



EUROPEAN COMMISSION

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The Transatlantic Trade and Investment Partnership: Global Impacts

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

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Ladies and Gentlemen,

As you may know we've just had two days of discussions with European Union trade ministers here in Dublin, under the able chairmanship of Minister Bruton.

We have talked about a number of important trade issues, including negotiations at the World Trade Organisation, for which we were joined by Director General Lamy, who I understand also paid you a visit on Wednesday.

But, as you no doubt also know, the focus of our talks has been on the negotiations for a Transatlantic Trade and Investment Partnership – an agreement that would bring the European Union and the United States together in an ambitious and comprehensive free trade zone.

In my view, that focus is very understandable.

Not because these transatlantic negotiations are more important than progress in the World Trade Organisation or than our relations with other economies.

They are not.

But instead because through these negotiations we will in fact seek to strengthen the World Trade Organisation and the multilateral trading system it oversees – which is the best way for us to manage our relationship with all of our trading partners.

Allow me to explain.

The scale of this agreement is such that it is undeniable that it will impact the rest of the world.

The figures on the economic relationship between the European Union and the United States are well known.

But they are no less staggering for that:

- 15 million jobs,
- 2 billion euro a day in trade flows,
- And mutual investment stocks approaching 5 trillion euro in total.
- Together we represent half of the world's economic output.

Some look at this size and ask whether this agreement means Europe and the United States are withdrawing from the rest of the world and pulling away from the multilateral system.

I have a clear answer to that. And it is "No".

The European Union has no interest or desire to do anything that would undermine the multilateral rules-based trade system or our relations with other trading partners.

The WTO is the foundation of Europe's economic engagement with the rest of the world. It helps reinforce growth in good times. And it has prevented a downward spiral of protectionism in these times of crisis.

So even if we must reluctantly acknowledge the current impasse at the core of the Doha Round, we remain fully committed to the multilateral system.

And we are demonstrating this by doing everything in our power to move things forward in Geneva.

Europe's representatives are working right now to craft an agreement that will facilitate trade through more efficient customs procedures.

That agreement could be worth as much as 70 billion euro to the world economy and we want to deliver it by the end of this year.

We have also just started talks on a plurilateral agreement on trade in services that would already include 22 important WTO members. An agreement here would also have considerable economic significance because open services markets facilitate goods trade too.

For Ireland, it is worth pointing out, the same figure is almost 70%. And this fact has not been lost on the Irish Presidency - which has done an exemplary job in securing agreement in record time on a mandate to allow the European Union to participate in those negotiations.

The Transatlantic Trade and Investment Partnership must be seen in the same light as these efforts:

Not as a threat to the multilateral system, but in fact as a contribution, a way of preparing the ground for the next wave of global liberalisation.

The reason for that has to do with the nature of what we are trying to achieve here.

The preparations for launching this negotiation took well over a year. But one thing that we in the European Commission were clear about from the outset was that if this deal was going to be worth the effort it would have to transcend everything that had gone before.

Because over decades of multilateral trade liberalisation, first through the General Agreement on Tariffs and Trade and then through the WTO, the European Union and the United States have opened their economies more than most others.

Imports pay an average customs duty of only 4%. Our trade in services is the most significant in the world by a country mile. And we are the largest hosts of foreign direct investment.

On top of both of us being relatively open, this is also the first bilateral negotiation either of us have carried out with a partner of equal size.

In the past, offering our negotiating partners the prize of access to our continental-scale markets has allowed us to avoid dealing with uncomfortable issues.

But if we want this agreement to work, both sides will need to deal with everything we would normally deal with in a free trade agreement - and then go further.

The most important new issue we will have to look at is regulation.

Barriers caused by technical regulations and standards are much more important than tariffs in blocking transatlantic commerce. In fact, we estimate they have the same dampening effect on trade as would tariffs of between 10% and 20% depending on the product.

But to deal with them we will have to be creative and flexible.

Because the reason regulation exists is not, of course, to create barriers to trade but to protect citizens from risks to their health, safety, financial wellbeing or environment. And clearly, this agreement can and should do nothing to undermine those protections.

So what we will need to look at are the methods and procedures we use to achieve those objectives. In some cases we might conclude that even if our approaches are different, they protect citizens equally. In those cases we could recognise our regimes as equivalent – saving the costs of complying twice.

In other cases we might actually be able to have our models converge somewhat before later granting equivalence.

In still other areas we might need to focus more on future regulation and try to eliminate differences before they get set in stone.

All of this will require open minds but if we are successful it will represent a new landmark for international trade rules.

And this brings us back to the global level.

Because these ambitious new disciplines on regulatory barriers mean that these negotiations can act as a laboratory for new global rules.

The solutions we develop to these complex problems can help fill the many gaps – and there are gaps – in the multilateral rulebook later on.

Now – some say that this is putting the cart before the horse. They say that if we want new global rules we should be negotiating them in a global framework from the beginning.

But aside from the fact that this is simply not realistic right now, this view ignores the benefits of doing pilot work in an area that is hugely complex.

Especially when that pilot already includes the two dominant regulatory regimes at global level.

This is why the level of ambition we strike in this deal needs to be high – because the more regulatory convergence we can achieve between us, the more scope there is for this model to influence other countries around the world.

And this brings me to a broader issue.

How will the Transatlantic Trade and Investment Partnership impact our relations with emerging economies, like Brazil, China, India, Russia and others?

This is crucial. If America and Europe are the markets of today, these are the markets of the future. From 2015, one third of global growth is expected to come from China alone.

Well – the first point to make here is that the economic benefits of this agreement will not be confined to the transatlantic area.

This is because much of what we plan to do will not discriminate against any of our other trading partners, developing or developed.

Let me explain:

A customs officer can easily adapt the duties owed on an imported product, depending on where it comes from. Figuring out the origin of imports is part of their regular work in fact. If the product comes from a country with a free trade deal, its importer pays a lower tariff. If it does not it costs more.

But in the case of this agreement that discrimination will be neutralised by two factors.

As I said already, our tariffs are already low, so in most cases the competitive disadvantage will be easily surmountable.

But more importantly, the flexibility we have to change tariffs does not apply to regulatory barriers. And removing those barriers will be the core of this agreement.

Let me give you an example. If we agree a harmonised safety standard for car airbags on the European and American markets that will lower costs for Renault and Ford.

But it also benefits Kia and Toyota, or any other company that exports to both our markets. Because we are clearly not going to have a more complicated seat belt standard for them. So they will reap the same cost savings as US and European companies from not having to make separate models for either side of the Atlantic.

This is what happened when we created the European Single Market. Having one set of European rules benefitted American and Japanese exporters enormously.

The same can happen here, which is why we estimate the rest of the world should actually gain from this agreement – and I stress: gain – to the tune of 100 billion euro.

Now, all the same, we know that some of our partners may sit up and take notice of our decision to launch these talks – perhaps China more than most, given the huge stake it has in both our markets.

But I want to be very clear. The purpose of this deal is not to gang up on anyone.

Of course, any transatlantic standards we create will have weight, given they will apply in half of the world economy.

And that will be a strong incentive for other jurisdictions to adopt similar approaches - because it would make the lives of their exporters easier.

But that is as far as this goes: It creates an incentive to adopt the transatlantic approach or something similar. But it will not bind anyone other than the EU and the US.

We do believe that there are issues to be resolved in the relationship between developed and emerging countries. That is only logical given the scale of the economic shifts we are now seeing.

In fact, we think there is a need for a new global compact on free trade. One that recommits all WTO members, developed and developing, to the principles of open markets.

And one that addresses the fact that although China, India, Russia, Brazil and others are still developing countries, many of their companies compete on global markets as equals with ours. And the way that emerging economies treat European companies on their markets should reflect that.

Only an agreement of that kind will unlock the Doha Round and allow us to move forward to the next phase of trade liberalisation.

And the European Union is under no illusions that such an agreement can be reached through any side door, short cut or escape hatch.

So if people see any of those things in the Transatlantic Trade and Investment Partnership, they need to have their eyesight checked.

If we want to move forward at the multilateral level it will be by addressing the difficult issues head on.

The time may not be right for that yet. But we will be ready when it is. And we will be more ready if we prepare the ground in the transatlantic zone now.

In the meantime, we will continue to deepen our economic ties with all our partners as much as possible.

That is why I spent Monday of this week with Minister Sharma, India's Commerce Minister, talking about how we can finalise a trade agreement between our two economies. An agreement, by the way, that would create a free trade zone covering 25 per cent of the world's population.

It is also why I have already written to Minister Gao, my new counterpart in Beijing, to congratulate him on his appointment and to prepare to launch an agreement on investment flows between our economies.

And it is why both the EU and the US worked so hard to persuade Russia to join the WTO last year.

So there need be no concerns in this area. Europe is as committed as ever to an open, rules-based multilateral trading system that includes the entire world economy.

And we believe that this agreement with the United States is one of the most useful things we can do right now to strengthen it.

Given all that Ireland has to gain from freer trade with the US and with our partners around the world, I hope that I can count on your firm support in that effort.

Thank you very much for your attention.