EUROPEAN COMMISSION

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The Transatlantic Trade and Investment Partnership

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Spokespersons' Service
Service des Porte-parole

Ladies and Gentlemen,

New York is an excellent place to talk about the Transatlantic Trade and Investment Partnership:

- The Port of New York is a vital trade link.
- Your financial services industry dominates the US side of the deep transatlantic financial relationship.
- And of course, on the simplest level, this city was founded by Europeans – some of whom even spoke Dutch, my own mother tongue!

The transatlantic bond is strong in this city.

What I want to talk to you about today is how these negotiations make that bond even stronger.

Let me start be explaining why we have chosen to launch this process.

The European Union and the United States are the closest of economic partners:

- The transatlantic economy is responsible for 15 million jobs.
- It includes a daily goods and services trade worth 2 billion euro.
- And it is based on combined investment stocks that now approach 5 trillion euro.

This is because we are the largest economies in the world.

But it is also because we are among the most open economies in the world – a fact clearly shown by our position as the world's largest importers of goods and services, and hosts of foreign direct investment.

What this means is that companies and consumers from Europe and America can already do business relatively freely.

But the reality is that there are many remaining obstacles to transatlantic trade and investment.

They fall into three groups:

First, tariffs. Both the US and the EU have low duties on imports – around 4 per cent on average – but that doesn't mean they have no effect.

For one thing, an average always conceals extremes. And on both sides our highest tariffs are very high indeed – more than 300% on the US side and over 200% in Europe. For another, the huge volume of transatlantic trade means that the total amount paid into government treasuries is a significant tax on business.

The second group contains barriers in the form of different regulations and standards.

We estimate that the differences between our regulatory approaches – and the administrative burden those differences create – are as effective at blocking trade as tariffs of between 10 or 20 per cent per product.

Of course, in the vast majority of cases, regulators on either side of the Atlantic are not aiming to put up trade barriers. In fact they are trying to do the same thing: protect people's health, safety, environment and economic wellbeing.

But they go about that objective separately, through processes that have their own quirks and traditions. And in many cases the results are requirements that are different, and sometimes even contradictory, without good reason.

Ask yourself – do you feel any less safe in a car you rent in France than in one you rent in Chicago? Is a medicine you buy here in New York any more safe than one you buy in Paris?

One of the areas of regulation that we hope to work on – and which is certainly of interest to you – is financial services.

The regulatory issues here are particularly complex. We do not aim to substitute the work of international standard-setting bodies like the G20 or the Financial Stability Board.

But I believe we can look at ways to implement the standards they set in a coherent and trade-friendly way.

We will not address all the regulatory obstacles between the EU and the US. So the existing regulatory dialogues we have on financial services will continue to be important.

But with industry support – particularly in terms of helping us define what we can focus on most productively – I believe we can make some useful progress.

The final group of transatlantic barriers we want to address includes complex areas like trade in services and public procurement.

Apart from the regulatory barriers to services that I just spoke about there are also issues like licensing, qualification requirements and investment limits. More than half of the value of all EU exports are made up of services, so the effect of these barriers is real.

Government procurement is also important for Europe since companies whose business depends on sales to government entities account for 25% of EU GDP and 31 million jobs. However, a number of US federal and state level laws limit European participation in tenders there, meaning many lost opportunities.

The length of this list shows us that although the EU and the US economies are very close, we could definitely be closer.

Achieving that - by removing these barriers - will deliver two major benefits:

The first is a boost to growth. Europe and America have made progress in addressing the crisis but we all know that the economic growth we are all seeing today is not enough. If we want to repair the damage to living standards since the crisis began we need to do more to stimulate business activity

And this agreement would offer a very cheap stimulus indeed.

We expect that once it is in place it will deliver a growth boost to the European and American economies of roughly 0.5 per cent.

We know that effect will take some time to be felt. Trade agreements take longer to implement than I would like. Luckily, we can also expect a much more immediate stimulus to business confidence.

One thing that all economic commentators agree on is that uncertainty about the economic future has led companies to hold back from big investment decisions, helping to slow recovery on both sides of the Atlantic.

A successful Transatlantic Trade and Investment Partnership would remove one source of that uncertainty – the risk that the world's leading economies would respond to the crisis with protectionism.

It would send a powerful signal that neither the US nor the EU questions the fact that open markets are essential for growth. And it would make clear that they are willing to put their beliefs into practice by opening their markets even further.

The second benefit from removing transatlantic trade barriers concerns the impact that a trade deal would have on the rest of the world – an impact I believe will be positive.

At a very simple level, we predict that our trading partners are likely to see direct economic benefits from this deal, probably somewhere in the region of 99 billion euro. This is because much of the liberalisation we are targeting would not discriminate against our other trading partners but rather benefit them too.

Beyond this however, is a larger possibility.

As you will know, the World Trade Organisation is the premier tool for opening markets around the world. Rules agreed there are the same for everyone, which makes life much easier for international companies.

Unfortunately, the Doha Round of trade negotiations is at an impasse on the main issues of market access for industrial goods and agriculture.

For as long as that impasse continues, we need to be doing what we can to prepare for when we can restart work.

One of the ways to do that is by doing global deals on issues where we have a good chance of success – like streamlining customs procedures for example.

Another is by thinking about new kinds of rules that could be discussed in future negotiations. The disciplines of the WTO are indispensable for international business. But there are gaps in the global rulebook on a range of issues – particularly when it comes to regulation.

This negotiation between the European Union and the United States will allow us to experiment in new policy areas and hopefully deliver results that can help fill those gaps in the future when the conditions are right.

Let me be clear, none of this work seeks to exclude any other partners. Global deals require a global consensus and nothing that we will do together seeks to change that.

Instead, this agreement will be a way for the EU and the US to lead by example, demonstrating the benefits of stronger rules to implement the principle of open markets, rules that will benefit all countries in the ever-more-integrated global economy.

There is an obvious catch to what I am describing, however.

We can only achieve these benefits if we can actually come to an agreement.

And we know that will not be easy.

For the regulatory work to succeed, we will first need to calm people's fears about cooperating in these new areas.

That means being clear that we are not going to lower standards of protection, while still being flexible and creative enough to find valuable solutions.

It is possible to do this. We only have to look at the EU's experience with the Single Market to see that. The challenge is to find the solutions in this new context.

So we will need to be aggressively pragmatic.

Pragmatic because we will need to open to new approaches – even if that means changing procedures and practices that have been around for a long time.

Aggressive because we know from experience that this will be complicated. In the past, we have seen transatlantic cooperation derailed by issues that seemed very small compared to our total economic weight.

So let's avoid focusing all of our energies on the small issues this time around.

And instead try to remember the bigger picture I have just outlined.

One certainty about opening markets is that protected vested interests will focus on what they have to lose, and complain very loudly.

The more effective the market opening, the more vested interests will be challenged and the more complaints we can expect.

So given the scale and the depth of what we are trying to do, we can expect some stiff headwinds.

I hope you will be ready to help us bring this to a successful conclusion.

Thank you very much for your attention.