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Towards the Transatlantic Trade and Investment Partnership: Stepping up a Gear

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Governor Huntsman, Ambassador Kimmitt, Ladies and gentlemen,

I've been here these last few days to take stock, with Ambassador Froman, of our negotiations for a Transatlantic Trade and Investment Partnership...

...or T-T-I-P...

...or T-TIP.

Either way, it is good to see we are already achieving convergence - as people stumble over the acronym on both sides of the Atlantic.

However you want to say it, we've been in formal negotiations now for about 8 months and it was time to see how far we have come.

I'm happy to say that Mike and I agree things are on track.

Our negotiating teams have taken a close look at all the issues on the table. They have identified areas of common ground. And they have marked out the areas that need more work.

Certainly, the marked-out areas are still larger than the common ground. But we now have a clear picture of the whole field.

The consequence is that the next phase is going to be harder going. This is where real negotiations begin. If we want to finish on the now proverbial single tank of gas, our message to our negotiators now is that we need to step up a gear.

I would like to use my remarks today to go through what that will mean in practice. But also to remember why that work is so necessary.

The European Union and the United States have a shared goal for this deal: to clear new paths for small, medium and large companies to do business...

... in ways that create jobs and growth...

... fully respect people's rights as workers and consumers ...

... and protect the environment.

To meet that goal efficiently and effectively we have divided the negotiations into three different areas. We have work to do on all of them.

The first area is market access - for goods, services and public procurement.

This week we exchanged our first tariff offers. Our average tariff levels may be low, but we need to keep our ambitions high. That means tackling the high tariffs that do remain. And it means making sure that we remove duties quickly, so that our economies start feeling the benefits as soon as possible.

On services, we are still preparing our offers but I am confident we will be able to exchange them soon. We both know the huge potential for greater services trade and the importance of high quality services to the rest of the economy. That is why we both have high ambitions for new market opening and for commitments to keep services markets as open as they are today.

We also need to make steady progress on public procurement. Opening markets here offers significant economic gains and greater government efficiency. Our objective should be to remove discrimination between European and American firms in either of our markets.

All three aspects of the market access negotiation are equally important. It is essential we move forward on all of them in parallel in order to keep a good overall balance.

The second area of the talks we need to work on in the coming months is what we in the trade world call "rules".

I'm thinking of the vital work we are doing on trade facilitation – which will take the EU and US customs systems even beyond what we just agreed at the World Trade Organization's (WTO) Bali Ministerial. We know that smaller companies find the complex system of fees, charges and security restrictions especially difficult to navigate.

I'm also thinking of the hugely important disciplines we are establishing on state-owned enterprises. Setting a high standard here is crucial for our efforts to encourage other trade partners to play by the same rules as we do in terms of government support for business.

The same goes for rules on raw materials and energy. We are best served if markets are regulated in a transparent manner and there are no restrictions on trade in raw materials and energy. Restricting exports is classic beggar-thy-neighbour politics that undermines the common good and has no place in transatlantic trade.

And I'm thinking of the crucial issues of labour and the environment. We need to make absolutely sure that transatlantic trade and investment supports, rather than undermines our high standards on these sustainable development issues. We will not sacrifice them for commercial gain. On the contrary, this agreement offers the potential to go beyond what we have been able to include in previous trade agreements on these issues.

The final area we need now to work on is certainly the most difficult. But also the most important: reducing regulatory differences to facilitate trade.

It's difficult technically and difficult politically.

The technical difficulties are obvious. In what we might call the good old days, trade negotiators only had to work with tariffs and quotas. Those are fairly simple tools to understand. As are the effects of changing them.

However, if – as trade negotiators – we want to deal with regulatory issues, our discussion suddenly becomes broader and more complex. Broader because – and it's obvious – regulators, not trade negotiators, are in charge of regulations. We will get nowhere without their full implication in our work.

More complex because – if we want to make trade easier without undermining the objectives of the regulation – then we need to come to grips with whole new areas of policy:

- We must understand and respect the purpose of the laws and rules we are dealing with– to protect human health, the environment and financial stability.
- We must come to terms with entire new fields of expertise – biology, chemistry, even psychology – though negotiators already know a thing or two about that.
- And we must master the legal mechanisms that put regulatory goals into practice – standards, inspections, conformity assessment.

As to the politics, both the European Union and the United States strive to remove all politics from regulation. For good reason, concepts like independence and impartiality of the regulatory process are at the core of how our systems are designed.

But despite this fact, in neither system have we have been able to eliminate politics entirely.

- When it comes to basic regulatory choices, politics is necessarily involved. Your laws are decided by Congress. Ours by our own legislature – the Council of EU Member States and the European Parliament – on the basis of a Commission proposal.
- Moreover, even when regulators have full delegated powers, we know that every day they are forced to make judgement calls based on the information available – even when it is imperfect. Uncertainty is a fact of life, which is why the precautionary principle plays a role in both of our systems and is enshrined in the WTO.
- And alongside all of these decision-making processes, we know that the public debate between interest groups of all stripes is every bit as political, every bit as passionate, as any electoral campaign – regardless whether it refers to primary law or executive action.

That complex world is the context where TTIP takes place. As a result, in Europe at least, we have already seen that people have very serious concerns about what TTIP might mean for regulation.

What it means is that our shared objective:

...to lower barriers to trade and investment enough to have a real world economic impact on the world...

... while keeping the levels of regulatory protection that our citizens have chosen...

is going to be a challenge.

Let me be clear: it is certainly possible. 30 years ago, the European Union went much further than we will go with TTIP. We were able to demonstrate to people that it was possible to adapt our rules and reach common standards while still maintaining the highest levels of regulatory protection.

But it will require hard work – from trade negotiators and from regulatory authorities – in the coming weeks and months.

That means looking at both horizontal rules about how we make regulation and solutions to current sector-specific problems with equal care.

If we want a result that makes a difference, we need to look at the way we produce regulation. Can we make the processes more transparent so that we can give useful feedback at the early stages of the regulatory process? Can we encourage the regulators to deepen their relationships so that they brainstorm solutions to new challenges together?

At the same time, if we want to be credible we need to find a critical mass of regulatory solutions for specific sectors.

If – just to give some examples – we can make our car safety standards fit together better...

If we can get rid of double inspections at our pharmaceutical or medical devices plants...

If we can make sure that we implement agreed international rules on finance in a compatible way...

If we can simplify the procedures for approving food products and avoid duplication of inspections in areas where our product safety rules are equivalent...

... then TTIP will have a positive impact on our economies straight away.

Buckling down to take all of these areas forward – market access, rules and regulatory barriers – will require effort. So we had better know why we are doing it.

The answer for me is very clear – growth and jobs on the one hand, and strategic vision on the other.

The growth and jobs arguments are clear.

Open markets boost demand because exporters gain access to new customers. That goes for smaller companies even more than for large ones because they don't always have the resources to find clever ways around barriers.

Open markets also work on the supply side of the economy – by lowering prices of final goods for consumers and of intermediate goods for companies – again small and large. On top of this the greater overall level of competition makes the economy more productive overall.

When you apply those effects to the largest trade and investment relationship in the world you can expect significant results. Our own estimate expects our economies to expand by more than 200 billion euro or just less than 300 billion dollars by the time the agreement is in effect.

In a time of gradual recovery, both Europe and America need to seize opportunities like this.

On top of that payoff we also need to remember the strategic reasons for getting down to the serious work of TTIP.

And this is why both the regulatory and the rules part of this agreement are so important.

At the most basic level, TTIP provides a laboratory for future global disciplines.

Last year's Bali agreement has brought new momentum back to the WTO. Ambassador Froman and I are working with our counterparts in Geneva and Director General Azevedo to use that momentum to make progress on rest of the Doha mandate.

But even if we manage to meet all of Doha's goals, gaps in the multilateral rulebook will still remain.

Convergence between EU and US positions on how to fill those gaps is a necessary, even if not sufficient, step towards global rule-making. The role of TTIP is therefore to pioneer solutions that can later be applied more widely – especially as they will already be operating in 40% of the world economy.

Looking further ahead, one thing about the 21st century is certain. It will be a multipolar century, neither American nor European. The European Union and the United States will

still be important players but we will have less weight than in the past. By 2050, our share of world output could drop by as much as half.

That is a natural consequence of the spread of prosperity to other parts of the world. As such, it is certainly to be welcomed.

It will – however – have an impact on the rules-based international system that Europe and America have championed together over the last 60 years.

That system needs to adapt to accommodate the new rising players – as the WTO showed us in Bali is possible.

But Europe, America and the world as a whole also have a very strong interest that the system continues to be based on principles not only of economic openness, but also of high standards for health, the environment, labour and consumer protection.

On these issues the truth is that the EU and US share much more than where we differ. TTIP, by bringing us even closer, strengthens the position of our shared values on the global stage.

These negotiations will be a challenge but as you see there are strong reasons for us making the effort to surmount it.

Doing so will require a serious commitment.

I know that despite our heavy political calendar this year, Europe is ready to make that commitment.

And I have every confidence that the US will join us.

Yesterday was President's day. There are many great leaders that Americans can look back to for inspiration in this effort.

But perhaps Kennedy is the most relevant.

In 1962 he needed to rally support for the first round of multilateral trade talks involving the embryonic European Union, the round that would ultimately be named for his memory.

"It is time we recognized," he said, that trade is "no longer a matter of local economic interest but of high national policy...

"[Striking] a bargain with the Common Market...

...will strike a blow for freedom."

That is the possibility we again have before us today. I look forward to us working together to achieve it.