

**BritishAmerican Business Inc Transatlantic Business Development Forum:
Tuesday 2 March 2004**

'Globalisation and a New Transatlantic Dynamic'

Thank you for inviting me to speak at today's forum. It is a privilege to be amongst so many leaders of industry and commerce from both sides of the Atlantic.

Let me begin by emphasising the importance of the economic relationship between our two countries.

- UK-US trade is worth **£60bn**;
- Almost half of UK outward investment goes to the US alone;
- The US accounts for **40%** of foreign direct investment into the UK.

Our relationship with the United States is and will remain at the heart of our international relations.

We work together for increased global prosperity and security.

We live in a world where crippling poverty exists alongside great wealth. Tackling these inequalities is essential if we are to create a more secure and stable world.

We must bring opportunities for greater prosperity in the global economy to the many, and not just to the privileged few.

Expanding trade means progress on removing barriers to trade and open markets.

We must guard against protectionism; an all too tempting option to serve short term interests but which, inevitably, stifles long-term growth and hurts the world's poor. Britain is a trading nation. Our wealth, our jobs depend on trade. Protectionism is not an option for us.

Offshoring

Globalisation has brought to the fore 'offshoring' – or outsourcing, as it is called in the current political debate in the US.

Offshoring has, of course, been around for some time. But it is now attracting unprecedented coverage as the critics talk up the threat of jobs disappearing overseas.

Offshoring can have its place as a business process that leads to lower costs and higher productivity.

In free markets, where a company wants to locate is a commercial decision. However, there are factors other than labour costs. Companies need also to consider customer relationships and local knowledge. The damage done to communities here must also be a factor.

Companies must therefore consider the case carefully.

The British Government is determined to emphasise to companies the competitive advantage of being located in the UK. Our aim is not only to attract investment to the UK but to keep it here too.

That is why we recently brought together businesses, unions and academics to discuss what the right Government and business policy responses to offshoring should be.

One outcome will be a major study on the competitiveness of the call centre industry, which we will publish shortly.

And in the summer, we will publish a White Paper setting out how we ensure Britain is competitive in the global economy.

Ultimately, our response must be to make globalisation work for us.

We need to keep raising our game, to ensure that companies and people are continually upgrading their skills and technologies.

A skilled workforce; the stable economic background created by this Government; and the UK's strong IT and telecoms infrastructure, will ensure that we continue to attract investment and create jobs in an increasingly competitive market.

This is the key. Not to resort to protectionist measures. But to ensure an economic environment that enables companies to compete on the basis of quality, innovation and skills.

EU-US Economic Relations

EU-US trade and investment is reckoned to be worth annually over \$2,000 billion and employs around 12 million people.

Day in day out this vast, interdependent relationship is developed and expanded by businesses like yourselves.

But public attention is, all too often, focussed on disputes which are estimated to amount to less than 2% of overall EU-US trade.

98% of our economic relationship is problem-free. That is certainly something to think about.

We must pursue a trade relationship that is based on the reality, not the lazy perception.

Enhanced Regulatory Cooperation Initiative

There are certainly many areas where closer EU-US cooperation could bring great benefits.

For example, greater joint leadership to galvanise the global trade talks in the WTO. We welcome Bob Zoellick's call for revitalised talks but we need to see some follow-up.

A successful outcome of the current trade round - the Doha Development Agenda - is a key policy objective for the UK.

It has the potential to lift millions out of poverty around the world.

But of course opening markets and increasing opportunities does not end there. We also need to tackle the barriers that the Round is not covering.

These tend to be regulatory barriers.

We propose to address such barriers, in relation to the EU and US through a renewed Regulatory Cooperation initiative.

Capital markets are an area where closer EU-US regulatory cooperation would lower transaction costs, reducing burdens on business and increasing access to information. We want to see this red-tape cutting initiative succeed.

I hope to see a declaration on a stronger regulatory dialogue at the EU-US Summit in June.

In this spirit, I warmly welcome the relaunch of the Transatlantic Business Dialogue under the chairmanship of Niall Fitzgerald and Doug Daft of Coca-Cola.

This should help give the EU-US relationship some business ballast and a sense of prioritisation.

We need business input across the board if we are make this relation ship work for the people of the EU and the US.

Multilateralism and Disputes

Multilateralism presents by far the best way to ensure prosperity for as many as possible.

It is inevitable that there will be differences between the EU and the US, given the breadth, complexity and interdependence of the relationship.

What is important, however, is that we get those differences in perspective, not least over FSCs.

FSCs

As you may know, from yesterday (1 March) the European Commission applied additional duties of 5% to a range of imports from the US.

Frankly, we took this step reluctantly. The reason we had to do it was the failure so far of the US Congress to comply with the WTO ruling citing FSCs as illegal subsidies.

The US Government accepts the law must be changed, so there is no dispute of principle here, we are merely trying to encourage Congress to get this through.

I say reluctantly because this move risks hurting innocent businesses in Europe by increasing the cost of inputs. We have however sought to minimise this by targeting goods that can be sourced from outside the US.

The retaliation will gradually increase (by 1% a month) until the US complies and brings its discriminatory tax regime into line with the WTO ruling.

However, it is encouraging to see that draft Bills are under consideration in Congress to address the issue and bring US domestic law into WTO conformity.

We hope that Congress recognises the damage that ever increasing retaliation would cause to trade relations and that sufficient time will be found in the legislative programme to resolve this issue.

Conclusion

But as I said earlier, let's base the view of our trade relations on the 98% that is trouble-free.

We must continue to build a mutual understanding of business needs and priorities both within the EU and in the US.

BABi's work is a vital part of this process.

So, I congratulate you on the many initiatives you take and the work you do here in the UK and in the US to strengthen both the UK-US and EU-US economic relationship: the best promise of our long-term global prosperity and stability.

Thank you.