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TTIP: The new EU-US commercial relationship and the future of the EU-Swiss trade

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

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Ladies and gentlemen,

The one hundred years to 1999 will no doubt go down in history as the American Century. This century however – the twenty-first – will certainly be global.

The changes to the world economy we can see today make it very clear:

- The diffusion of economic and political power towards new poles – with the developing world soon accounting for half of world economic output,
- The breath-taking advance of communications technology,
- The persistently low cost of transport by sea, and
- The unprecedented economic connections implied by global supply chains.

This globally integrated future will leave no area of government policy unaffected. But it is already influencing international trade policy in practice. Trade policy has bred globalisation. And globalisation is now shaping trade policy.

Although it is a bilateral initiative, the Transatlantic Trade and Investment Partnership is a step in the adaptation of the European Union's trade policy to the globalised economy. One step of many, but a very significant one indeed.

Because TTIP is a bilateral negotiation, but one with a global reach. This is not only because it involves the two biggest economies in the world but also because the rules that come out of TTIP will have a world-wide bearing.

What that means in practice is intimately connected with the question we are here today to examine: how this agreement will affect Switzerland on the one hand and its relationship with the European Union on the other.

In my view, the news for Switzerland is good.

The European Commission's analysis estimates that an ambitious TTIP would increase the GDP in our trading partners by almost 100 billion euro...

... and that fully one third of those gains would go to high-income countries like Switzerland.

Why? Because of two predominant aspects of this negotiation.

First, its scale.

What we in Brussels often call the transatlantic economic relationship – somewhat lazily I realise now that I am here in Zurich – is the largest commercial relationship in the world.

It represents millions, billions and trillions of euros in jobs, trade and investment respectively. Together, the European Union and the United States account for 45% of world economic output. We are also the world's largest importers, making up just under a third of the total.

An ambitious TTIP will boost the prosperity of both of our economies – by about 0.5% in the EU and 0.4% in the US. And these are likely to be low estimates. In the longer term the benefits of TTIP for the transatlantic economy may be twice as big.

So our consumers will have more money to buy the finished products Swiss companies sell...

... and our companies will have more money to buy the inputs of services, parts and components Swiss companies supply.

The second distinctive aspect of the TTIP is its depth.

Obviously an important goal is to improve market access by cutting industrial and agricultural tariffs, and through opening services and public procurement markets.

However, where we hope TTIP will truly break new ground is in the area of regulatory barriers.

This agreement will consequently go deeper than other agreements in terms of the policies it affects.

This focus on regulatory issues means that many of TTIP's benefits can be shared with our trading partners. Indeed, neglecting this fact is why some economic analyses of TTIP have missed many of those gains, underestimating the positive impact on countries like Switzerland.

The way this works is as follows. Many companies, here and around the world, export both to Europe and to the United States. To do so they have to comply with two sets of standards and regulations. And that creates two sets of compliance costs.

If TTIP leads to more convergence between EU and US standards, regulations and conformity assessment systems that should make life easier for exporters in the rest of the world.

In some cases they may be able to cut down on the number of their production lines. In other cases they may be able reduce the number of inspections they have to undergo, because the EU and US authorities agree to recognize the results of each other's inspection teams.

This is why this agreement will add to the global economy and why countries like Switzerland stand to gain from the TTIP.

Taking the argument one step further, there is another potential benefit of this deal for partners like Switzerland:

TTIP may well act as a nucleus and a laboratory for the next stage of rulemaking at the global level...

... because we will use TTIP to promote rules and standards that could form the basis for future international agreements whenever we can.

Of course we know that those agreements - on complex regulatory questions like what makes a car safe to drive or a medicine safe to take - will eventually require major negotiations with our partners. The European Union and the United States will not automatically set the rules for the rest of the world.

But given the dominant global role of the European and American regulatory models, reconciling their inconsistencies would be a significant step towards a truly international approach.

Through these mechanisms:

- transmitting growth through imports,
- streamlining compliance costs for exporters,
- and taking a step towards real global rules...

... TTIP will benefit all countries who want to use globalisation to boost their prosperity. In that sense, TTIP will also be a gift to the world.

TTIP – therefore – has a great deal of potential, for countries around the world as well as for the European Union and the United States. How much other countries benefit depends on several factors.

This brings me to the second part of my remarks:

What may this deal mean for the relationship between Switzerland and the European Union?

It is an understatement to say that our relationship is already very close.

Switzerland is the European Union's fourth largest trading partner, a relationship worth 340 billion euro a year. Our mutual stocks of foreign direct investment amount to over a trillion euro.

Why? One part of the answer is obvious: Even though Switzerland is politically outside of the European Union it is geographically within it.

To put it one way, the water passing as the Limmel below our window will reach the North Sea at Rotterdam, less than a hundred kilometres – as the crow flies – from Brussels.

To put it another way, you speak the same language here in Zurich as in Berlin; in Geneva as in Paris, in Lugano as in Rome.

But beyond shared geography and culture, there is another reason for our vast economic ties: our dense forest of over 100 bilateral trade and regulatory agreements.

They cover a huge range of issues and manage to keep cross-border trade and investment very open.

However, we must all admit – at the same time – that Switzerland is less integrated with the European Union than either our own Member States or the members of the European Economic Area. Some economic sectors are excluded from our cooperation and the enforcement of our bilateral rules – through 15 separate joint committees – is at best unwieldy.

That lower level of integration is a sovereign choice of Switzerland and I fully respect it.

But what I can say is that it does influence how much Switzerland will gain from the Transatlantic Trade and Investment Partnership.

This is because – as I have suggested – not all of the progress we make on regulatory compatibility will automatically benefit our partners.

Why?

First, because recognition of regulation normally has to be mutual and therefore apply both ways – for exports as well as for imports.

For example, the EU recognizes that Swiss regulation on medical devices is equivalent to ours in terms of health protection. As a consequence, we recognise the certification of conformity of medical equipment made by Swiss conformity assessment bodies, and Switzerland recognises certification done in the EU. This principle would not change as a result of TTIP.

Second, because any recognition must be based on the equivalence of the protection afforded by regulation. That applies not only to the regulations themselves but also to their enforcement.

When it comes to rules on health, safety, the environment or financial security, effective regulation goes beyond putting laws on the books. Enforcement is also essential.

Because if the other countries' authorities do not enforce the rules properly that can have a direct impact on people in the European Union or indeed in the United States.

For example, say a country has copied European or American requirements on marine equipment - word for word – into their own law. That is a step in the right direction. But if there is no system in place to make sure those rules are applied correctly, that step is not worth very much. And if defective or dangerous equipment is then exported to Europe or the United States, that puts our citizens directly at risk.

By saying this, I do not wish at all to imply that Swiss rules are typically less effective – or enforcement less stringent – than in the European Union or the United States.

But it is true that in practice is that the trading partners who gain the most from TTIP...

... will be those whose regulatory authorities build up close relationships of trust with their counterparts in the United States and the European Union, backed by the necessary regulatory cooperation arrangements.

And that, in turn, means that the closer the regulatory relationship between the EU and Switzerland, the better off Swiss companies are going to be.

Switzerland is already well placed because in many areas it applies regulations similar to the EU's.

But, we expect that Iceland, Liechtenstein and Norway – the members of the European Economic Area – are in an even better position. That agreement is streamlined, and based on the fact that those countries apply the European Union's *acquis*. It also provides a much stronger guarantee about the uniform application of EU law.

This is not only relevant for the European Union but could also play a role in any sovereign decision by the United States to enter into regulatory cooperation agreements with the EEA countries or indeed with Switzerland.

As you know, Switzerland and the European Union will soon be launching negotiations to look again at how best to structure our relationship. This will be a matter to remember in those conversations.

Now, those talks between the EU and Switzerland will, of course, take some time. And I do understand that people here in Switzerland are interested in what is going on in the TTIP right now.

You are not alone. A great many people inside and outside the European Union want to know the route we are taking.

A transparent process is what is called for.

We are doing as much as we can to make this trade negotiation as transparent as can be.

- For instance, we published our starting positions on the main issues on our website this June, and
- We are constantly putting a huge range of explanatory material - on regulation and other issues – in the public domain.

But business people like you will understand that negotiations of any kind require confidentiality and trust between the partners.

That is why it is important that the TTIP negotiations themselves cannot be opened up to others. They are simply too complicated to bring in outside partners – no matter how close. Switzerland has made a choice about membership of the European Union. This is one of the times when that choice has a consequence.

But let me be clear: We certainly have much to discuss.

There is a striking contrast between our tightly-woven domestic policies on the one hand...

... and the complete independence of the international trade policies of Switzerland and the EU on the other.

The European Union has used its independence to put in place trade agreements with over 47 partners. Likewise, Switzerland has a network covering 35 partners outside the EU. Among them is the agreement that Minister Schneider Ammann sealed with China this summer, an important achievement.

Both Switzerland and the European Union believe that these networks of agreements bring economic benefits.

However, given this abundance of deals, it is of the essence that our own bilateral free trade agreement works properly – by which I mean that it continues to cover only products and services produced in Switzerland and the European Union. In other words, we need to rigorously apply the rules of origin.

If either of us sought to act as an unofficial gateway to the other's market we would effectively undermine the other's trade policy independence. The Switzerland-China agreement for example should not lead to Chinese goods entering the EU without hindrance through Switzerland.

So good communication between us is essential. And as part of discussions of that nature I would be more than happy to keep the Swiss government up to speed on the progress of the TTIP, while respecting, naturally, the confidentiality of the negotiations.

Ladies and gentlemen,

I arrived in Zurich this morning from Africa, where I have spent the week.

While there, I was reminded of a saying from that part of the world. It describes the anxieties of smaller countries in a world of larger powers. As a Belgian I am certainly familiar with those anxieties myself.

The gist of the saying is this: when elephants fight, it's the grass that suffers.

The risks are great for the small when there is conflict between the large.

In my view that logic can also flow in the opposite direction.

When large powers cooperate, their neighbours have more to celebrate than to fear. When elephants are at peace the grass can grow tall.

Switzerland has everything to gain from an ambitious and ground-breaking Transatlantic Trade and Investment Partnership.

How much will depend on how close you wish to come to the European Union, and to the United States.

And that of course is a choice for Switzerland.

Thank you very much for your attention.