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Reshaping transatlantic relations

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

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Professor Moreira, Honourable Members, Ambassador Kennard, Ladies and Gentlemen,

I'm glad to be here with you today and especially glad to be speaking on this panel. It goes to the heart of how Europe is looking at our relationship with the United States today.

We are now and have always been the closest of economic partners. I do not need to remind this audience of the unique intensity of our bilateral commercial and investment relationship. You know the spectacular figures on trade, investment and employment.

But I do think it is worth reflecting on the changes that the world is undergoing as we speak. This transformation requires adaptation: If we want to get better results we cannot keep using the same strategies.

That is why I believe that Europe and the United States should reshape our economic relationship through a comprehensive bilateral trade initiative. This must be a realistic project, of course, but by necessity it must also be an ambitious one.

In my remarks today I would like to say first of all what I believe this project should entail and then show you why we should do it.

What the United States and Europe should aim for is a new, comprehensive transatlantic agreement that covers all relevant economic issues, including in particular the following pillars:

First, tariff elimination. An effective agreement would get as close as possible to the removal of all duties on transatlantic trade in industrial and agricultural goods.

Second, services liberalisation. An effective agreement would open services markets that are currently closed and put in place a framework for better cooperation between regulators. It would go beyond what each of us has already done in other trade agreements. It would address the barriers to international competition, including those that still exist at the sub-federal level on both sides of the Atlantic.

Third, public procurement. An effective agreement cannot ignore the fact that companies whose business depends on procurement represent 25% of European GDP and 31 million jobs. The goal should be to get as close as possible to national treatment at all levels of government.

Fourth, regulatory cooperation. An effective agreement would include a mechanism for addressing our regulatory differences on both food and non-food products. Being realistic, no agreement can be a panacea that resolves all existing regulatory issues overnight. But an ambitious deal would lay down tough procedures to help us avoid unnecessary problems in the future and so reduce unnecessary costs for companies.

Finally, an effective agreement would also establish state of the art rules in key areas like competition, trade facilitation, labour, the environment and intellectual property.

Why do we need such an agreement?

There are two aspects of today's changing global economy that push us to try something new on a transatlantic axis. And there are two unavoidable realities that oblige us to aim for a comprehensive agreement.

Several factors call for a truly ambitious initiative:

First, the macroeconomic situation. The fallout from the collapse of the debt boom of the early years of this century has proven difficult to overcome. The US seems to

have recovered more strongly than Europe. But on both sides of the Atlantic growth remains more modest than we would like. We also face considerable uncertainty, which is holding companies back from risk-taking.

Broad trade liberalisation across the Atlantic would help us put our recovery on a sounder footing.

It would drive down the cost of transatlantic business. Tariffs are low between Europe and the United States but the volume of our trade is so big that their elimination would be helpful - particularly when one considers that so many of the traded goods are part of long value chains. Car parts often cross the Atlantic more than once - as components and again in the finished product - meaning they may pay duties twice.

But most importantly, effective regulatory cooperation would further reduce costs because companies would not have to comply with different requirements that have the same objectives.

At a broader level the intensified competition that a transatlantic agreement would create would improve the competitiveness of firms across the whole economy. Long-term evidence in Europe indicates that a 1% increase in openness of the economy results in an increase of 0.6% in labour productivity the following year.

In the short term, I believe the conclusion of an ambitious agreement would also address another aspect of our current economic difficulties. At the heart of today's problems is a crisis of confidence in governments' ability to make tough but necessary decisions. A new transatlantic trade initiative would be a bold move that would show that politics works in Europe and the United States. That both sides are willing to take the action necessary to deliver recovery.

The second changing aspect of today's world is, of course, globalisation and the rise of emerging economies. China, India, Russia, Brazil already together account for 17% of world GDP. Other economies like Indonesia, Mexico and South Africa are also becoming more important players.

That is why developing economies are the new drivers of global trade: between 2000 and 2009 their exports rose by 80% compared to 40% for the world as a whole.

As a result, the relative weight of the EU-US commercial relationship is being diluted.

Granted, for investment the gap is still dramatic. European investment stocks in China amount to only 6% of our investments in the US. The US has invested more in Ireland since the year 2000 than it has in all the BRIC countries combined.

But if we look at just trade we start to see a different picture. Transatlantic trade was four times as large as EU-China trade in 2001. Last year the difference was just 3%.

The implication of this change is that both Europe and the United States need to broaden our focus. We both need to establish strong partnerships with a wider range of countries and we are already doing this. The most significant US trade initiative of recent years is the Trans-Pacific Partnership. Similarly, the European Union is negotiating a broad range free trade agreements both in Asia and Latin America. Both the EU and the US also place great weight on our relations with China.

However, what we are seeing in all of these dialogues is that many of the issues we face are in fact very similar. Tariff barriers are important, naturally. But regulatory barriers to trade and investment are crucial as emerging countries develop more and more sophisticated regulatory regimes. Europe and the United States have a common agenda here - to promote the core principles of transparency and

predictability so as to facilitate smooth operation of our companies' global supply chains.

An effective agreement on regulatory cooperation would build on our work in the Transatlantic Economic Council to provide a stronger basis for these efforts.

That is why a new initiative is important. And why it is important that we set realistic goals if we want to achieve it.

But why do we in Europe believe an FTA should be comprehensive and ambitious, even as some are considering smaller solutions?

There are two unavoidable reasons for this. The first is that we need to take action that is proportionate to the challenges we are facing and that corresponds to our shared commitment to continue leading on trade liberalisation.

We have an effective system currently in place in the form of the Transatlantic Economic Council. Over the last year the TEC has delivered a number of valuable and concrete results for business.

We have made sure that our programmes for partnership between customs and companies are mutually compatible.

We have come closer to common standards for electric vehicles.

And we have agreed common principles for open investment policies.

All of these results will deliver real economic benefits and the TEC will continue to be a crucial platform for our cooperation in the future.

But a comprehensive agreement as I have outlined has the potential to have a much deeper impact. And in these very difficult economic times we need to aim for these higher returns.

The second reason is that if we decide to avoid the difficult issues and only work on areas where we agree, we risk having only limited impact. If we are to make meaningful progress both sides will have to face down vested interests and take difficult political decisions. A broad package that delivers new liberalisation would make that process easier because there will be many more who will see the opportunities we are creating.

Let me be clear: I am not saying that we need to tackle all of our differences in order to make progress. I know that is unrealistic. But what is on the table needs to make a real difference in generating jobs and growth on the one hand and be sufficient to attract political support and on the other.

If we simply promise to work on areas where we already agree momentum will rapidly dissipate and our efforts will be ineffective.

Let me conclude by commenting on where we are today. Last December, Presidents Obama, Barroso and van Rompuy launched the High Level Working Group on Growth and Jobs that I am now co-Chairing with USTR Ron Kirk. We are working towards delivering an interim report by the June deadline that we were set and then a final report by the end of the year.

Our remit is to look at all measures that can help and that is what we are doing. My experience is that there is a high degree of consensus on what the optimum outcome would be. We both know that the difficult issues are the ones that will deliver most results. And we both want to move forward quickly. I believe that any new agreement should be finalised within 18 months. Where we are still discussing is how to get there. But those discussions are taking place in a very constructive environment and I am optimistic that what we agree will be the right way forward for both our jurisdictions.

Honourable Members, Ladies and Gentlemen,

Reshaping our relationship for the future is not a straightforward task. We know that despite the closeness of our partnership we often find bumps in the road. But we do not live, I am afraid, in straightforward times. Creativity, endurance and political will are needed to move forward now.

I know that the European and American people have plenty of the first two.

It is up to us politicians to provide the third.

Thank you very much for your attention.