



Modernising Trade Policy - Effectiveness and Responsibility

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Meeting of the International Trade Committee of the European Parliament

Ladies and gentlemen,

Ten months ago at my hearing to become Trade Commissioner in this House, I referred to trade as an important contribution to our economic success. I also referred to the need for the trade policy to be inspired by our democratic values, transparency and accountability.

The forthcoming trade strategy will highlight precisely these areas:

One: the benefits of trade for all: our economy in general, consumers, entrepreneurs, SMEs and the poorest countries.

Two: trade policy's commitment to our values in the world, supporting our foreign policy, promoting the respect of human rights, social and environmental rules.

Three: transparency and accountability: I have made transparency one of the top priorities for this mandate. Many trade documents, including the trade negotiating mandates that were secret in the past are now publicly available.

The trade strategy will confirm this trend and will move further on transparency, with more dialogue and consultation with the European Parliament, national parliaments and civil society.

Therefore, our approaches to put these principles into practice need to be adapted and to reflect new realities. That is why I am preparing an updated trade strategy. It's still a work in progress, which is why we're here today to get your views.

I have already had many conversations with people interested in trade policy, including several of the members of this committee.

And we have done quite a bit of thinking and travelling around Member States listening to different ideas.

I would like to share some of that thinking with you now, starting with the new context and then how we propose to react to it.

The new trade policy context has three characteristics:

First, trade must remain an engine for growth and jobs, creating new economic opportunities.

One in seven jobs in Europe today depends on exports. Those jobs are highly skilled and better paying than the average. We need more of them.

In the future, 90% of world growth is going to happen outside Europe. We need to be connected to that growth.

Trade agreements still help us do that. To give one example, since the EU-South Korea free trade agreement entered into force in 2011 our exports are up by 35%.

What has changed is that today's global value chains connect economies more tightly and in different ways than ever before. That is the second piece of context for our new trade strategy. Today, global trade flows of goods and services are equivalent to 32% of world GDP.

80% of Europe's imports are of parts, components and raw materials. And we use many of them, to make the products we export to the world.

So to provide jobs in Europe, companies have to be able to move finished products but they also need to move parts and equipment.

Thousands of jobs also depend on imports, with European companies leading the way in sectors such as retail, transport and logistics.

Equally important, they need to provide services easily across borders. We need to facilitate the movement of people – technicians, engineers and service providers.

There is still a lot of untapped potential in the development of trade in services, which represent 40% of the value we add to EU exports of goods.

Eliminating barriers in countries outside the EU to services and investment will be key in the years to come. Opening up our borders and increasing mobility to attract new ideas, skills and innovation will also be a vital tool to sustain our European competitiveness.

The third aspect of the trade policy context is a new political environment.

Some of that change comes from the intense debate about the Transatlantic Trade and Investment Partnership. This new trade strategy communication will not be about TTIP. But of course we are drawing lessons from the debate for the rest of our work, especially when it comes to transparency and the necessity to explain and to engage, showing with facts and figures what negotiations are about.

Today, consumers do not only demand lower prices: European consumers care about how products are made: whether products are made under decent conditions, whether people are paid a decent salary, whether they respect human and social rights and the environment. Consumers have the right to know in order to take well informed decisions. Trade policy must respond to these concerns. And many surveys show that more and more consumers are willing to pay more for fair trade products.

We must make sure that our work is aligned with the EU's core values on issues like human rights and sustainable development in particular. And that, in turn, means being part of and supporting the EU's wider foreign, neighbourhood and development policies.

Making these changes will be a challenge. I look forward to your suggestions today about how to approach it.

But let me give you some ideas of what we are thinking about so far.

There are three potential sets of actions:

First, we need to make sure that trade policy is effective in today's global economy.

That means tackling new kinds of trade barriers. We should work harder to open services markets. We live in a digital age, and digital trade is global by nature. The openness of the European internal market should be maintained and developed further in the digital world, allowing consumers and business to access a broadened global digital market, with the only limit being the protection of personal data. The global e-commerce market is now estimated to be worth over 12 trillion euro.

A more effective policy also means doing more for SMEs. They already account for 30% of our exports. But only a small percentage of all EU SME's export beyond our borders. We have taken an ambitious approach to help SMEs gain from TTIP. We are now considering expanding this to other negotiations.

A more effective policy also means a new focus on implementation of trade agreements. We have to make sure that the benefits actually reach consumers, companies, and workers. To do this, we need a closer partnership between the Commission and Member States, who control trade and investment promotion. I hope that Parliament will support us too, particularly when it comes to provisions on sustainable development.

My second goal is that the new trade strategy makes trade policy more responsible. We need to do more to fulfil our broad treaty mandate to promote EU values around the world.

That starts with the process. Democracy is perhaps our most fundamental value and it has been questioned when it comes to trade. So we must be more transparent. We have already opened up the Transatlantic Trade and Investment Partnership and the Trade in Services Agreement.

Our mandates from the Council and the EU's text proposals for both of these negotiations are now online. In the new strategy I will propose to extend these practices to other negotiations.

We also have to go beyond the process.

The EU's rules on health, safety, workers' rights, consumer protection and the environment are an expression of our values. Our high standards show our respect for human dignity and the environment.

But many people are worried that EU policies on investment protection and international regulatory cooperation are undermining those achievements.

This is not the case. The new communication should seek to make very clear that regulatory cooperation is not about lowering protection.

On investment, I have proposed a deep reform of the current system, including setting up an International Investment Court. The communication should set out how we will take this idea forward.

Integrity in government is also a European value. That's something I worked a lot on in my previous role as Home Affairs Commissioner, for instance by fighting corruption. I believe trade policy can be used to advance this same cause. The communication will set out how, reinforcing our provisions on government procurement, transparency in trade and investment relations and looking at dedicated provisions against corruption in our trade instruments.

Sustainable development is certainly also an area where the EU has and should continue to show leadership. And we should bring other countries, especially emerging countries, on

board. We want trade to give new economic opportunities to the world's poorest people. And we want them to have safe and dignified working conditions and a clean environment.

The communication should promote responsible supply chain strategies that support these objectives. I believe that the Commission can do more to promote the broad fair trade movement, supporting the good work carried out by many NGOs and many cities.

Ambitious provisions on trade and sustainable development should be the norm. And we should use the institutional structures of our FTAs to support and boost our partners' efforts in this respect.

By the way, we don't have to wait until the communication is published to take action to support the world's least developed countries. They have requested an exemption from the WTO's intellectual property rules on access to medicines, for as long as they remain LDCs. Provided I have the backing of the College of Commissioners, the Council and this Parliament, I want to respond positively to that request.

My final goal for the new strategy is to bring our negotiating agenda up to date.

In a world of more and more bilateral agreements, the EU has to remain a strong defender of the multilateral system.

That's because multilateralism is a value enshrined in our treaty.

But it's also because multilateral trade deals are the best response to a world of global value chains. Trade rules that apply in 161 WTO countries are much easier to use than a web of subtly different bilateral agreements.

That means working hard to deliver the Doha Round in Nairobi. But it also means looking beyond Doha.

A key step towards this and one of the major challenges for trade policy in the coming years will be to simplify the system of bilateral agreements we are now creating. That means we may need to negotiate more open bilateral negotiations towards becoming plurilateral deals.

We are looking at ways to do that. For example, we could make it possible for other countries to join existing EU FTAs, including TTIP, once they are completed. We could also try to make the rules of origin in our different trade agreements more compatible with each other.

We will also focus on some specific geographical regions.

Asia-Pacific is an obvious candidate. We need to deepen our relationship with China, we need to move ahead quickly with our ASEAN partners and plan new investment agreements in other parts of Asia. We will look at deepening our ties with partners like Australia and New Zealand with which we share so many values.

Africa is also vital. The conclusion of Economic Partnership Agreements has established a new dynamic process and partnership between our two continents. It paves the way for even closer cooperation to implement them. It also prepares us to go beyond EPAs on issues like investment with the right partners.

We need to complete and strengthen the network of agreements we have built in Latin America. I have begun work within the Commission to allow us to soon start modernising our agreements with Mexico and Chile.

In our neighbourhood, we will be looking at how to reinforce cooperation, starting with a negotiation on DCFTAs with Morocco and hopefully launching negotiations with Tunisia, this autumn.

Honourable Members,

To do all of this we will need to cooperate.

Since the Lisbon treaty, we have come up with creative, intense and effective ways of working together. This is not always easy but when we do it we achieve results for the best EU interests.

To modernise EU trade policy...

... to make sure that is effective, to make sure it is responsible and to make sure our efforts are targeted at the right partners ...

... we will need more of those efforts.

Your ideas, your drive, your input and your close connection to the people you represent will all be vital to our success.

So I look forward to our discussion now and in the days to come to deliver a better trade policy for our citizens.

Thank you.