EUROPEAN COMMISSION

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Opening the doors to transatlantic trade

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Taoiseach, Minister Bruton, Mr. Froman, Ladies and Gentlemen,

We are here in Dublin this afternoon to discuss the Transatlantic Trade and Investment Partnership, a trade agreement that will be one of the most significant ever negotiated, if we reach it.

Now – I am not a superstitious man.

But I cannot help thinking that it is a good omen that we are here in Dublin.

And a good omen that we are beginning this process under the Irish Presidency of the European Union.

Because this country – though small, like my own – is among the closest of all EU members to the United States.

One fifth of Ireland's exports – and half of your exports outside Europe – go to America. Some 10% of all value produced in the Irish economy is eventually consumed on the other side of the Atlantic.

In the other direction the figures are no less dramatic. More than 14% of all US investment into the European Union since 2010 came to Ireland and US foreign affiliate sales were the highest here relative to any other European country.

What is more, three-quarters of those sales represent exports that largely go to other EU countries.

This shows Ireland's pivotal role in the wider transatlantic economic relationship. Which means that Ireland's engagement with this process will need to continue long after this highly effective Presidency is over.

But there is another reason why I think it is a good thing we are here this morning. And that is because one aspect of Irish life may help us explain why we need this negotiation now.

I am referring to the half-door of the traditional rural cottage that appears on millions of nostalgic Irish postcards – many of them posted across the Atlantic.

The half-door – half open – allowed neighbours to talk to each other and in so doing brought them closer together.

Well – we can be in no doubt that the European Union and the United States are the closest of neighbours, economically, if not geographically:

- The transatlantic economy is responsible for 15 million jobs.
- It includes a daily goods and services trade worth 2 billion euro.
- And it is based on combined investment stocks that now approach 5 trillion euro.

This is because we are the largest economies in the world.

But it is also because we are open – a fact clearly shown by our position as the world's largest importers of goods and services, and hosts of foreign direct investment.

What this means is that companies and consumers from Europe and America can already do business relatively freely.

They can interact across the half-door, if you will.

But this fact begs a question:

If doing business across the Atlantic is so easy, why bother with the Transatlantic Trade and Investment Partnership?

Why meet for months of intensive negotiations and spend weeks organising conferences like this one?

The answer is that the half-door is only half way open.

Europe and America can and do interact intensively. But the way into our markets is still encumbered by three groups of real barriers:

First, tariffs. Both the US and the EU have low duties on imports – around 4 per cent on average – but that doesn't mean they have no effect.

For one thing, an average always conceals extremes. And on both sides our highest tariffs are far too effective for our own good. For another, the huge volume of transatlantic trade means that the total amount paid into government treasuries is a significant tax on business and consumers.

In Ireland's case, tariffs affect many areas of trade with the US but particularly chemicals, which make up a more than a third of all Irish transatlantic exports of goods and pay tariffs of up to six and a half per cent.

The second group contains barriers in the form of different regulations and standards.

We estimate that the differences between our regulatory approaches – and the administrative burden those differences create – are as effective at blocking trade as tariffs of between 10 or 20 per cent per product.

Of course, in the vast majority of cases, regulators on either side of the Atlantic are not aiming to put up trade barriers. In fact they are trying to do the same thing: protect people's health, safety, environment and economic wellbeing.

But they go about that objective separately, through processes that have their own quirks and traditions. And in many cases the results are requirements that are different, and sometimes even contradictory, without good reason. Regulatory divergences that are not really necessary use up time and effort that could be spend on other, more productive activities.

Ask yourself – do you feel any less safe in a car you rent in France than in one you rent in Michigan? Is a medicine you buy here in Dublin any more safe than one you buy in New York?

Again, many Irish businesses are affected by regulatory differences – the pharmaceuticals and medical devices industries in particular.

The last group of barriers are found in complex areas like services and public procurement.

Barriers to services like finance, telecoms, and the professions include licensing, qualification requirements and equity caps.

Government procurement is also important for Europe since companies whose business have a large part of their sales to government entities account for 25% of EU GDP and 31 million jobs. However, a number of US federal and state level laws limit European participation in tenders there, meaning lost opportunities.

This long list makes it clear that although the EU and the US economies are very close, we are certainly not as close as we could be.

Removing these barriers – pushing the half-doors fully open – would deliver two major benefits:

The first is a boost to growth. Irish people, as much as any in Europe or the United States, have felt the pain of this economic crisis. You have made huge efforts to return your economy to growth, efforts which I believe are beginning to bear fruit.

But, like your friends and families across Europe and across the Atlantic, you know that the economic growth we are all seeing today is not enough. If we want to repair the damage to living standards since the crisis began we need to do more.

And this Transatlantic Trade and Investment Partnership is certainly a cheap stimulus package that we have at our disposal.

We expect that once it is in place it will deliver a growth boost to the European economy of 0.5 per cent of GDP. That translates into an income boost for every European household of over 500 euros a year, once the agreement has made itself felt to the full.

And even before that we can expect a stimulus of a different sort – a stimulus to confidence.

Uncertainty is the enemy of growth. And unfortunately – despite the progress we have made – it remains in abundant supply on both sides of the Atlantic.

A successful Transatlantic Trade and Investment Partnership would remove one source of that uncertainty – the risk that the world's leading economies would slide into protectionism.

It would send a powerful signal that neither the US nor the EU questions the fact that open markets are essential for growth. And it would make clear that they are willing to put their beliefs into practice by opening their markets even further.

Now – the second benefit is a little more abstract, but no less important. It concerns the impact that a trade deal between the two most important economic powers would have on the rest of the world – an impact I believe will be positive.

At the most basic level, we predict that our trading partners are likely to see direct economic benefits from this deal, probably somewhere in the region of 99 billion euro. This is because much of the liberalisation we aim for would not discriminate against our other trading partners but rather benefit them too.

Beyond this however, is a larger possibility that this agreement will contribute to global trade liberalisation by acting as a trade policy laboratory.

The disciplines of the World Trade Organisation are indispensable for international business. But there are gaps in the global rulebook on a range of issues – particularly when it comes to regulation. Many of the rules we hope to agree in the Transatlantic Trade and Investment Partnership will help fill those gaps.

Because of our collective economic weight, new transatlantic standards will offer templates for future WTO agreements to be negotiated when the conditions are right.

Let me be clear, none of this means that we are ganging up on any other partners. Global deals require a global consensus and nothing that we will do together seeks to change that.

Instead, this agreement will be a way for the EU and the US to lead by example, demonstrating the benefits of stronger rules to implement the principle of open markets, rules that will benefit all countries in the ever-more-integrated global economy.

However – and there is a big "however" – we can only achieve these benefits if we can actually do a deal.

And we should be under no illusions that this process will be easy.

There will be challenges caused by the fact that we are trying to do new things.

For the regulatory work to succeed, we will first need to allay people's fears about cooperating in these new areas. That means being realistic about what we can manage.

It would be unrealistic for anyone to expect otherwise.

However – realism is not the same as sitting on your hands.

We should not get discouraged, especially at the beginning of the process.

It is possible to find solutions to regulatory barriers to trade and investment. The European Single Market is the living proof of that.

The challenge is to find them in this new context.

And to do so we will need to be aggressively pragmatic.

Pragmatic because we will need to open to the solutions that will solve our problems – even if that means making changes to procedures and practices that have been around for a long time. We will need to focus on what works.

We will need to be aggressive in our search for these solutions because we know from experience that it can be complicated. In the past, we have seen transatlantic cooperation blown off course by the slightest of winds.

Let's not get bogged down by all in all minor issues like chlorine chicken this time around. Instead, let's keep in mind the bigger picture we see so clearly today.

One certainty about opening markets is that protected vested interests will focus on what they have to lose, and complain loudly about it.

The more effective the market opening, the more vested interests will be challenged and the more complaints we can expect.

So given the scale and the depth of what we are trying to do, we can expect some stiff headwinds.

Even a country with as much to gain as Ireland from this process will have to face these challenges. Certainly we will see them arise in other parts of Europe. And I'm sure Mike expects to meet them in the US too.

We all have the responsibility to show determination and commitment to overcome protectionist interests – not just trade negotiators but also other parts of government, business and civil society.

As we do this, we would do well to be guided by the sentiments of that great Irish statesman of the eighteenth century, Edmund Burke.

As Member of Parliament for Bristol he voted in Westminster to remove barriers to Ireland's exports to England. As a result, he had to face the anger of some of his more protectionist constituents.

He had no doubt in his response. And neither should we.

"Ireland and England…" he wrote – but we might expand that to Europe and America

"…may flourish together. The world is large enough for us both. Let it be our care, not to make ourselves too little for it."