EUROPEAN COMMISSION

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Transatlantic Trade and Investment Partnership: A Bilateral Agreement with Multilateral Impacts

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

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Ladies and Gentlemen,

There is a challenge in talking about government policies today, which is that the substance lies in the technicalities.

And that can get in the way of talking about the substance with people who have other important issues on their mind.

This is unfortunate because the problems of different policy areas are more and more interconnected. Fiscal policy affects development policy, which affects environmental policy, which affects fiscal policy again.

Trade policy is no different. We have our own shorthand but what we do is also intimately linked with a range of other policy areas – both foreign and domestic.

We are here this morning to discuss the Transatlantic Trade and Investment Partnership, a trade agreement between the United States and the European Union that we hope to start negotiating very soon.

And given that we are here in the home of American foreign policy, I would like to focus my remarks on the connections between this deal and the wider world of international relations.

And more specifically, on how it will contribute to one of the challenges for foreign policy today - namely, how we will govern – in the 21st Century – the global economy that we created in the 20th.

So I promise I will to my best to translate from trade-speak - If you promise to do the same from your side.

Let's start at the beginning – the Transatlantic Trade and Investment Partnership would be an exceptional deal.

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

- 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.

It is undeniable that this agreement would have considerable benefits – we predict that it could be as much as half a per cent of GDP for both sides.

But it is also undeniable that it would have considerable consequences for the wider multilateral trading system that is overseen by the World Trade Organisation.

And that is something that should grab the attention of everyone who has an interest in global governance.

Because the WTO is in many ways the international institution par excellence.

Like many others it monitors the activities of its members.

Like many others it offers a forum for negotiation of new agreements.

Like some others it offers a legally-binding way for members to resolve disputes.

But unlike any others it has a very effective means for enforcing those disputes - through direct, unavoidable economic consequences for the offending party.

The effectiveness of this system has enabled the WTO to guarantee trade openness, even in difficult times like those we have seen since 2008.

These are also, however, difficult times for the WTO.

In 2011 its members acknowledged that the Doha Round of global trade negotiations was blocked. It remains blocked today.

The reasons are complicated. But at the centre lies the shifting balance of the global economy from West to East and North to South.

This is - first and foremost - a positive story of progress for the people of the developing world. It is very welcome.

But it also has implications for the WTO. The election of Ambassador Roberto Azevedo as Director-General is just the most recent sign of the new leadership role played by emerging economies like Brazil, China and India. This is also very welcome.

However, that leadership means that emerging economies also now have increased responsibility for the wellbeing of the overall system. And ensuring that negotiations move forward is part of that responsibility.

In the past the European Union and the United States helped move negotiations forward by opening their markets further than others.

This responsibility now falls on emerging countries too, particularly in the many economic areas where their companies are global competitors.

It is not clear however that the emerging countries see this question in the same way as the European Union. And that divergence of views about the different contribution needed from different players is the main reason we have not concluded the Round.

We will need to come to agreement if we want to resolve this problem. In fact, we think there is a need for a new global covenant on free trade. One that recommits all WTO members, developed and developing, to the principles of open markets. And one that addresses the new positions of each in the new global economy.

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 governance.

But that agreement is not on the cards today, for all we might wish it to be.

So when it comes to trade policy in the short term, we are faced with a dilemma.

We are obliged to move forward with new trade liberalisation because it is a vital tool to boost growth in difficult times. To paraphrase President Roosevelt, instead of twirling our thumbs we must roll up our sleeves.

But at the same time we must make sure that whatever we do strengthens the possibility of overcoming the impasse in the medium term.

So how should we proceed?

The first avenue is to do as much as we can at the multilateral level.

For example, WTO members are working right now on a limited package of measures – including an agreement that will facilitate trade through more efficient customs procedures – that could be agreed by ministers meeting in Bali by the end of this year.

We are also negotiating an international agreement on trade in services and expanding the scope of an existing deal on information technology equipment – both of which will help support key industries of the future.

The second avenue is to press ahead with liberalisation on a bilateral and regional basis.

As we do so, we need to acknowledge that this approach poses risks. It brings the day-to-day experience of companies further away from the WTO's principle of non-discrimination between different members. It creates a bureaucracy of different rules for different commercial relationships that will undoubtedly blunt the impact of liberalisation to some degree.

But we also know that it will bring important benefits. Trade barriers will come down. Growth will be generated.

So the challenge is to deliver bilateral agreements that both move liberalisation forward and do so in a way that supports the resumption of work at the multilateral level in the future.

The Transatlantic Trade and Investment Partnership is an excellent example of how this will work.

That's because this deal will have to go beyond the agreements that both of us have done before if it is going to be worth the effort.

Tariffs are low so they will not be enough. We need to tackle more complex issues.

And the most important of those is the whole area of 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 a customs duty 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. And be very pragmatic about finding solutions that will allow those procedures to converge.

All of this will require open minds but if we are successful it will be valuable not only for the United States and Europe, but for the multilateral system as a whole.

Because the solutions we develop to these complex problems can help fill the many gaps in the multilateral rulebook later on.

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.

If we want to strengthen the chances for a future global agreement on trade policy, we also need to think about how the Transatlantic Trade and Investment Partnership will impact our relations with the emerging economies. No form of global governance worth the name can exist without their deep engagement.

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. 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.

Our tariffs are already low – an average of around 4% ☐ 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.

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 Fiat and General Motors.

But it also benefits Kia and Mitsubishi, or any other company that exports to both our markets. Because we are clearly not going have a more complicated airbag standard for them.

So they will make the same cost savings as US and European companies from not having to make separate models for either side of the Atlantic.

Which is why we project 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 its stake in both of our markets.

But I want to be very clear. The purpose of this deal is not to unite against 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.

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 the EU is in advanced negotiations on a trade agreement with India.

Why we are preparing to launch an agreement on investment flows with China.

And 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.

I hope that we can count on the firm support of the foreign policy community in that effort and that you too will keep your sleeves rolled up.