

Remarks by John Engler  
Voka  
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Thank you. It's an honor to be asked to speak to VoKa and to spend time with you in Belgium.

There's much to talk about: trade, the U.S. presidential elections just two weeks from today, and the ongoing financial crisis – a crisis that has shaken both American and Europeans alike.

It was Jean Monnet (*Mow-nay*), the father of the European Union, who laid out a goal that remains valid today, especially in light of the global financial crisis.

Monnet said: “Make men work together. Show them that beyond their differences and geographical boundaries there lies a common interest.”

Common interest, I believe, will lead us to the recognition that Europe and the United States must draw closer together as trading partners and economic allies.

The Trans-Atlantic ideal remains powerful.

Before I get into more detail, I should just reiterate how pleased I am to come to Leuven, and thank you for the hospitality.

The truth is, we Americans have actually been paying more attention than usual to Belgium this year.

The reason? InBev's purchase of Anheuser-Busch, the maker of Budweiser Beer.

To be honest, it hit some American beer drinkers pretty hard...emotionally. Like beer drinkers everywhere, they're intensely loyal to their brand.

Belgium still has a royal family, but America was born a democracy. In America, our only royalty is Budweiser – the King of Beers.

Well, at the NAM, we the wish the Royal House of InBev-Anheuser-Bush a long and happy life, full of global sales records and great success in sponsoring the 2010 World Cup in South Africa.

Actually, the beverage industry provides a great example of globalization today. Come to think of it, Jean Monnet came from a family of cognac merchants, didn't he? In vino, unitas!

Consider Tropicana, a subsidiary of the U.S.-based Pepsi. Tropicana's new juice-processing facility in Zeebrugge's (*ZAY-brug-guh*) inner port is the company's largest production unit in Europe.

And like so many things, the plant's location is a testimony to Flanders' efficient port and transportation network.

This is obviously old news to you, but I think most Americans would be astonished to learn that 60 percent of EU purchasing power lies within 300 miles of Flanders, and that your three ports play such a dominant role in global trade.

Pepsi and Anheuser-Busch are among the 11,000 members of the National Association of Manufacturers, the largest industrial trade association in the country. We represent everyone from the smallest fabricating shop to major global enterprises.

Many of our larger members, especially, enjoy long and productive ties to Belgium, both Wallonia and Flanders.

For example, Caterpillar – or Cat, the heavy equipment manufacturer based in Illinois – is one of the NAM's strongest advocates for global trade and free trade agreements. Its Gosselies (*GOES-uh-LEE*) Belgium plant is the company's largest manufacturing plant outside North America.

It employs more than 4,400 people here in Belgium to build wheel loaders, hydraulic excavators and diesel engines.

In pharmaceuticals, last year Solutia's Saflex unit broke ground for a new manufacturing line at its plant in Ghent. Pfizer has a major Belgian presence, too.

In fact, U.S. direct investment in Belgium has grown 190 percent since the year 2000, with record investment in 2004 and 2005.

Although that investment has slowed recently – as a result of the exchange rate and financial crisis – Flanders and Belgium remain high on people's lists of potential business sites and partners. We are not forgetting about Europe!

For all the talk of China's manufacturing power, the reality is this: In 2008, the European Union and its 27 countries is the largest market for the United State – 21 percent of our global exports – and our largest supplier – 18 percent of our global imports.

And the U.S. is Europe's largest export market, buying nearly 20 percent of the EU's total exports. A lot of that cargo comes through the ports of Antwerp, Ghent and Zeebrugge.

Just as we share many business opportunities, we share business challenges – and the MAJOR, the immediate problem this year is the global financial crisis.

Nobody is immune to the financial uncertainty, the shaken public confidence and tightening credit.

Even longstanding institutions with tremendous historic, symbolic and financial importance are falling, or having to reinvent themselves.

In Belgium, Fortis proved unable to stand alone without government investment – and it's now changing its name.

In the United States, Wachovia – a major regional bank – is being bought out by Wells Fargo after another purchase fell through. Big investment houses failed.

The international insurance and financial firm, AIG, had to be rescued by the government.

The process of restoring global financial stability will not be easy, and it will not happen overnight.

I am heartened by Congressional action, the work of the U.S. Administration, the diligent efforts of the European governments, and the effective international coordination, led by the EU and the U.S. We're all going to be busy for a long time.

Meanwhile, the job for manufacturers is to keep doing what we do best – creating wealth, making products that strengthen our economy and enhance the quality of people’s lives.

Financial engineering is falling into disfavor. But at the same time, mechanical, electrical and industrial engineering may be coming back into favor – the engineering that designs and make products historically responsible for creating substantial wealth all around the world.

The U.S. manufacturing sector remains the most productive in the world, creating \$1.6 trillion in wealth this year. Standing alone, that would make the U.S. manufacturing sector the eighth largest economy in the world.

Yet in many cases our manufacturers are put in a disadvantage by laws and regulations that make the cost of production more expensive, and we have a lot to do to ensure our continued economic growth and well-being.

A lot of Americans would not believe it, but in many areas – not all! – Europe does create a much more hospitable competitive environment for manufacturers.

The U.S. corporate tax rate is the second highest in the world, after Japan. In Europe, countries like Germany and France are lowering tax rates.

The NAM priorities include a better, smarter tax policy; a national energy strategy; educational accountability; and a commitment to economic growth that comes from trade.

With trade, we are in many respects at an historical crossroads. The results of the U.S. presidential and congressional elections could well determine the path we take in trade, as in so many other areas.

Senator Obama and Senator McCain have very different economic platforms, and it's conceivable the balance of power will shift even more heavily toward the Democratic Party in Congress.

Senator Obama has campaigned against free trade agreements, and he has allied himself with organized labor – the most protectionist element in the U.S. political system.

Senator McCain, to his credit, has a consistent record of voting for expanded trade, recognizing the benefits of global competition.

Unfortunately, the Democratic majorities in Congress this year blocked consideration of free trade agreements the U.S. had negotiated with Colombia, Panama and Korea.

This political resistance grows despite the many demonstrable benefits of free trade – starting with some simple mathematics!

The fact of the matter is that Belgium has 10.4 million people, the United States has 305 million people, while the world has 6.7 billion people.

The markets are growing elsewhere, outside our borders.

Bilateral trade agreements achieve important goals, but the NAM believes the manufacturing sector and global prosperity can best be served through the multilateral trade framework.

The NAM remains very active in pursuing a Doha round agreement, and I think it's fair to characterize both the U.S. and EU manufacturing sectors as positive contributors to this debate – the adults in the area.

In Geneva, Director General Pascal Lamy has taken his responsibilities very seriously, and *Business Europe* and other European manufacturing representatives worked tirelessly with the NAM for an ambitious, market-opening Doha agreement.

But...

The fact is that Doha does not look like it will be completed this year. That's regrettable for many reasons – especially from the U.S. and European perspective.

We rank No. 1 and No. 2 in global manufacturing, and most of global trade is in goods.  
(Japan is 3<sup>rd</sup>, China 4<sup>th</sup>)

The reluctance of countries like Brazil, India and China to cooperate on a trade deal concerns me, because they themselves are very substantial markets...and, they are also increasingly substantial exporters.

From a political standpoint, it has become more and more difficult for countries like the United States to accept this growing flow of products without reciprocity.

At the NAM, we continue to feel that the negotiations must achieve sufficient ambition in terms of improving market access for manufactured goods, especially in the fast-growing developing countries.

We still believe it is possible we could overcome the resistance through the use of sectorals – negotiations based on industrial sectors – but we must get past agriculture.

We at the NAM do not – repeat, do not – regard the failure of the July WTO Ministerial to be the end of the Doha Round or the death of the WTO.

The Kennedy Round in the GATT in the 1960s took four years. The Tokyo round took six years. The Uruguay Round of the '80s and '90s took eight years. No one should be

surprised if the Doha Round – the most difficult yet – would take ten years, that is, until 2011.

The NAM will certainly be looking at other ways of moving forward on trade. For example, we have proposed an agreement to reduce or eliminate tariffs on goods and services meant to help clean the environment.

Global tariff-free trade in “green” products would help manufacturers and consumers, alike. There’s certainly great demand.

But that’s a modest goal. Let’s think bigger.

The European Union and the United States are the world’s number one and two economies by far.

Despite the rise of China, India, and other emerging economies, the International Monetary Fund data show that in 2007 the EU and the U.S. accounted for 56 percent of Gross World Product.

Think of it – more than one out of every two dollars (or euros) of all goods and services in the world are produced by our two economies. That gives us tremendous clout – but also tremendous responsibility.

As we look to the future, we need to continue working together for a Doha Round outcome that benefits all nations – including our own. But the time has come when we should give serious thought to the Transatlantic Free Trade Area.

We are each other's largest markets and each other's largest investors. One-third of the tariffs on U.S. exports to the world are paid to the European Union – though the EU's tariff rates are low, the volume of trade is huge.

Today, one out of every 11 factory jobs in the U.S. is in a factory owned by an EU-based company.

And about half of our two-way transatlantic trade is intra-company trade: Kodak U.S. to Kodak Europe, Siemens Europe to Siemens U.S., etc.

Put another way, half of the tariffs we each assess on transatlantic trade is really just a tax on our own transatlantic companies.

A Transatlantic Free Trade Area could make a lot of sense – whether bilateral between the United States and the European Union, or one between NAFTA and the EU.

We in the U.S. have free trade with Canada and Mexico, and the EU already reached a free trade agreement with Mexico. And, as you know, talks between the EU and Canada on a free trade agreement opened last week in Montreal.

If we were to have such a huge free trade area, it could well be a magnet for other countries wanting to join. We could set a high standard for totally free and open trade and invite others if they agreed to our high standard.

There are challenges, of course. Our member companies tell us the biggest factor distorting trans-Atlantic trade is not tariffs, but non-tariff barriers.

These are tough to tackle: Witness the deadlock over whether American chickens are safe to eat in Europe or whether they someone become toxic by crossing the Atlantic.

Yet we would have to address non-tariff barriers and find a way to harmonize standards, regulations, and safety requirements – or at least accept each other's products as safe.

There is also the issue of agriculture, an important but not defining area in trade negotiations.

And rather than spell the WTO's doom – as some might warn – a U.S.–EU agreement could jog the rest of the world into realizing that they will be left behind unless they adopt a pro-liberalization attitude and press for quicker negotiations in the WTO.

At any rate, the idea deserves careful consideration.

Upon my return to Washington I will be sending a letter to President Seilleire (*Sail-yair*) and Director General de Buck of *Business Europe* proposing that our two organizations embark on a joint study of the pros and cons...the advantages and disadvantages...the problems and the opportunities of a U.S.-EU Free Trade Agreement.

If our joint report concludes the advantages outweigh the problems, this we could propose this initiative both to the new U.S. Administration and the new European Commission next year.

In a world where capital may be less available and where profit margins are shrinking, we should together pursue strategies that reduce the cost of capital, the cost of trade and the cost of the final product.

An agreement between the United States and the European Union could do just that.

Furthermore, I believe it could be advantageous in other key areas, critical not just to government and business leaders, but to consumers, too.

On the environmental front, admittedly, predicting the future of EU and U.S. laws and regulations is no easy task.

But if carbon falls under a consistent regulatory regime, then we certainly need transparency and accountability on the carbon content of products.

Implementation and enforcement of safety standards could be coordinated, reducing costs AND improving the safe use of consumer products – including vehicles.

Testing of products would also benefit from harmonization. I think we should do all we can to reduce the duplicative testing of pharmaceuticals and other life-saving products.

Border security is another area where there is already cooperation, but more can be done - especially the consistent and intelligent monitoring of cargo facilities and ports. Obviously Flanders has great expertise to contribute to these discussions.

Ultimately, for every step backward on manufacturing and global competitiveness, I believe we can take two steps forward. How better to take them than across a Trans-Atlantic bridge?

We must not let a financial crisis frighten us into inaction. Let's instead find what benefit we can in it, including a renewed appreciation of manufacturing's role in creating prosperity for our citizens.

At the National Association of Manufacturers, we have a slogan: "We are the people who make things." That's more important now than ever.

But we don't do it alone, and we don't do it without suppliers and customers all over the globe.

So the coming year will bring with it serious challenges for all of us – whether politically with a new President and new Congress in Washington – or the continued fallout of the financial crisis.

Today, the one thing I want to leave with you is this: Throughout all these challenges, *European Business* and *VoKa* will have no better friend than the NAM. We share your goals; we'll share your efforts.