



EUROPEAN COMMISSION

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**The Transatlantic Trade and Investment Partnership:
Where do we stand on the hottest topics in the current
debate?**

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

Lecture and discussion at Atlantikbrücke, Düsseldorf
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Ladies and gentlemen,

*"Manchmal kommt mir in den Sinn,
nach Amerika zu segeln,
nach dem großen Freiheitsstall,
der bewohnt von Gleichheitsflegeln",*

said the great poet Heinrich Heine, born here in Düsseldorf long before the Atlantik Brücke was founded. Freedom and equality were his themes, as was democracy and giving a voice to the people.

For a politician of today, Heine's approach still strikes a sympathetic chord. So, thank you for coming and listening to my thoughts on the current state of play of the negotiations with the United States on the Transatlantic Trade and Investment Partnership.

The EU-US negotiation has drawn interest from more people across Europe – and in Germany in particular – than any other trade discussion in the last ten years. A public debate is happening in the press, on television, online and at events like this across the Union. Many people have expressed many views from many different perspectives.

I can only welcome this interest: It is very healthy for our European democracy.

My role as the main political negotiator of TTIP is to listen, to persuade, and where necessary to provide information, so that the debate is based on facts, not fear or hyperbole.

Out of the multitude of files and aspects that characterise these negotiations, there are four on which I would like to focus tonight, as they are those that, in the early stages of the talks, are the hottest in the debates:

1. The work we are doing on regulatory barriers to trade,
2. What we want to achieve on investment,
3. How we are engaging with people on the negotiations,
4. And why we are doing all of this in the first place.

First, regulation: Some people are afraid that a trade deal with the Americans will allow companies to sell unsafe food and environmentally damaging products, or for banks to play fast and loose with people's savings. Regulation has been introduced in Europe to defend us against these risks.

If – as a result of the negotiations – the EU was going to lower standards of protection for citizens regarding food or the environment...

if we were going to abandon our policy on genetically modified food or on beef hormones...

if we were going to take a soft approach on financial regulation and give the banks a free hand to speculate with people's savings...

That would indeed be unacceptable.

But here I stand, and cannot but say:

The EU is not going to do any of these things as a result of TTIP.

True, we will be talking about the present and future barriers between Europe and America related to regulation. However, we are not going to eliminate all of them. In many areas, there are good reasons for our different regulations. It is not a question of who is right or wrong, or better or worse. Sometimes, policy preferences differ deeply between the two sides of the ocean for cultural reasons, beliefs, or societal differences.

But where we can, we want to find solutions that are in the interest of both sides, without compromising our values and without lowering the level of protection. A lot of the barriers our companies are confronted with take the form of unnecessary costs that spring from the differences in regulations, standards and conformity assessments that Americans and Europeans have worked out each in their own corner, in isolation. There is a lot to be gained from regulatory cooperation.

For example...

... we can recognise each other's safety standards for car seats...

... we can have a common approach to make sure medical devices are traceable back to their producers...

... we can share expertise as we evaluate the safety of chemicals – even if the decisions about what is safe remain in our own hands.

None of these examples would lower levels of safety or protection. Rather, they would allow our authorities to save money on enforcement and so become more effective. And allow companies to save money and so grow faster and create more jobs.

That is in all our interest. And, most importantly, it is feasible, as has been shown in some of the most sensitive areas imaginable, such as aviation safety.

The second big area of debate today – in Germany and across the continent – is on investment rules and in particular the way disputes would be resolved between a foreign investor and the host government.

I'm speaking here about the system known as investor-to-state dispute settlement, which would allow companies to take direct claims against governments on investment matters to international arbitration panels.

For critics of the system, it is an assault on the rule of law. For proponents, it is essential to underpin a modern global economy.

Let me first recall some facts in this regard.

Investment protection agreements are not new. There are already some 1400 of these agreements in force. All EU Member States except Ireland have them with countries all over the globe where our companies have invested.

ISDS has not prevented nine of our most recent EU member states from acquiring the entire body of EU law, including for example our very strict rules on GMOs, on beef

hormones, on chemical products, or on equal pay and equal pension rights. All of these countries had investment agreements with the US before they joined the EU. And yet there has been no challenge from any American company to any of this new regulation.

Investment agreements also exist for a reason. Europe's economy – and Germany's in particular – benefits from the investments our companies make in other countries. And it is a sad fact that governments in those countries sometimes use their power to treat foreign companies unfairly, putting those investments – and ultimately European jobs – at risk.

Investment rules, including the dispute settlement system – are an important protection against these unfair actions. And they can be necessary: European companies were behind every second investment case launched globally in 2012!

For all this, however, I am well aware that there have been problems in the way investment protection agreements have sometimes worked in practice. I understand, for example, that people are worried when they see a tobacco company taking the Australian government to international arbitration for its ban on logos and designs on cigarette packaging.

The fundamental objective of our international investment policy is to reinforce the legitimacy and transparency of these rules. That means ensuring that non-discriminatory regulatory policies cannot be subject to successful challenges. At the same time we want to preserve the value of the current system.

In other words, I have been tasked by all EU member states to work on improving the system to stop potential legal loopholes being used for frivolous claims against the state whilst preserving fair and balanced investment protection for companies – including, very importantly, SMEs. We want – once and for all – to prevent potential abuse of the investment system in the future through new, modern, transparent state-of-the-art investment arrangements.

That is what we seek to achieve. However, public interest is intense and, indeed, the scale of our investment relationship with the US.

That is why I yesterday announced my decision to launch a public consultation on investment protection in these negotiations.

Allow me to clarify what the public consultation process means in practice.

I have decided that the EU needs a public consultation in order to reflect on what the EU's negotiating position on investment protection issues will be – with a particular focus on investor-to-state dispute settlement (ISDS). This consultation is part of the Commission's overall determination to ensure that the TTIP negotiations are as open and transparent as is possible. We are taking this unprecedented step in relation to investment protection specifically both because of the intense public interest in the issue and because of the specific technical challenges that this area involves – For example: finding the right legal language to balance the need for policies to protect people and the environment on the one hand and – on the other – protecting and encouraging investment and with it jobs and growth.

This is a great opportunity to get important feedback from the public and from all those who have a stake in a successful TTIP outcome. The conclusions of the public consultation will then feed into the process and allow the EU to form its position on these issues for the negotiations on the text in respect of this particular issue.

This 3 month period of reflection will begin in March and my team is currently working on the details and practicalities of this consultation.

Now, I have seen a number of newspaper headlines claiming that either the TTIP negotiations - or at least part of the negotiations - will be suspended. This is not correct. The negotiation process continues full steam, with the next round of talks taking place in March. We will only push the "pause-button" on ISDS.

This brings me to my third point: involving people in TTIP.

People are eager to understand where the process is going. They are concerned that important decisions that affect their future may be made behind their backs.

I understand that concern. But the Commission is never negotiating in a black box. Nor would we want to. It would be impossible to negotiate without input from many different points of view and areas of expertise. Trade deals are complicated and technical. I am well aware the Commission doesn't have all the answers.

That is why we get guidance and input from all stakeholders in a number of different ways:

The first and most important is through the European Union's institutions – the European Parliament and the Council – which is where Germany sits, alongside all the other Member States.

The Commission negotiates trade agreements, but it does so under the close guidance of the other institutions. They advise us on how to proceed and on the scope of the negotiations, representing their own constituents.

And they have the final decision on the result. Trade agreements only become law when the people's representatives approve them.

On top of this close scrutiny, the Commission also takes in the opinions of the public directly:

Before we ever started this negotiation we held three official public consultations on what should be in the deal.

Since then we publicly released the EU's opening position on the key issues in the negotiation, to help people understand what we are actually negotiating.

And we have held regular open meetings with groups interested in labour rights, the environment, health, consumer rights and, certainly, groups representing businesses. Our lead negotiators spend a full afternoon during every negotiating round listening to stakeholders' views.

The next step in this engagement will be for us to convene a more structured advisory group of experts, balanced between that same broad range of interests. The group would provide us with practical advice and expertise on the areas under negotiation, so that we have a better understanding of the sensitivities. My services are now finalising the details of this process, and I hope to be able to announce it very soon.

I cannot stress enough that this represents an unprecedented level of openness for the EU's trade negotiations.

I also acknowledge, however, that it is not complete openness which may be disappointing for some. But complete openness is neither feasible nor desirable.

Negotiations of all kinds – and certainly trade negotiations – involve building trust between both partners. They also involve subtle negotiating tactics and trade-offs. Negotiations are basically impossible with TV cameras in the room.

If we want a good result, some level of confidentiality is required.

But it is important to remember that at the end of the process, the whole deal – in all its glorious technical detail – will be completely open to scrutiny, long before any decision is made to accept it or reject it.

The last point of my speech goes back to basics. Let me recall why we launched the negotiations in the first place.

The reason is simple – to strengthen the European economy, so that European people are better off and have more employment opportunities.

There is no other reason than that: no shadowy corporations that we are trying to appease; no naïve attempt to curry favour with Washington.

Concluding an ambitious transatlantic trade and investment partnership would show that both the European Union and the United States continue to believe in open markets, even in the choppy waters we are in today. That removes one source of uncertainty for business, providing a boost to confidence.

How much extra growth TTIP will bring in the decade to come is impossible to say with great precision.

But economists are able to make relatively reliable predictions of what trade agreements mean for an economy by economic model simulations that keep other factors unchanged.

For this reason, before we launched the negotiations, the Commission asked the Centre for European Policy Reform – a widely-respected pan-European network of economists – for a TTIP simulation.

They made some assumptions about the negotiations based on the Commission's views on what is possible in the TTIP. We gave them several scenarios, all of which are plausible – including the most ambitious.

They used a state-of-the-art economic model to deliver the results and their findings have landed in the mid-range of other efforts to estimate the value of the agreement. They aren't the biggest numbers by far, nor are they the smallest.

If we achieve our objectives for the agreement – on tariffs, services, regulatory barriers and procurement – it will deliver a permanent increase in the size of the EU economy.

The analysis points to an output gain of about a half a per cent of GDP once all the effects of the agreement are felt. That would translate into about 545 euro to the annual income of each European household - very much worth having.

Now a model is by definition an approximation of reality and cannot capture all the direct and indirect gains of a transatlantic trade deal. Perhaps the biggest value of an agreement will be in our relations with rest of the world. Why? Because the EU and the US are the world's largest markets and the most influential regulators. Any common approach will double that influence. And it may shape regulation around the world,

including in countries like Brazil, India, China and Russia, where today standards are typically much lower than in the US and the EU.

That would be hugely beneficial for Europe – since we are the world's largest exporter and importer and host and source of foreign investment.

Ladies and gentlemen,

As a public representative I have to make decisions on behalf of 500 million Europeans. Some of them are difficult. Sometimes it is a close call.

But that was not a problem for my decision to seek a mandate for the Transatlantic Trade and Investment Partnership negotiations. The gains will be clear.

But these gains will only materialise if we get the right deal. If we get a deal that the people consider worth supporting. A deal which pursues our interests and preserves our values.

When Heine looked at America in the 19th century, he pointed to values which the people in Europe had not yet achieved by then.

Luckily, today in the 21st century we can aspire to them together with our American friends. Let us build another, even stronger bridge over the Atlantic!

Thank you very much for your attention.