



## The Geopolitical aspect of TTIP

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Ladies and gentlemen,

I'm always happy to be back among my fellow liberals.

And I'm always happy to talk about the negotiation that everyone's most interested in.

But I'm particularly happy to look at it from the global angle, which too often gets lost in the mist - or perhaps the myths - of the TTIP debate.

The economic gains are certainly central to this deal.

But the global impact of TTIP is essential to understand what it's all about.

There are three ways to look at this issue and that's how I will approach it today.

One is to look at how TTIP supports our wider challenge of dealing with globalisation. A second is to see how TTIP supports the challenge of guaranteeing our security.

And a final way is to see things from the perspective of other countries. What does TTIP mean for the rest of the world?

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Let's start with globalisation.

This is the most important economic phenomenon of our time. It's linked to the financial crisis, the rise of emerging economies, the rapid advance of technology and even the upheaval in political systems we are seeing in Europe today.

It can be unpacked in many ways. And many very bright people have spent many years doing so.

But to put it simply, from a trade perspective the challenge is the following:

Our markets are global but the government policies that affect them are set locally.

In some ways, that's how it should be, our democratic institutions are local, or in Europe's case, regional.

But the difference between the geographical reach of our rules and the geographical reach of our markets nonetheless creates challenges.

It creates challenges for market access when countries choose to block trade. It creates challenges of unfair competition when they subsidise their own producers. But most importantly it creates challenges of enforcement of the rules and regulations we choose for ourselves, whether on the consumer safety or protection or food safety.

Trade agreements are a way to address those challenges. Governments agree to respect certain rules of the game.

Over six decades the World Trade Organisation has been the place we had those discussions. And we have made enormous progress. To tariff reductions, we have added services and rules on subsidies, intellectual property and many others.

We are now trying to upgrade the WTO's environmental credentials with our green goods agreement. And we are working hard to complete the Doha Round too, potentially opening the way to new talks on new topics.

But we can't expect in the short term that the WTO will address all the new issues that globalisation is throwing at us. In an ideal world we would have global rules on state-owned enterprises, digital trade, investment, and the increasingly important link between trade and regulation.

The deepening of globalisation, thanks to technology as much as policy, means that over time there will be more pressure to set rules like these.

The question is how and by whom?

TTIP allows Europe and the United States to set the global framework for such a response.

If we do an ambitious TTIP deal, we will be saying loud that future true global standards – whether on car safety or medical devices, machinery or cosmetics – are going to be high standards.

We will be saying that any future rules on state-owned enterprises will have to be based on transparency and market principles.

And we will be saying that we believe trade should support rather than undermine sustainable development.

What's included in TTIP will have weight because both of our leading economies will be behind it.

And while that unity is important today, it will be vital in a future world where we account for far less purchasing power.

Emerging and developing countries' share of world GDP was 20% in 2000. Last year, it was just under 40%. It's a trend that looks like continuing.

But let me be clear on one thing. That does not mean TTIP is a deal against anyone. Any rules we agree between us are formally just that, between us.

Bringing them to the WTO or any other multilateral level would require a negotiation.

But TTIP would be a vital step in that process because it would bring the world's two largest economies together.

And that would amount to a true global public good.

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TTIP can also help us answer some of our security challenges. In particular it can help us address an issue exemplified by the crisis in Ukraine: the impact of export restrictions on natural resources.

Throughout the crisis of the last year, there has been a major limitation on the European Union's freedom of action in response to Russia's actions.

Many European countries depend on Russian gas exports for significant proportions of their energy needs. And Russia has shown a willingness to limit those exports when it has felt it useful.

Solving this problem is Europe's challenge:

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

And TTIP can help.

Today, US gas exports are subject to cumbersome licencing 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.

And TTIP should not affect the freedom of either partner to make decisions either about future energy exploration or its own energy-use mix.

That would be an excellent result for both sides.

It would give US exporters legal certainty about the European market, encouraging needed investment in infrastructure.

It would strengthen Europe at a difficult time.

And it would set an example for other countries to follow, promoting open trade in energy and raw materials around the world.

And here again, that's not just in the interest of Europe and the United States It's in everyone's interest, since no country I've ever heard of is self-sufficient in everything it needs.

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Those are some of the global implications of this agreement from the European perspective.

But what about other countries, particularly developing countries and our closest neighbours? How will they be affected?

I believe they have much to gain. And the countries that trade with us the most, our neighbours, have the most to gain. Let me explain.

First, if TTIP increases incomes in Europe and America our consumers will buy more goods and services. They will buy European and American products but also products from elsewhere in the world. Given that the EU and the US together make up more than 40% of the world economy, and that our economies are some of the most open, this impact will be noticeable.

Second, more growth for EU & US companies means more orders for their suppliers of parts, components and raw materials from other countries. The world economy is increasingly interdependent, given the ever greater complexity of global value chains.

Third, eliminating or reducing transatlantic regulatory barriers will allow – in some cases – for improved market access for producers from other countries.

For example, many companies around the world export both to Europe and the United States. Today they have to comply with two sets of standards and regulations, often requiring separate production processes.

If TTIP can make EU and US regulations more compatible, that would help companies like these.

Another way for third countries to benefit from future transatlantic approaches to regulation is if their governments adopt them. The size of the EU and the US markets means that partner countries will have an incentive to do that. That's one of the reasons why many governments already follow EU approaches today.

If that happens it would improve market access between the EU, US and those countries. It could also reduce trade barriers between those countries themselves.

In either case, the more closely those countries cooperate on regulatory issues with the EU and the US, the larger the benefits will be.

Of course, all trade agreements make producers inside the new open market relatively more competitive than those outside it. That's what happens when you give trade preferences.

But with TTIP this effect will be very small for most developing countries.

Why? Because they broadly export different products to the US and Europe than those that are traded across the Atlantic.

As a result, they are basically not competing against European and American producers on either market.

And in any case, any small effects, will be offset either by our trade preferences, Economic Partnership Agreements, and our trade deals with the Neighbourhood and Latin American countries. And that's one of the reasons I've just launched a modernisation of our customs union with Turkey.

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For all of these reasons, the global case for this agreement is just as strong as the domestic case.

TTIP will certainly not solve all our problems. But it will help us across the board.

We will have a stronger economy in both the EU and the US.

That will benefit our trading partners, near and far.

We will bolster our energy security.

And we will strengthen our hand when it comes to setting the rules of the game.

Thank you very much for your attention.