



EUROPEAN COMMISSION

[CHECK AGAINST DELIVERY]

Karel De Gucht

European Commissioner for Trade

The Future of TTIP – The Benefits and How to Achieve Them

The Future of Transatlantic Trade": Conference of Washington Post and European Voice

Paris, 10 April 2014

Mesdames et messieurs,

Je vous remercie de votre invitation aujourd'hui et d'avoir pris l'initiative d'organiser cet événement à Paris.

Je serais ravi de continuer à m'adresser à vous en français mais si la langue de la conférence est l'anglais je vais passer de la langue de Molière à celle de Shakespeare, ou du moins la version de celle-ci que nous parlons dans les institutions européennes!

Mais juste avant cela, j'aimerais vous citer quelque mots de un ancien premier ministre français:

"En politique, il faut savoir ce que l'on veut. Quand on le sait, il faut avoir le courage de le dire. Quand on le dit, il faut avoir le courage de le faire."

That idea of George Clemenceau's is extremely pertinent for our discussions today.

Because we are now some nine months into the negotiations for a Transatlantic Trade and Investment Partnership.

We have outlined where we agree. We have narrowed some of the gaps where we have not yet found agreement.

The process is moving forward. But we still have a lot of work to do to get from speaking about an agreement to making an agreement.

That means the going will inevitably get tougher. So the time is right, I believe to remind ourselves of what the benefits of a successful agreement would be. It is also a good time to remind ourselves of what we need to do to reach the finish line, in government and outside it.

If we achieve a successful Transatlantic Trade and Investment Partnership, it will benefit Europeans – and French people as much as any.

Our aim for this deal is to deliver more growth all across this continent – some 120 billion euros extra a year in output if we can produce an ambitious agreement. That won't solve all our problems but it will certainly be a significant contribution.

And as Prime Minister Valls said clearly to the Assemblée on Tuesday:

"Sans une croissance plus forte, nous ne ferons rien. Et la croissance ne se décrète pas. Elle se stimule, avec pragmatisme et volontarisme."

The Transatlantic Trade and Investment Partnership is exactly the kind of pragmatic step that could help stimulate growth – if, that is, all three of its pillars – market access, rules, and regulatory cooperation – are sufficiently ambitious.

A successful market access pillar would lead to lower tariffs, more open services markets and greater access to public procurement.

Tariffs between the European Union and the United States tend to be low in general but are still very high on certain important products. Removing or reducing these tariffs would benefit French people making them.

For example, French clothing and textiles exporters – most of whom are small and medium sized firms – currently pay tariffs of over 30% and 40% respectively to put their products on sale in the US. Dairy farmers can pay up to 139% and many other food producers – most of whom, again are smaller firms – are in a similar situation.

But even for the products that have lower tariffs, like chemicals for example, the volume of trade is so large that the tariffs add up to a significant extra tax on business. French companies sent over a billion euros of chemicals to the United States in 2012.

A successful market access pillar will also benefit French people who work for services companies – by increasing their access to the US market and by making legally clear that existing access is guaranteed.

Today, for example, when an Air France flight goes from Paris to Los Angeles and half the passengers get off in New York, the plane has to fly the rest of the way half empty – it is not allowed to take on passengers in the US. This is the kind of problem TTIP should try to solve.

Beyond airlines, France also has a strong position in other internationalised service sectors – like banking, insurance, supermarkets, construction and environmental services. These sectors would benefit from greater legal security or new market access under an ambitious TTIP.

A successful market access pillar would also mean a more open US public procurement market. And French firms are very well placed in industries that would benefit from that – like energy, rail transport equipment, aircraft, nuclear, environmental services, pharmaceuticals and textiles. The TTIP – if we are ambitious – could open more public tendering by the US federal government and the US states to European bids. This would mean new contracts for EU firms and more jobs in Europe.

So a good deal on market access alone would create real new opportunities for French companies and their workers.

But that is just the first pillar. The second pillar is what we refer to in trade jargon as rules. Let me give you three examples: rules on energy and raw materials, rules on investment protection and rules on sustainable development.

The benefits of an ambitious chapter on energy and raw materials are real but complex.

We live in a global economy in which no single country has access to every input it needs for its economy to function. We all have an interest, therefore, in clear, legally-binding rules on open markets for trade and investment in energy and raw materials.

The European Union and the United States already agree on this principle. Just last month, for example, we were successful in our joint challenge to China's restrictions on rare earth exports at the World Trade Organisation.

But even with this victory there are still gaps in the WTO's rules on these issues. TTIP offers us a chance to help fill them. If we do a deal between the two largest economies

in the world, that would set an important precedent for future global work – helping French and other European companies over the medium term.

It would also provide a more concrete benefit by helping to address the joint geopolitical challenge posed by Europe's dependence on Russian gas exports. It would do so by making legally clear in the text of the agreement that the United States will not restrict exports of oil & gas to the European Union.

We must be realistic of course: US exports of oil and gas will not alone provide a solution to this issue. The European Union also has to look closely at what we can do at home, in terms of energy efficiency, a single energy market and exploring all possibilities for our own energy production.

But TTIP can make a significant contribution.

Today's US law does say that countries with a free trade agreement get automatic access to US gas exports. But laws change. And we already know that some are already pushing for the US to adopt a more restrictive approach to exports and that the regime for oil is already much stricter.

A successful TTIP, then, would provide legal security for investors, encouraging the building of infrastructure and giving Europe a freer hand in its relations with its neighbours – which is also a strategic interest of the United States, as President Obama outlined during his recent visit to Brussels.

Another part of the rules negotiation I want to highlight is sustainable development.

We need to make absolutely sure that transatlantic trade and investment supports, rather than undermines our high standards on these sustainable development issues.

Both sides have had their own approaches to this issue in the past.

We would like to see both sides commit to respect and implement internationally agreed rules, such as the ILO's core labour standards and the multilateral environmental agreements on issues like trade in endangered species.

We also want to include a clear statement that both sides retain the right to regulate to protect labour rights or the environment – provided they don't seek to use their rules as a disguised form of protectionism.

And we are proposing a rule that would prevent either side from weakening their laws for commercial advantage. That means the agreement would explicitly rule out a race-to-the-bottom.

These rules would apply to the whole of the TTIP, making sure that sustainable development is an integral part of its implementation. And we want civil society groups to keep us to our word on this – through a formal follow-up system.

The US' ideas are different but also ambitious. But as long as we both retain that high level of ambition – and I firmly intend to – the combined result will break new ground for both sides.

The final part of the rules negotiation - which I wish to pause on briefly – is investment protection.

Transatlantic investment flows are the most significant part of our commercial relationship. US firms employ 750,000 people in France for example and the US is the largest foreign investor here. French firms are also major investors in the US – employing half a million people.

So one benefit of a significant investment chapter would be to send a strong positive signal about our continuing openness to these flows, which are vital to our economies.

We would be providing legal assurance that discrimination or expropriation without compensation is not an option.

But here again the deal is also about setting a template which can have a wider global impact. In recent years we have seen an increase of international investment arbitration cases initiated under the system known as investor-state-dispute settlement or ISDS.

Some of these have raised concerns about the broad scope of some of the existing 3000 bilateral investment agreements currently in application around the world. To put it more provocatively, the fear has been expressed that these agreements tempt multinationals to bully governments, in particular in small Member states, not to adopt certain laws or measures. ISDS has created doubts about whether current investment agreements allow governments the necessary space to regulate in the public interest.

Let me state it loud and clear that our primary goal on investment protection is to create a new, improved type of investment agreement. This would make sure that governments can make policy in the public interest while still providing for investment protection.

And because we want to get this right, we have just launched a consultation to seek input from the public and from experts about how to do it.

If we can get the balance right, the ISDS provisions in TTIP will be a major step forward towards improved investment agreements around the world by creating and a template that can inspire other countries to act to improve their agreements as well. That is a valuable action in my opinion.

The final pillar – and by most estimates the most important and fascinating one is regulatory cooperation. Why? Because differences in regulation, where they are unjustified, create some of the most significant costs on trade and investment between two highly developed and open economies like ours.

There are three ways that French people will benefit from this.

The first is if we agree to solve unnecessary regulatory obstacles. Let me just mention some examples.

Pharmaceutical factories in France that want to produce for the American market are today inspected twice – by both the American and French authorities – for compliance with the same agreed set of rules.

In the cosmetics industry, an area where France – and French SMEs – are also strong, we can make progress on alternatives to animal testing that will facilitate trade and encourage humane practices.

And the French finance sector – and the wider economy as a result – would also benefit from closer regulatory cooperation between European and American authorities on financial services.

None of these changes – I want to be clear once more – would cause any dilution in protection for consumers or the environment.

This is something President Obama also made very clear during his visit to Brussels last month. He emphatically stated that he had no interest in signing any agreement that would weaken consumer or environmental protections.

And President Barroso made clear that the European Commission has no such interest either.

The reality is this: Where we have differences of opinion about the right level, we will agree to disagree and keep things as they are. Where we can work together for our mutual benefit, we will do so.

But you don't have to take President Obama's, President Barroso's or my word for that. You can see for yourself. This week we will be releasing a series of European negotiating proposals on regulatory issues in a number of important sectors.

These texts show in detail the kinds of proposals we are discussing with the US. They also show very clearly that this deal is absolutely not about watering down standards but instead about finding ways to make them work together. And they also show our continuing commitment to make this negotiation as transparent and open to public scrutiny as possible.

The second way people will benefit is if we can agree mechanisms to make sure regulators cooperate better in the future.

If the authorities on both sides of the Atlantic work together from an early stage on a new risk or a new technology they could avoid problems for businesses, share their limited resources and probably produce better outcomes.

If both sides are more transparent in the way they make laws or regulations in general that would also help bring more coherence.

The third way people would benefit from regulatory cooperation is because whatever we do together would provide an excellent basis for future global effort towards regulatory coherence.

This is not just a transatlantic issue. Regulation everywhere affects trade in one way or another. All countries engaged in international trade have an interest in dealing with this at the global level in future. But we know that will be a complex task – it's already complex with just two partners. Regulatory cooperation at global level is still a remote prospect.

So an ambitious regulatory pillar in TTIP would be a very significant contribution to that effort. It would also help steer the debate towards the approaches and values that the EU and US undeniably share: open markets and a high level of consumer and environmental protection.

You may have noticed that what I have said so far has all been conditional.

The reason is that while the Transatlantic Trade and Investment Partnership has enormous potential, we will only realise the potential if we do a high ambition deal. If we want results...

We need a comprehensive deal on tariffs.

We need strong commitments on services.

We need new business opportunities in public procurement.

We need strong and innovative rules on energy, raw materials, sustainable development and investment protection.

And we need a regulatory pillar that breaks new ground for cooperation and produces specific and direct economic results for different sectors.

I am confident that the US government shares these aims. I know that EU Member States like France share them too as well as having particular priorities. I look forward to working closely with M. Fabius and Mme Pellerin to make sure France's priorities are well reflected in our negotiating strategy. Congratulations – by the way – to them both on joining the EU trade policy family!

I also know that President Barroso and myself will both be pushing these negotiations as far ahead as we can in the final part of this Commission's term.

Ultimately the people's representatives in the European Parliament and in national governments will have to decide on whether the deal we produce is worthwhile.

But governments cannot make decisions like this all on its own. It is essential that negotiators and decision-makers understand all points of view and have all the facts.

They need to hear from consumer groups, from environmental groups, from labour organisations. So I am very pleased that Bernadette Ségol is joining this event today to give the European trade union' perspective on the process.

But I am also very encouraged to see such a significant business turnout today. Companies need to play their role in this process. They have a clear sense of what different changes might mean for their workers. And that is crucial information in a discussion like this.

So in the coming months of hard work, I hope that all sides of the argument will be widely heard.

And I look forward to working with you to achieve an ambitious and effective Transatlantic Trade and Investment Partnership.