



**EUROPEAN COMMISSION**

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## **Towards a more dynamic transatlantic area of growth and investment**

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

Conference organised by the Peterson Institute, SAIS and the EU Delegation, Washington DC/USA

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## **Main Messages of the Speech**

### **1/ On the recent US-spying revelations:**

Friends and partners do not spy on each other. For ambitious and complex negotiations to succeed there needs to be trust among the negotiating partners. [I]t is **urgent and essential that our [US] partners take clear action to rebuild trust.**

### **2/ On the Transatlantic Trade and Investment Partnership (TTIP) and data protection:**

There are challenges to get it [**the TTIP**] done and **there are issues that will easily derail it.** One such issue is data and the protection of personal data.

I warn against bringing data protection to the trade talks. **Data protection is not red tape or a tariff.** It is a fundamental right and as such it is not negotiable.

### **3/ What Europe expects from the US to fix the damaged trust:**

**Once a single, coherent set of rules is in place in Europe, we will expect the same from the US.** Inter-operability and a system of self-regulation is not enough.

**Including a legal provision on judicial redress for EU citizens,** regardless of their residence, in the forthcoming US Privacy Act **is an essential step towards restoring trust among partners.**

Ladies and gentlemen,

Friends and partners do not spy on each other. Friends and partners talk and negotiate. For ambitious and complex negotiations to succeed there needs to be trust among the negotiating partners. That is why I am here in Washington: to help rebuild trust.

You are aware of the deep concerns that recent developments concerning intelligence issues have raised among European citizens. They have unfortunately shaken and damaged our relationship.

The close relationship between Europe and the USA is of utmost value. And like any partnership, it must be based on respect and trust. Spying certainly does not lead to trust. That is why it is urgent and essential that our partners take clear action to rebuild trust.

This summer, the US and Europe started to negotiate a Trade and Investment Partnership. The objective is simple: we want to give the biggest possible boost to the transatlantic economy by opening our markets to each other. The objective is simple but negotiations are anything but simple. There are many challenges ahead. Yet if they are handled well and on the basis of mutual trust and confidence the results of the negotiations can be worth the effort.

I will give you **three** reasons:

First, the agreement would bring tangible economic benefits to both the American and the European economies. Second, with the agreement we could cut red tape and build a more integrated transatlantic marketplace. And third, the agreement would have a positive impact on trade worldwide. With increasing trade and income, everyone wins.

### **First reason, the tangible economic benefits**

Europe is the largest economy in the world – with over 507 million consumers and a GDP of 12 trillion euro. The United States follows behind with a GDP of 11 trillion euro.

Place both together, and you obtain significant economic gains.

Economic growth as a result of the agreement is estimated at 119 billion euro a year for the EU, and 95 billion euros a year for the US. These benefits would cost very little because they would be the effect of removing tariffs that make it difficult to buy and sell across the Atlantic.

In times of economic difficulties we must find sources of growth that are not a burden on public finances. Boosting trade can and will be a source of growth for our economies. If done correctly it will create more demand and supply without increasing public spending or borrowing. A successful TTIP could be a cheap stimulus package.

Although tariffs between the EU and US are already low (on average 4%), the combined size of the EU and US economies and the trade between them means that dismantling remaining tariffs would have a significant impact on creating growth.

The transatlantic trade and investment partnership could be a strong signal that the EU and the USA are committed to opening and deepening trade. This would also be a sign of joint leadership on a global scale.

## **Second reason, building a more integrated transatlantic marketplace**

The benefits of a transatlantic trade and investment partnership could go beyond the immediate increase in economic growth. Both sides could also work to better integrate the transatlantic marketplace and the way regulation gets done.

Regulations are laws that protect people from risks – a risk to their health, safety, financial security or environment.

Protecting people is an important goal, which is why governments on both sides of the Atlantic have gone to so much trouble to build up complex systems of regulatory protection.

But – intentional or not – divergent regulatory action also comes at a price: it can block goods from entering a market by declaring them unsafe. Or it can make imported products more expensive by adding unwarranted compliance costs.

The area of car safety is one example: we all agree that a car has to be safe and that doors need to be strong enough to withstand impact and that airbags need to function perfectly. But the legislation and standards on car safety go into much more detail. It includes details on how tests should work to see if new cars meet all the requirements. It also includes details like how a crash test dummy should be positioned during a test. Once accumulated these differences are later translated into costs penalising the consumer.

These differences can be avoided in future through early regulatory dialogue. What the EU wants to do with the Transatlantic Trade and Investment Partnership is to find commonalities simplifying the work of European and American standard setters in the future to try to find common solutions that would allow for a real transatlantic market. This should be the case, for instance, of the work on electric cars: so that regulators work on common standards for safety tests but also for the plugs and sockets needed to charge the cars of the future.

## **Third reason, the positive impact on international trade**

The benefits the agreement could bring for the EU and the US will not be at the expense of the rest of the world. On the contrary, liberalising trade between the EU and the US could boost trade and income worldwide. The agreement has the potential of increasing GDP in the rest of the world by almost 100 billion euro. Increased trade between the two economic giants would raise demand for raw materials, components and other inputs produced by other countries.

Harmonising EU and US technical standards could also provide the basis for global standards: the size of the transatlantic market is so big that if it had a single set of rules it would be in the interest of other countries to adopt them too. We would set models encouraging others to follow. That way, they would only have to produce goods following one set of specifications, making international trade easier and cheaper. And they would do so not because they want to sell their products to our markets, but also because they would see the transatlantic high level standards as a gold standard.

The EU and US already have a deep trade and investment relationship – no other commercial artery in the world is as integrated as the EU and the US. More than 2 billion euro worth of traded goods and services crosses the Atlantic every day.

An important reason these connections are so dense is that we are already both very open economies. A lot of trade liberalisation has already happened. This may be the first time that Europe and America sit down for a bilateral negotiation but we have actually been negotiating with each other to remove trade barriers for 65 years in the World Trade Organisation and the GATT before it.

## **Data protection**

The relations between Europe and the US run very deep, both economically and politically. Our partnership has not fallen from the sky. It is the most successful commercial partnership the world has ever seen. The energy it injects into our economies is measured in millions, billions and trillions – of jobs, trade and investment flows. The Transatlantic Trade and Investment Partnership could improve the figures and take them to new highs.

But getting there will not be easy. There are challenges to get it done and there are issues that will easily derail it. One such issue is data and the protection of personal data.

This is an important issue in Europe because data protection is a fundamental right. The reason for this is rooted in our historical experience with dictatorships from the right and from the left of the political spectrum. They have led to a common understanding in Europe that privacy is an integral part of human dignity and personal freedom. Control of every movement, every word or every e-mail made for private purposes is not compatible with Europe's fundamental values or our common understanding of a free society.

This is why I warn against bringing data protection to the trade talks. Data protection is not red tape or a tariff. It is a fundamental right and as such it is not negotiable.

The EU has laws governing the fundamental right to the protection of personal data since 1995. In January 2012 the European Commission set out to modernise those rules to adapt them to the Internet age and open up further the EU single market. Even before the revelations about the NSA data scandal, 79% of Europeans were worried about the lack of data protection in the Internet. Our proposals set to change that concern by giving people more control over the way in which their personal data is used.

Last week, the European Parliament voted overwhelmingly in favour of the proposals. And last Friday, EU leaders called for the timely adoption next year of the proposals as a way to restore and foster the trust of citizens and businesses in the digital economy.

The revelations about the activities of American intelligence agencies in Europe and the damage this has caused have brought renewed attention to this issue. There are things that cannot be justified by the fight against terrorism. The concept of national security does not mean that "anything goes": states do not enjoy an unlimited right of secret surveillance.

The European leaders acknowledged that last Friday. And the European Parliament, which has to vote each and every EU agreement, already called for the suspension of the TFTP/ SWIFT agreement and will closely monitor progress on the TTIP talks.

I am happy to see that our data protection proposals have also triggered a debate on privacy in the US. In March last year, immediately after the proposals were made, the White House said that it would work with Congress to produce "a privacy bill of rights".

*"Never has privacy been more important than today, in the age of the Internet, the web and smart phones" – said President Obama when announcing his plans for the "privacy bill of rights". I agree entirely with such statement.*

Discussions in Congress also testify the growing importance attached to privacy in the US. Later today I will meet the members of the Congress bipartisan privacy caucus. I will ask them for progress on the legislative process.

One thing is clear, you can only extract the most of and foster trust in the digital economy with clear and uniform laws.

Once a single, coherent set of rules is in place in Europe, we will expect the same from the US. This is a necessity in order to create a stable basis for personal data flows between the EU and the US. Inter-operability and self-regulation is not enough. The existing scheme has been criticised by European industry and questioned by European citizens: they say it is little more than a patch providing a veil of legitimacy for the US firms using it.

Data flows between the EU and the US must therefore rely on solid legal foundations on both sides. The on-going data protection reform will be the foundation on the European side of a solid data bridge that will link the US and Europe. We expect the US to quickly set its side of the bridge. It is better to have steady footing on a bridge than to worry about the tide in a 'Safe' or, after all, not so 'Safe' harbour.

There is a similar challenge concerning the negotiations on a data protection and privacy Agreement for the exchange of data in the law enforcement sector. It is also urgent to make progress here.

We have been negotiating – Attorney-General Eric Holder and myself – since 2011.

There have been more than 15 negotiating rounds. But the fundamental issue has not yet been resolved: a meaningful agreement should guarantee a high level of protection for citizens on both sides of the Atlantic.

The agreement should establish enforceable rights for individuals whose data are being exchanged across the Atlantic for law enforcement purposes. It should in particular provide for equal treatment between EU and US, citizens, including access to judicial redress when the rights are violated. This is currently not possible as access to judicial redress in the US is denied to non-residents Europeans.

This is a right already enjoyed by every American across the European Union.

In the days following the first NSA spying revelations, President Obama said the following: "this does not apply to US citizens and does not apply to people living in the US." I understand well that the goal of the President was to reassure public opinion in America. However, in Europe, citizens also heard this message. And they understood: we are concerned. We are not seen as partners, but as a threat. And then you understand that as Europeans we are very concerned.

Ladies and gentlemen,

Such a perception is not a very good pre-existing condition if we want to build a new transatlantic partnership. Therefore, we need to work hard on both sides of the Atlantic to rebuild trust. Europe's leaders did their part at their summit last week in Brussels where they certainly voiced their anger about the recent spying revelations. They did so among themselves, at the leaders' dinner table, while using moderate language in public. But let's make no mistake: the US will have to do its part to restore trust. The US will have to show that they treat Europe as a real partner. And that they take European concerns about privacy and data protection very seriously. Including a legal provision on judicial redress for EU citizens, regardless of their residence, in the forthcoming US Privacy Act is an essential step towards restoring trust among partners. And restoring such trust will be very much needed if we want to successfully conclude the TTIP negotiations in the foreseeable future. Otherwise, the European Parliament may decide to reject the TTIP. There is still time to prevent this from happening. But clear signals and concrete commitments will be needed from here, from Washington. I hope that we will make substantial progress on this at the next EU-US Justice Ministerial here in Washington at the end of November. A successful development of our transatlantic partnership depends on it.