



EUROPEAN COMMISSION

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Transatlantic Trade and Investment Partnership (TTIP) – Solving the Regulatory Puzzle

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

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Ladies and gentlemen,

I am very pleased to be here in the Czech Republic.

And I'm very pleased to be here as a guest of the Aspen Institute, an institution that has contributed – over many decades – to the intellectual basis for policy making both in America and in Europe.

The fact that the Institute has no less than six branches here in Europe shows the seriousness with which you take the transatlantic relationship.

And I agree with you. The transatlantic relationship is a very serious matter indeed.

In fact, it's the most successful commercial partnership that the world has ever seen. The energy it injects into to our economies is measured in the millions, billions and trillions – of jobs, trade and investment flows.

That means that the Transatlantic Trade and Investment Partnership (TTIP) is also a serious matter. Because what we are trying to do with the TTIP is to squeeze even more energy out of the transatlantic relationship to fuel our economies.

Luckily, there is quite a lot of energy available. If we are ambitious, and we reach a comprehensive agreement, we could see a growth boost for Europe in the region of 120 billion euro... and an increase in the US economy of around 90 billion. That would likely translate into millions of new jobs for our workers.

And the best thing about the energy we would create through an effective TTIP is that it would be renewable. Because the way trade liberalisation works is that it permanently increases the amount of wealth that an economy can produce. So these billions of euro wouldn't be a one-off gain but one that continues every year.

The challenge though, is to do a deal that effectively makes it easier to do business on both sides.

Unfortunately, that's not a straightforward prospect, because we have already – over the last 60 years through the multilateral system – removed a great many barriers to transatlantic trade and investment.

So all of the relatively easy work is done. What remains are the toughest issues.

True, there are some low tariffs which should be relatively easy to remove, like the three and half per cent duty that Czech tyre exporters pay into the US treasury.

But many more of the other areas – like procurement barriers in US states for instance – will be anything but easy.

And the most complicated area of all – regulatory barriers to trade – is what I would like to talk about today.

Regulatory barriers – why they matter

Regulatory barriers are more complicated to remove than traditional trade barriers because they are not supposed to be trade barriers at all.

The main purpose of a tariff is clearly to make imports less competitive.

But a regulation's primary goal is to protect people from risks – whether to their health, safety, financial security or environment.

That goal is an important one, which is why both our governments have gone to so much trouble to build up complex systems of regulatory protection.

But – intentional or not – regulation often also comes at a price... for international trade in particular:

- Regulations can block goods from entering a market by declaring them unsafe for instance.
- Or they can make imported products more expensive by adding compliance costs.

Sometimes we have to pay this price in order to have high levels of protection.

Sometimes. But certainly not always:

- Regulations in different countries can be different simply because regulators weren't aware that there were other ways to solve the problem they were facing.
- Or because they had based their analysis on different scientific data.
- Or – in the most extreme cases – because some domestic businesses actually press for regulations to exclude foreign products from their market.

We do not have to accept these differences. They can be avoided in future regulation through early dialogue. And for existing rules we can find ways to recognise what our different approaches have in common.

Of course, the complexity of the systems, the traditions of regulators and – occasionally – the entrenched interests behind them make this very challenging.

The Single Market – An example to learn from

But I am confident that TTIP will make a real, measurable difference.

Why? Because this not the first time this has been done. And we in the European Union have deep experience of how to do it.

After all, what is the Single Market, if not the world's most advanced, most revolutionary experiment in regulatory cooperation? The rules that underpin it hold together 28 countries...

... with different languages

... different legal and regulatory cultures

... and different levels of economic development.

Of course, we should not be under any illusions: the TTIP will not create a single market between the EU and the US. Neither is this the objective.

But we can use our experience of the Single Market to support us as we work on the TTIP, in three ways:

First, the Single Market provides perhaps the highest level of consumer, environmental and labour protections in the world. EU regulation is adopted more and more by countries around the world, not just because they want to sell their products to our market, but also because our approaches are often taken as the gold standard for protection. There doesn't need to be a trade-off between high standards and open markets.

Second, the Single Market is a system where goods and services that comply with European regulations can be sold anywhere across a market of 500 million people. Once

you get a product approved in one country, you can sell it anywhere in the whole of the Union. No national regulations can block its free movement.

The EU approach to standards also facilitates free movement. One of the major successes of the EU system is that we have done away with conflicting standards. Once an agreement is reached at European level, national standards bodies must withdraw all existing national standards that conflict with it –. This is obviously very important for European producers but it also makes accessing the European market much easier for our trading partners. The TTIP needs to take up this effective market access approach.

Finally, the EU system manages to do all this while still being open and transparent.

Just take our legislative process: Before the Commission even makes a proposal for legislation to Council and the EP, it carries out a comprehensive impact assessment based on wide consultation of anyone who will potentially be affected – and that includes our trading partners around the world.

Indeed, for them, we go even further. Because for the regulations with the greatest trade impact - technical regulations and food quality rules - we consult World Trade Organisation members and stakeholders on draft texts. And we take the time to respond to their comments.

Our standards system is also highly transparent:

- We develop standards in close collaboration with all interested groups – including industry, consumers’ representatives and anyone else with a stake in our market.
- We draw from the best science available.
- We make it very clear from the outset when we are requesting a standard to support public policy objectives. The Commission’s mandate to the European standardisation organisations is always made public.
- Our standards developing process feeds directly into global work in bodies like the International Organisation for Standardisation and the International Electrotechnical Commission. Though it takes more effort because there are more people around the table, we support it because it provides the greatest benefits to international trade.

The TTIP will also be guided by the principles of openness and transparency – both in its negotiating process and in its provisions on regulatory cooperation.

The EU's Vision for the TTIP Regulatory Chapter

These principles are important. But I know many people are curious as to what we mean in practice when we talk about the regulatory part of the TTIP.

From the European side, there are three essential elements:

- Ways to cooperate on future regulations to avoid unnecessary trade barriers,
- Ways to make existing regulations more compatible, and
- Supporting this work with the right institutions.

First, to have maximum effect, our cooperation on future regulations with a significant impact on transatlantic trade should be strengthened across the board – from food safety to financial services.

For example, when European and American regulators work on rules that will likely affect the other side of the Atlantic, they need to open channels of information and communication from very early on. Some regulators already have shown excellent

cooperation, but a lot more can be done. And TTIP can support this so that transatlantic cooperation becomes a natural reflex.

A similar approach could also apply to standards development organisations. Here too we have some very encouraging examples – like smart grids, electric vehicles and organic food. And here too, more cooperation early on would minimise differences and reduce costs.

Second, we need to look at existing regulations. How can we make them more compatible – especially in important sectors like automotive, chemicals, health, financial services and ICT?

In the case of the TTIP this is particularly important. Because if we can't agree to remove individual barriers to trade in particular products we won't convince anybody that our principles serve a purpose.

Let me give you some examples.

One is cars – a subject dear to the hearts of many in this country, I know.

Nobody seriously doubts that either US or European cars are safe to drive. And yet we have different safety regulations for everything from headlamps to electric windows. I believe regulators on both sides could formally agree that many of these regulations in fact produce the same level of safety, even if they are not exactly the same. If they could, that would mean that car and car parts manufacturers wouldn't need to comply with two different sets of technical requirements when trading across the Atlantic.

The Czech Republic has a lot to gain from this. Last year, the Czech Republic exported around 11 billion euros in car parts. And we know that even if those exports first went to Germany or other European countries, many of those eventually continued on to the US in finished products. In fact the value of total Czech exports to the US goes up by a quarter when we take this kind of trade into account.

Another example is pharmaceuticals. The interesting thing about medicines is how much transatlantic regulatory cooperation there already is. By working together regulators have increased safety and reduced costs dramatically over the last 20 years.

But some things are still separate. For example, EU and US authorities both inspect the same pharmaceutical factories to make sure they are up to scratch, even though the good manufacturing practices our inspectors are looking for are the same. If we were able to recognise each other's inspections we would make things easier for the companies – and save governments some money which would be better spent elsewhere.

Chemicals should be another area where we can work together. This is a very different scenario because European and American chemicals' legislation is so different. But even here we can still cooperate. There are several important areas – like labelling requirements and better coordination of safety assessments – where TTIP could make things more efficient both for companies and for regulators.

Finally, financial services. The financial crisis showed in stark clarity that this is a global sector and that countries need to work together if we are to manage risk effectively. This is particularly true of the EU and the US, given our 70% share of world trade in financial services.

This is why we have both been advocating high international standards for global regulation: through the G20, the Financial Stability Board and the Basel Committee.

We have made real progress. But there is a real risk that EU and US authorities implement what has been agreed in inconsistent ways. We have already seen examples of duplication of rules, and rules with extraterritorial effects.

This has a cost: it weakens financial resilience and makes it more difficult for our economies to recover. So we need to cooperate more to produce better results. And TTIP gives us that opportunity.

These are just some of the examples. In these and many other areas European and American companies have submitted substantial convincing joint proposals on how to facilitate trade and investment. But I can say to any interested parties in the room that we are ready to look at new, reasonable proposals for cooperation that will facilitate trade while keeping protection intact.

The third and final pillar of Europe's vision for the TTIP's regulatory pillar is institutions.

Here again we have learned from the past: If we want regulators to work together in the future we need to make sure that they are equipped to do so.

I therefore propose that the TTIP establishes a new Regulatory Cooperation Council that brings together the heads of the most important EU and US regulatory agencies.

The council would monitor the implementation of commitments made and consider new priorities for regulatory cooperation – also in response to proposals from stakeholders. In some cases it could also ask regulators or standards bodies to develop regulations jointly that could then have a good chance of becoming international standards.

Strong institutions like this will be key to making the TTIP a living agreement that promotes greater compatibility of our regimes and accelerates the development of global approaches.

And strengthening global approaches is one of the primary strategic objectives of this agreement.

TTIP can support international cooperation on regulatory issues – whether in ISO and IEC for international standards, the UN Economic Commission for Europe for automotive technical regulations, or in the International Medical Device Regulators Forum.

We have already seen the potential of a stronger transatlantic partnership in the recent cooperation between the EU, US, Japan and now China on electric vehicles. When the EU and the US work together there is a natural multiplier effect that brings benefits both to us and to our trading partners.

TTIP – Three fundamental points

Before I finish, I want to make three more fundamental points, points that are very important for the people of Europe to understand.

First, nothing we will agree under this agreement will lower standards of protection. Removing regulatory barriers is not a race to the bottom.

Second, neither side is going to renounce the right to regulate in future to reach the level of protection that their citizens choose. To be very clear from a European perspective: the Commission, Parliament and Member State governments will continue to set the rules. And given that the precautionary principle is enshrined in the Lisbon Treaty, nothing in the TTIP could possibly change that.

Third, a beauty contest will flatter no-one. Neither side will be successful if it seeks to impose its system on the other. Instead we should seek to exercise joint leadership on these issues. If we do not, others will.

This is our vision for TTIP. It is both ambitious and practical. It will not be easy but it will be worth it if we do make the effort.

Being here in the Czech Republic I'm very encouraged that we will make that effort.

This is a country that takes the transatlantic relationship seriously. The Czechoslovak declaration of independence was drafted in Washington D.C. Anton Dvorak wrote the New World Symphony in New York. There are countless other examples of your Atlantic links.

But this is a country that also understands what real economic integration can deliver. The Czech Republic has seen the immense benefits of the Single Market first hand. Your economy has increased in size by almost a quarter since it joined the European Union in 2004 and by more than half since its first trade agreement with the EU began working in 1995. Of course, the European Union has also benefitted from the Czech Republic's own economic dynamism.

If we base our approach on these principles - strengthening the transatlantic bond, while inspired by the Single Market - we will reach, I have no doubt, a very valuable conclusion.

For further information

[On the Transatlantic Trade and Investment Partnership \(TTIP\)](#)

[Factsheet on the regulatory aspects of TTIP](#) (PDF)

[The economic impact of TTIP](#) (PDF)

RECORDED ["Overcoming Barriers to Growth"](#)