exchanged views how to deal with questions of the rising economic power of China and the question of how to deal with (inaudible) and their possible influence on our economies.

Finally, let me mention that we started today our meeting with an exchange of views with a so-called group of advisors, that we have represented the three running transatlantic dialogues: the transatlantic business dialogue, the transatlantic consumer dialogue, and the transatlantic (inaudible) dialogue. And I find it very important that we got a very clear and strong message from our stakeholders, the lawmakers, the industrialists, and the consumers, that they believe that this approach is -- can be successful, that they have very high expectations and that we got full support from the European and the American sharepersons of the three dialogues for the work that we have started. Thank you.

MR. HUBBARD: Before we open it up for questions, there was -- there's one issue I want to cover. I assume you all have a list of our accomplishments, so we -- such as accounting -- that the SEC is very close, within weeks, we think, of accepting international accounting standards and, you know, our harmonization of patent -- approaches to patent, et cetera. So we're assuming you have that list. If you don't, we're happy to go over it with you, but we're open to answering questions.

There's one issue. You know, friends all -- when you're good friends, part of being a good friend is you can disagree. And this is not a disagreement, but this is a frustration I told Günter I was going to share with the press and -- because I think it's important for Europeans to know about this frustration and for Americans to know about this frustration, because we were able to accomplish virtually everything we set out to accomplish in this first six months except for one item, which has to do with the ability of American producers of chickens to export those chickens to Europe. They have not been allowed into Europe for a long period of time and it is an extraordinary frustration to America and it should be a huge frustration to consumers of Europe because, as it turns out, our chickens are actually safer than the European chickens and so the consumers are being denied those chickens and we all eat those chickens every day here.

We're going to hand out the timeline of what's happened in the chicken debate, which started in '01 when we agreed with the Europeans that in exchange for them accepting our chickens we would accept these clementines from Spain. Well, within -- I can't remember -- a year or so, we have started -- in '02 we started accepting -- I think that's the date, but the timeline will show you -- we started accepting Spanish clementines. We still cannot export chickens. At first, the chickens were unsafe, so it went through two or three different safety committees, then they finally agreed the chickens were safe. Then, the environmental department looked at our -- the way we process the chickens, which is pathogen reduction treatments, and they decided that that was harmful to their environment. Now, remember, these chickens are processed in America, but they're being stopped because they're harmful to their environment.

Now, the process we use is pathogen reduction treatments, which by the way they use in Europe, too, on certain processes such as surgical instruments, water, et cetera. So it's not like pathogen reduction treatments is actually a problem environmentally for Europe, despite the fact that these chickens aren't processed in Europe, they're processed in the U.S. and they meet all the environmental standards of the U.S.

So what, in fact, is happening is the poultry farmers of Europe do not want to compete with the poultry farmers of the U.S. and they're using this as an excuse to keep our chickens out. And by the way, it's not only used for chickens. It's used for numerous other agricultural products. But chickens is the most egregious example. My good friend Günter has been very sympathetic and has worked very hard to address this. Unfortunately, he's not the czar, he has colleagues, and he is working as hard as he can to get this accomplished and has agreed that by our next meeting in April that if it's not -- if we're not actually shipping

chickens, we will have a clear path to shipping chickens. But we are very frustrated that this -- we're not shipping chickens today, and we think it's important that the American people and the European people understand this and they work with us to put pressure on the leaders, the political leaders, of Europe to be responsible and base decisions like this on science and not on protectionism when they argue that it's not protectionism.

So anyway, let me open it up for questions. And by the way, we're going to hand out the -- all the events of this chicken -- the chicken events over the last six or seven years.

Yes, sir.

QUESTION: (Inaudible) from Deutsche Welle television. I have a question concerning not chicken but the future of this process. It seems that you have achieved a lot, but how can you make this process a sustainable one and not getting derailed maybe by the next government in the U.S., which might be more protectionist? So how to make this process a irreversible one?

MR. VERHEUGEN: If you'll allow me I'll -- this is an extremely important question and we have discussed it today. And that's exactly the reason why we involve the Congress and European Parliament and that I said to the parliamentarians, it's your responsibility to make sure that this is understood as a long-term strategy. It's even not only more than one administration or one European Commission. It goes far, far beyond the lifetime of the present administration, the lifetime of the present commission. It's a long-term strategy. But it has to be understood and it has to be understood in the parliament. It's a nonpartisan initiative, an initiative in the interests of the citizens, the consumers, the workers, the business on both sides of the Atlantic regardless who is in government or not.

I think that is the common understanding, that is the understanding on both sides, and I think that our parliamentary contacts will make sure that we must not start from scratch when we have a change, be it here, be it on the other side of the Atlantic.

MR. HUBBARD: I think when you look at the issues that we -- you know, we've just dealt with, when it comes to accounting, that's a nonpartisan issue. When it comes to biofuels, which we're all, you know, very hopeful that biofuels are going to do a lot for both Europe and the U.S. in terms of energy security, dealing with climate, et cetera, for us to have common standards, for us to work together on orphan drugs -- I don't know whether you're all familiar with what we mean by orphan drugs. These are drugs for diseases that only affect a very small tiny percent of the population. And for us to coordinate our regulatory regime means it's easier for pharmaceutical companies to develop these special drugs for these very rare diseases.

So I -- obviously, we will all be -- for certain, I will not be around in '09, given that for certain President Bush won't be around in '09, but I can assure you we will be communicating with our successors and I am confident that, whether Democrat or Republican, they will find that this process is extremely valuable.

And as Günter referred to our lunch today, what was so special about it -- it was totally spontaneous and it was, you know, a group of leaders from both sides of the Atlantic who really have a very common vision of the way the world economy should work and where the big, you know, challenges are and the need for us to work together to address those challenges.

Yes, ma'am.

QUESTION: A couple of things. What is the value of poultry -- potential value of poultry exports to the European Union? How much are you talking about here? And when you were talking about the cleaning process, what did you say it was?

MR. HUBBARD: It's pathogen reduction treatments.

QUESTION: Pathogen reduction treatment? It's chlorine, right?

MR. VERHEUGEN: (Inaudible) in different ways here.

QUESTION: It's chlorine?

MR. HUBBARD: It's chlorine --

MR. VERHEUGEN: In the U.S.

MR. HUBBARD: Right. I don't know the details.

MR. VERHEUGEN: (Inaudible.) (Laughter.) And the cooling (inaudible).

MR. HUBBARD: But we can get you this afternoon experts on this.

MR. VERHEUGEN: I think (inaudible) 16,000 tons.

MR. HUBBARD: I don't know what the quantity -- does anybody know what the -- but we can find out from the Department of Agriculture.

QUESTION: I did have one other question, if I may.

MR. HUBBARD: If you want to know the answer -- if you want to know the answer, we can get it for you.

QUESTION: That would be great, yes. Thank you.

On the joint statement that you issued with this list of achievements, the Transatlantic Economic Council, if I understand correctly, oversees all of these processes. The processes are actually conducted by various agencies involved, correct? So is there anything specific that was decided today particularly in terms of --

MR. HUBBARD: Well, we have been working on it. There was certainly some modification. For example, when Carlos Gutierrez and Charlie McCreedy were talking about patents, there was actually more progress than we had thought -- than Günter and I had thought when our staffs were putting together the paper you see there.

MR. VERHEUGEN: May I explain, Madame, the way how it works? This is not a decision-making body. We do not -- you don't have the constitutional rights to take decision nor do we have the constitutional rights to take decisions, and we can't. It is -- I see it as a political steering board and we indeed coordinate all the initiatives, the projects and the efforts, then at -- between various agencies and institutions at various levels. To be frank, I think we have hundreds of them -- processes running. Nobody really knows it.

And what we are doing is, we prioritize. We -- and we identify issues which can be solved, with some political impetus. That's what we have done over the last four months. We have started with a wish list from both sides. Al has produced an American wish list, I have produced a European wish list, what we want to achieve before the end of this year. We agreed on this list and then we worked together with the responsible authorities in the European Union and in U.S. to achieve the result that you see here. So that is the way how it works. So the -- in a formal sense, decisions are taken not here in a formal sense, but in a political sense, they are taken here.

MR. HUBBARD: Yes, ma'am.

QUESTION: You spoke about -- apparently during the lunch, we had -- you had a conversation about China. What -- can you elaborate on that? Is it -- what is the -- I don't understand; you are supposed to speak about your bilateral relations and --

MR. VERHEUGEN: Yeah, but I think the bilateral relations include challenges which we have -- that you have on both sides and, I mean, the whole exercise that we have started was not possible if both sides would not understand that we are sitting in the same boat, that we are facing the same challenges, and none of them is -- well, more or less, all the manufacturing is moving, is moving to China and later, perhaps, it

might be India as another competitor. But it's a consequence of that; how shall we deal with it? How does it affect our economies and how does it affect our consumers? How do we react if and when we recognize that China does not fully respect the rules, to put it very -- to put it very mildly?

With a joint effort to convince China that it is in China's interest to fully respect -- to be more useful than the individual approaches which we have used, whatever the kind of impression that we have discussed. And of course, we want to discuss it against the background of growing uneasiness and uncertainty in our societies, how to deal with China. And I think everybody around the table today was a strong defender of open markets and free trade, but we made it very clear, has to be based on fair and equal rules and it has to be a level playing field and that has to be achieved in cooperation with China.

So that was -- there were more, but I cannot tell because it was supposed to be a little bit confidential, but I found it -- as an instrument, I found it very important; that is, not discussed as it normally is discussed during the summits, five minutes each side, but in some depth, with contributions from different sides, with a contribution from our side, from Peter Mandelson, the Trade Commissioner, or Charlie McCreevy, the Commissioner for Financial Services, for me, responsible for enterprises and industry, on the American side --

MR. HUBBARD: From Hank.

MR. VERHEUGEN: From Hank Paulson, Susan Schwab. But this --

MR. HUBBARD: Schwab. Charles Gutierrez.

MR. VERHEUGEN: And much -- and Carlos - and a much, much broader picture, and in a sense there was a full agreement.

MR. HUBBARD: Just to --

MR. VERHEUGEN: And there may be a follow-up, by the way.

MR. HUBBARD: Yeah. Just to add, you know, when China doesn't follow intellectual property rights rules and regulations that affects not only the U.S., it affects Europe. You know, when China is an export-oriented economy and not an economy that encourages local consumption, domestic consumption, that affects both economies. You know, when they peg their currency that affects both economies. So we have an enormous number of common interests to which Günter referred.

The man in the back. Yes, sir.

QUESTION: Could you go over the --

MR. GALLEGOS: This is the last question.

QUESTION: Could you go over what some of the stops are in the roadmap by -- for secure trade or the mutual recognition that you talked about here? What is that? Can you lay out that roadmap a little bit for us?

MR. VERHEUGEN: Well, basically, (inaudible) roadmap, a roadmap is a timetable and it defines the steps we need to take, decisions we need to make and when, we have that, as we'll see in the progress report. And from the political - the political important point is that we have a deadline for final delivery.

MR. HUBBARD: Let's take one more, one more. The gentleman right there.

QUESTION: Following up on that, does that mean that by 2009, I think, you have this -- that you're going to - the EU agrees to accept the 100 percent rule, to implement the 100 percent rule on containers coming?

MR. VERHEUGEN: That's my understanding, yes.

MR. HUBBARD: It's a mutual recognition, right?

MR. VERHEUGEN: Yes. Okay?

MR. HUBBARD: Thank you very much.

MR. VERHEUGEN: Thank you very much.

(The briefing was concluded at 3:05 p.m.)

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