



TTIP and Developing Countries

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Honourable Members,
Ladies and gentlemen,

Thank you very much to the members of the Development and International Trade committees for organising this joint session. It is excellent that members of both Committees are here to discuss this important topic.

Some believe that the European Union's trade policy should solely focus on gaining economic advantages for the European Union.

I do not agree with that view.

Yes, EU trade policy is about creating economic opportunity for European workers, consumers and entrepreneurs. Our job here in Brussels is to project and defend our interests. If we don't, no-one else will.

But our job is about more than that. Because we are a union of values as well as a union of interests.

We are a union of democracy and human rights. We are a union that insists on environmental and consumer protection. And we are certainly a union that supports the development of poorer countries.

We're here today to talk about how the Transatlantic Trade and Investment Partnership, or TTIP, might impact on developing countries.

In some ways it may seem at first an odd question, since it's a negotiation between the world's most advanced economies.

But, in fact, it is a very pertinent question. For two reasons:

First, because of the scale of the potential deal. Together the EU and the United States make up almost 50% of the world's economy, 40% of its investment stocks and 30% of its trade. Both are among the top ten export destinations for the 43 biggest low-income exporting countries.

And second because of our ambition. We want to go beyond traditional trade issues, and even beyond our most advanced FTAs. We want to look at the rules and regulations that affect international business.

These two factors mean that the results of TTIP will have weight in the world and potentially impact on developing countries.

I'm sure that some of you have concerns about the nature of this impact. Will developing countries lose out if the EU and US come closer together?

In the Commission we share this concern. That is why we have looked closely at TTIP's potential impact on the rest of the world, and on developing countries in particular.

And I am pleased to say that we do not see a negative impact. Although we have to remain very vigilant about it, all major studies published on the topic so far conclude that if anything, the TTIP will be beneficial.

Here's why:

The starting point is a basic truth about the world economy.

When the EU and US economies grow, that drives demand and growth in the rest of the world. We saw the negative side of this during the recent financial and economic crises. TTIP, by making our economies stronger, will bring out the positive side.

This happens indirectly: when we grow, we import more, including from developing countries. It also happens directly: many developing countries are now part of the supply chains of European and American exporters. Today, on average, every billion euro that we export from the European Union supports 8 600 jobs in the rest of the world. For instance, EU exports support 800 000 jobs in Brazil and over 2 million in India. The more we export, the more our suppliers in developing countries benefit.

That's all very well, some may say. But won't TTIP lead to trade diversion? Won't TTIP mean that European and American exporters have advantages over developing country exporters?

We believe today that the answer is no.

First, because developing countries in Africa, Asia and Latin America are specialised in very different products to what the EU and the US sell in each other's markets.

This is obvious when you think about it. The high-value added food products we export to the US from our temperate climate do not compete with tropical products from Africa or Latin America. Textiles and clothing from Bangladesh are not in competition with American pharmaceuticals.

The second reason is that the tariffs paid on transatlantic trade are just not that high today. The average is less than 5%.

This does not mean there is no economic impact from removing them. The scale of trade means the overall amounts paid to customs on both sides are large. That's one of the ways TTIP will benefit the EU.

But it does mean there will be very little negative impact on innocent bystanders.

Finally, TTIP will also be about the rules that govern trade - issues like how we make compatible our testing requirements or how to discipline government subsidies. These kinds of questions are essentially non-discriminatory. They shouldn't put third parties at any kind of disadvantage because they're not about giving preferences to EU and US producers.

Indeed our goal for many of these kinds of provisions is that they would be the basis for future fair global rules that will help create a level playing field for international trade and investment. That's in the interest of developing countries just as much as our own.

TTIP work which has a potential global dimension includes rules on sustainable development, state-owned enterprises, but also customs and trade facilitation to benefit small and medium sized enterprises.

And in the area of regulatory barriers to trade, third parties may benefit directly. To the extent that the EU and the US agree common approaches - for instance mutual recognition of safety standards related to cars - products that meet those standards would be legal on both markets. That makes compliance easier.

The last point I want to make is that TTIP is not happening in isolation. We are continuing our long term work to make it as easy as possible for developing countries to export to our market:

We have trade agreements with the vast majority of Latin American countries. We are now filling the gaps that remain through restarted negotiations with Mercosur. We are also working towards the launch of negotiations to modernise our existing agreements with Mexico and Chile.

And we have made major progress on our Economic Partnership Agreements with countries in Africa. Just two weeks ago I was in Botswana to sign the agreement with the Southern African Development Community. We also have deals with the East African Community and West Africa. When these are fully in place, they will guarantee access to the EU market for all of those countries. It's important we get them implemented fully as soon as possible - something the EU is ready to support.

The remaining African countries - and all other least developed economies across the world - have duty-free and quota-free access to the EU in any case.

Moreover, all 162 members of the World Trade Organisation - particularly developing countries - have a golden opportunity to improve the efficiency of their trade with the EU and US, and the rest of the world, regardless of TTIP. How? By ratifying and implementing the Trade Facilitation Agreement of 2013.

Inefficiencies at the border hurt countries capacities' to export as well as import:

- In the OECD, on average, customs clearance requires about 5 separate documents, takes about 10 days and costs around 750 euros per container.
- By contrast, in sub-Saharan Africa almost double the number of documents is required; goods take 35 days to be exported and 44 days to be imported; and all of this is at a cost per container of 1300 euro for exports and 1500 euros for imports.
- We also know that reforms to customs procedures in Ethiopia nearly doubled import and export transactions and led to a revenue increase of 51%.

Gains like these would dwarf any impact of TTIP on partner countries. That - and the path of economic reform more generally - is what will really allow all developing countries to benefit from our connected world economy.

Nonetheless, Ladies and Gentlemen, I want to make very clear that as the Commission negotiates this deal, like any other, we do so with great care.

And with a clear sense of its potential broader impact.

Part of that care is getting the views of everyone interested.

We have recently invited comments on a draft sustainability impact assessment on TTIP. It addresses exactly the question we are looking at today, among others.

I look forward to your comments on that and I look forward to hearing your views now.

Thank you very much for your attention.