



## Transatlantic and Global Trade, and Security

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**Cecilia Malmström**, Commissioner for Trade

*Brussels - NATO Parliamentary Assembly*

Ladies and gentlemen,

The relationship between the trade policy I work on and the security policy we are here to talk about today has always been complex.

That's because they start from different perspectives.

The basic perspective of trade policy is that there is a mutual benefit when different economies specialise in their different comparative advantages and then trade with each other.

The basic perspective of security policy, on the other hand, is often based on a more competitive view of the relationships between international actors. It's a world of absolute, rather than comparative, advantage.

As a result we might want to conclude that these two approaches to the world are fundamentally at odds.

But that would be a mistake.

Because, trade policy and security operate in the same world.

Governments must make decisions based on real situations. And in real situations we must take all the facts into account.

We certainly can't ignore threats to our security. But neither can we ignore the benefits of economic engagement.

So the challenge is not to choose between security and trade but rather find how we can best make them work together.

That's the perspective on Europe's trade agenda that I would like to take today. I will look at the question from three angles:

- How trade can promote peace and security;
- How open markets for raw materials and energy can boost security;
- And how geopolitical reasoning can help trade policy be more effective at meeting its own goals.

My first point is perhaps obvious, but it is also essential.

The most effective way to use open markets to support security goals is by keeping them open.

The best way to achieve security is peace; trade supports that goal by spreading prosperity.

When people can put food on the table, and when they see opportunities for themselves and their children, they do not have time to focus on old rivalries.

They are also more likely to support moderate governments that favour steady improvements in living conditions, not radical revisionists likely to provoke international conflicts.

On top of this, governments of prosperous countries – at least those that are even minimally responsive to the wishes of their people – are far less likely to create conflict to distract from their domestic problems.

And most basically, open markets for trade and investment lead to closer contacts and closer ties between people and communities. These ties make war less likely and more costly.

Some may argue that this idea is naïve. They may point to the example of the First World War, and the fact that it was preceded by an era of prosperity and globalisation unprecedented in its day.

John Maynard Keynes' has famously highlighted the amazingly connected nature of pre-War society. He described how Londoners in 1914 "could order by telephone, sipping [their] morning tea in bed, the various products of the whole earth." But it did not stop them filling Trafalgar Square to cheer Britain's declaration of war on Germany - a major trading partner - in August of that year.

But while that one example certainly shows there are limits to trade's ability to support peace, the example of what has happened since 1958 on the continent of Europe shows trade's possibilities. Europe's economic integration is a major reason why the European Union won the Nobel Peace Prize. And larger studies have found that the correlation between trade and peace is real.

In any case, today's global integration is so much deeper than that of the Belle Epoque:

- World trade was at 16% of world GDP in 1914. Today, goods and services exports amount to a more than double that percentage – to say nothing of the vast cross-border stocks and flows of direct and portfolio investment – including governments' own bonds.
- A hundred years ago, most consumer goods were produced in one country. Today, the vast majority of the products you use every day – whether it's your phone or the train on the underground – incorporate components and services delivered by workers all over the world.
- And of course 1914 people themselves were much less connected than they are today, thanks to communications technology and the Internet.

For all these reasons, the European Union's trade policy is an essential support to peace and security around the world:

- We are the strongest supporters of the World Trade Organization. The WTO not only spreads prosperity it has one of the world's most effective binding dispute resolution mechanisms.
- Europe also offers free access to our market for the poorest countries in the world. Our programmes also give incentives to countries that respect human rights, labour rights and the environment.

- And we promote the principle of regional integration in our trade relations with other partners - sharing the benefits of what we have seen at home. We have, for example, concluded Economic Partnership Agreements that boost regional integration between countries in Africa the Caribbean and the Pacific. We have sought regional deals as our first priority with ASEAN, Mercosur and the Andean Pact.

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The second link between trade policy and security that I want to highlight is also exemplified by the Ukraine crisis, but has an important transatlantic dimension: the impact of export restrictions on natural resources.

A major limitation on the European Union's freedom of action in response to Russia's actions in Ukraine is the fact that many European countries depend on Russian gas exports for significant proportions of their energy needs.

Over the medium term, this issue can and must be addressed.

Europe has many of the tools to do so in our own hands:

- We can become more energy efficient,
- Create a true Energy Union,
- and explore new energy sources within our own borders.

But the potential for future energy exports from the United States can also help change this security equation.

Trade policy – in particular the negotiations for a Transatlantic Trade and Investment Partnership – can help that happen.

Today US gas exports are subject to cumbersome licensing procedures and oil exports are essentially banned. These limits can be removed in the agreement.

To do this, the EU believes that TTIP should include a legally binding commitment by both sides not to restrict exports of oil and gas to the other partner.

We also believe the agreement should contain a wider set of rules that would support a general market based approach to trade in natural resources...

And we believe that this should be done in a way that supports the overall climate goals of both sides. TTIP should not affect the freedom of either partner to make decisions either about future energy exploration or its own energy-use mix.

The strategic benefits of an approach like this would in fact go beyond the Russia question.

By setting an example for other countries to follow it would help promote open trade in energy and raw materials around the world – helping boost growth and solve other security quandaries in the process.

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The final link between trade policy and security I want to make is about reasoning – and how security thinking can help us achieve trade policy goals.

With the gradual decline of tariffs around the world, it is clear that the main subject of trade negotiations in the 21<sup>st</sup> century will move on. We will be discussing issues like regulatory, subsidies and services.

The backdrop for those negotiations will be a changed world economy in which emerging economies play a much bigger role.

That change is good news from a human standpoint. If our partners in these regions are stronger it is because their growth is rapidly reducing poverty, improving the lives of millions.

It is also good news from a trade standpoint. Growth is not zero-sum. Larger economies in Asia, Latin America and Africa mean more exports from Europe and North America.

But we may also wish to look at this issue in the same way as a security expert might.

And looking at the issue from that perspective it is clear that the rise of the emerging economies means that Europe and America's influence on international economic rule-making must, over time, decline.

Now that is a fact of the 21<sup>st</sup> century. And for all the reasons I have mentioned it is not a fact to be mourned. We do not wish to go back to an era of dominance of one region over others. And we do not wish to encircle or exclude any trade partner.

But it does have implications for the nature of any future global rules – on issues as sensitive as regulation of food, the environment and financial services; labour rights, human rights and sustainable development.

The EU and the US share values on all of these issues. Despite the stereotypes of Nanny State versus Wild West that are often put forward, we both have some of the highest levels of regulatory protections in the world.

And when it comes to international negotiations on those issues we both advocate those high standards today. But because of our different means rather than ends, we often end up at cross purposes.

That is a challenge for cross-border trade now...

... but it will have more serious implications in a world where our combined share of global GDP could fall by half.

What we should aim for, therefore is to work together – and with other like-minded partners – as much as possible.

And the Transatlantic Trade and Investment Partnership along with the CETA agreement with Canada – with its focus on regulatory coherence and international trade rules – is exactly the tool to do this.

Simply put, the more ambitious it is, the more both sides will be able to contribute to shaping the trade policy of the future.

But let me be very clear on one thing. Even if we can see the benefit of looking at the world through that security lens for a moment, that does not mean that TTIP can be considered any kind of "economic NATO".

Yes it's about promoting high standards by maximising influence. But it's not the only relationship that either the United States or Europe has. We are negotiating trade agreements with many other partners around the world, including China.

On top of this TTIP is not about excluding any country's exports from our market. In fact other markets around the world will benefit from our work - especially in the regulatory area. When the EU created the Single Market people talked about Fortress Europe. In fact some of the biggest beneficiaries were the US and Japan. TTIP will be the same for our partners around the world.

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Ladies and gentlemen,

Let me conclude by making one point clear, trade policy will not solve our security challenges. That, I'm happy to say, is your job, not mine.

But if done right, it can make a contribution, helping set the economic framework for peace.

That means we need an open mind.

If the dramatic international developments of the last year have taught us anything, it's that our world is unpredictable.

The same goes for the economic challenges we have faced since the crash of 2008.

The fact is that the thoughts, fears and actions of seven billion people cannot be captured in any single perspective.

As we approach political problems in all areas of government then, we must make sure to keep our minds open to all kinds of advice, if we want to find solutions.

Neither narrow economic nor security views of trade or foreign policy will provide the right policy answers. We need to combine them both – seeking growth, jobs and stability in a constantly changing world.

Thank you very much for your attention.