

COMMENTS ON THE DRAFT REPORT ON THE BENEFITS OF DEEPER EU-AMERICAS ECONOMIC COOPERATION

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My first comment is that, in order to prepare the case for a Cecchini-style report, we should be a little more specific and advance a few rough figures about the potential benefits giving a couple of examples, such as trade in manufactures or in commodities, by considering tariffs as a tax on the consumer, as the WTO does in every new Round. The same could be done for financial services using the methodology of Dobson and Jacquet.

My second comment relates to the issue of FDI. Today, according to the UNCTAD, domestic sales by subsidiaries of multinationals are more than double than world exports. In the case of US subsidiaries established in the EU, domestic sales could be four or five times larger than US exports to the EU. A similar sales-exports multiple can be found about EU multinational subsidiaries established in the US. I think that the report should mention the importance of this fact in order to enhance EU-US economic cooperation.

A third comment relates to the issue of the increasing synchronization of business cycles between the US and the EU, due to the larger interdependence of both economies through increasing trade and capital flows. In a simple calculation that we have done at Goldman Sachs we found that the output gap correlation of both economies over the last five years was 0.8.

In the same line of thought we should add some figures about portfolio capital flows that have been very important in the last few years. As a matter of fact, EU portfolio flows into the US have been responsible for an important share of the US stocks "bubble".

In page 2 section 3.1 we cannot talk anymore about "mitigating the downturn" but rather about "enhancing the upturn" of the economies of both sides of the Atlantic.

Finally the something should be said about the new Steel conflict in section 3.2 of the same page.

In general, I think that the report is excellent and addresses all the most important issues in a simple and very effective manner, but in my opinion, the Executive Summary could have a little more "punch" and be a little more assertive about the need to embark in a thorough study about the opportunities to enhance economic cooperation.