



## Open Markets and European Recovery

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*Stockholm – Annual meeting, Swedish Committee of the International Chamber of Commerce*

Ladies and gentlemen,

We're meeting today just eight days before the start of spring. We already notice the brightness in the days but the temperatures have not quite got obliged us by rising. And we're still waiting for the first new buds on the trees.

It's all tantalisingly close, but we are not quite there yet.

The European economy is in much the same situation.

We have been through a very difficult few years.

The financial crisis of 2008 became a currency crisis in 2010 and since then recession or at least slow growth have become all too normal on our continent. Many people lost their jobs. Many more felt economically insecure.

Sweden, has been mostly spared. But even here many people are out of work. And now we are worried about the risk of deflation.

But all across Europe there are many reasons for hope. In Ireland, Spain and Portugal, growth has returned and people are, gradually, finding jobs. In Germany, France and the United Kingdom, the recession is over.

But, that doesn't mean that the season has turned. In the largest economies in Europe, growth is still slow at best. Italy's economy was still shrinking for most of last year. Greece's recovery remains uncertain. And if other countries are better placed, the human cost of our crisis remains with us all across the continent, in the form of high debts, lost savings and the 25 million people still unable to find a job.

What will it take for us to move to an economic spring? Moreover what will it take for us to find our way to long term, sustainable growth?

It will take all our efforts. On all policies that can help.

Trade, part of the foundation of European prosperity, is certainly one of them.

Ricardo saw this in the nineteenth century. Closer to home and closer to our time, Heckscher and Olin stressed it too. It's in every country's economic interest to trade and to specialise in what it does best.

We gain when other governments open their markets, allowing Koreans, Colombians or Canadians to buy the products and services that we Swedes, Spaniards or Slovenes make better than anyone else.

Europe is good at many things, which is why we are the largest exporter in the world. 30 million people in Europe are employed in making our exports of goods and services. Just under 900 thousand of them are in Sweden.

They work in small companies as well as big ones. A quarter of Sweden's exports and a third of European exports are by SMEs.

And exports to foreign markets are going to be even more important in future. Because 90% of world growth is predicted to come from outside Europe's borders over the next 20 years.

But that's only half of the wisdom of comparative advantage. Because we also gain when we open our own market, allowing Latvians, Lithuanians or Luxembourgers to buy the best products and services from Mexico, the Mediterranean or Mercosur.

European consumers benefit from the connection with producers around the world. But open markets are also about connecting businesses to other businesses in value chains that stretch across the world.

Two third of Europe's imports are of energy, raw materials, parts and components. And a full 13% of the value of all imports into our Union ends up being re-exported as part of Europe's goods and services. For Sweden, it's a third.

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The European Union understands these realities.

That is why our approach to trade policy is to keep our own market open, while pushing our other partners to open theirs.

It's a strategy that works.

Through our support for the World Trade Organisation and its predecessor over almost seven decades, Europe has driven market opening according to shared rules all around the world. This was vital for Europe's post-War prosperity and remains so today. We have a global economy and that leads us, inexorably toward global rules. Only the WTO can provide them. Over the medium term it's also the only way we can truly simplify the system governments are creating with the network of bilateral trade agreements.

In the meantime, however, economic and political reality dictates that we also have to proceed bilaterally. Our programme of work on these negotiations is comprehensive.

It's comprehensive geographically. In recent years we've done deals with Korea and Singapore in Asia...

... Canada, six Central American countries, Peru, Columbia and Ecuador in the Americas...

... and Ukraine, Moldova and Georgia to our east.

Last year we also signed Economic Partnership Agreements with 27 different countries in Africa, building on existing deals with islands of the Caribbean and the Pacific.

And we have many more negotiations ongoing, like Vietnam, Japan and, I guess you've heard of it, the Transatlantic Trade and Investment Partnership with the United States.

Our approach is also comprehensive in the way it opens markets. Our free trade agreements get rid of trade barriers at the border, like tariffs and customs bureaucracy. But they also go beyond the border.

They help open markets for trade in services like finance, law, accounting or even more Nordic pastimes like dredging and ice-breaking.

They address investment public procurement and tough problems like disguised, unfair subsidies.

And they also, increasingly, look at the way different ways of regulating can act as a barrier to trade. We try to make regulation more compatible without making it any less effective.

We know this approach works because we have seen it in action. Take our agreement with South Korea. Since it went into force in 2011 our exports are up by a third. In cars they're up by 90%. And our overall share of the market has actually increased – despite strong rivalry from China and the United States.

If we put all our programme into practice we can expect more results like these. By our estimate the whole set of deals would add about 2% to the EU's GDP. That's like adding another Denmark.

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But that is not to say that everything about EU trade policy is perfect. As a new Commissioner, one of my most important jobs is to take a critical look at the current state of play.

That is why I am working on a new trade strategy for release in the Autumn. I want to assess where we stand, keep what works and change course where needed.

It's early to say what the strategy will do but I can say that it will need to take account of three types of changes:

Economic changes. As I've already mentioned, the crisis has meant Europe needs tools like trade that can help build long term prosperity, even more than before.

It has also reduced the extent of Europe's dominance of world trade, to the advantage of emerging economies like China, who loom ever larger.

The world economy has also continued to become more integrated. Value chains connect firms with partners on the other side of the world. They also mean that the distinctions between goods and services are not as clear as in the past.

The second type of change has to do with trade policy itself. There is a new positive mood at the World Trade Organisation, even if success on the Doha Round is far from guaranteed. At the same time, bilateral free trade agreements are popping up everywhere.

The third type of changes has to do with the way Europeans see trade.

On the one hand, they have an increasing sense that though trade is a force for good, it may have darker side effects. People's shock at what happened in the Rana Plaza clothing

factories in Bangladesh two years ago is just one example. The growth of the fair trade movement, is another more positive piece of evidence. There are serious ethical questions to be considered when we make trade policy.

On the other hand, people in several EU Member States have been concerned by what they have heard about the Transatlantic Trade and Investment Partnership, or TTIP for short. Many people fear that an agreement with the United States would threaten European public services like health and education as well as regulation to protect people and the environment. They also fear that decisions are being made undemocratically.

While the reality is very different, it is true that our aim for TTIP is to boost trade by making EU and US regulation more compatible. But we will only do that in ways that do not call into question the European way of life.

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The new strategy will need to look at all of economic, policy and political changes and see what they imply for trade.

Again it is very early to say to say what that will be. Right now we are simply seeking input from all across the political spectrum. But I would like to give you a sense of our thinking in order to guide any input you may have:

First, we can only benefit from trade deals if people trust in the European system for negotiating them. How can we boost that trust?

There already are strong checks and balances in trade policy making. National governments like Sweden's and the European Parliament keep a very close eye on what we are doing and they have to approve final deals before they can have any affect.

But we may need to need to recognise that there is a difference between the traditional topics of trade negotiations like tariffs and the new areas like regulation. When we decide on new regulation here in Stockholm or in Brussels, we do so openly and in full transparency. How can we apply the same approach when regulation is discussed in trade agreements? We have already become much more open, with the text of all EU proposals on regulation in TTIP publicly available online. Can we do more?

Second, how can we reinforce the link between trade and labour, human rights, environmental protection and sustainable development as a whole?

Again, the EU already tackles these questions.

We offer better access to the EU market for those developing countries that raise standards. We ask all our free trade agreement partners to sign up to key international conventions and then monitor closely whether they live up to their word.

And we are taking innovative political action on Bangladesh and other issues like raw materials sourced from regions where the revenues fund armed groups.

The question again is, can we do more to encourage responsible supply chains?

Third, how can we make sure that today's trade policy agenda actually delivers?

We clearly need to take advantage of the momentum at the World Trade Organisation to try to conclude the Doha Round once and for all. But we will also need to think about what happens next. Should we go further down the path of amassing support among a critical mass of partners around specific subjects, like we are doing today on products that help the environment? Moreover, can we use all the energy in bilateral and regional negotiations to make progress in opening markets through the WTO?

And what about the bilateral negotiations themselves? The scramble for trade agreements means a complicated set of different rules. We need to make sure our partners actually put them into practice. Are the tariffs lowered? Are discriminatory regulations modernised? And above all is business actually using the new channels of opportunity that we are creating? How can we make sure all of this happens as it should?

Fourth, what about the changes in the power structure of the global economy? This is not just a trade policy question. It's a factor in talks on climate, finance, security, justice and many other areas. But any new trade strategy will have to tackle it. Simply put, can we find ways to encourage emerging countries like China to do more to support an open, rules-based trading system?

Finally, the more integrated nature of the global economy means that growth and jobs in Europe are affected by many kinds of decisions taken by governments in other countries. The crisis has also created pressure on those governments to resort to new kinds of protectionism. A new trade strategy will have to address questions like digital trade, disguised subsidies and try to find innovative ways to take advantage of global value chains.

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If we can achieve all these things we will have an improved trade policy, ready to help Europe move forward.

- We will increase our exports, creating more and better jobs for Swedes and other Europeans.
- Companies will gain easier access to the imports we need to stay competitive, again helping keep jobs in Europe.
- Consumers will have more choice and they will be able to buy the products they need more cheaply. That will help the poorest in our societies the most.
- And we will have a trade policy that has the confidence of our citizens and that supports the principles and values they believe in.

That's a vision that's worth an effort. And I would like you as Swedish companies to help in three ways:

Your first job of course, is your day job! Succeeding in a world as competitive as ours is not easy. You need to innovate every day to win business. And I know it's hard work. But I urge you to keep it up.

Second, I would welcome your input to our brainstorming. Sweden is a country that has combined success in international trade with a clean environment and a strong social safety net, consistent with European values. Your experience as Swedish companies can therefore be useful to our European efforts.

Finally, we need you to take part in public debates on trade policy. Here in Sweden there is a consensus about trade. But that does not mean there is no debate. Where there is, your voice is crucial. But companies have vital stories to share about the link between trade, growth and jobs.

Ladies and gentlemen,

Spring is not yet here for Europe. Luckily for me, since that leaves plenty of time to think about the answers to all these questions!

But while we can be pretty sure that the seasons will turn without us helping them along...

... we can't be sure that the European economy will do the same.

If we want a brighter future, we will have to help build it.

Thank you very much for your attention.