



## **The Commission's Future Trade Strategy**

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Ladies and gentlemen,

Thanks very much to the European Policy Centre for organising this meeting. It's good to talk about the big picture and not to be talking about the same negotiation, once again, whose name or acronym I don't need to mention!

And it's good that people do see beyond that, because the EU has an overall strategy. And our trade policy only makes sense when you think about the whole picture.

And that's what we're here to do today.

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Let me start at the beginning. What is the European Union trying to achieve with its trade policy?

Our objectives flow from the EU treaties. They are very clear.

- To boost sustainable prosperity here in Europe.
- To encourage the development of poorer countries around the world.
- And to do so in a way that is consistent with the values – European and universal – that the treaties lay down - peace, democracy, human rights and the rule of law.

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All of those things together lead us to the one general principle that underlies EU trade policy: We all are better off when markets are open to trade.

The European Union is more prosperous because of open markets in other countries. Over 30 million people in Europe have jobs thanks to our exports. That's almost 14% of everyone working

in Europe. It's up from 18 million in 1995 and it will rise again in the future. Because 90% of world growth is predicted to come from outside Europe's borders over the next 20 years.

The European Union is also more prosperous because our market is open. European consumers benefit from lower prices and greater choice. And so do our businesses, who are more competitive thanks to imported intermediate goods and services. That means long-term, stable jobs for people in Europe.

These same mechanisms are why open markets are also a vital element in development. Trade cannot provide the stability, education, infrastructure and good governance that are essential for development. But it is one foundations of prosperity. You just have to look at the examples of development in our time, particularly in Asia, to see that trade is vital. It is the countries who've been left outside the global system who have had the hardest challenge.

The fact that trade can produce effects like these means it improves lives in Europe and around the world. But trade can also be a force for promoting our values.

When we exchange goods and services we share ideas, particularly with today's communications technologies.

On top of this, trade helps spread peace. The ties that open markets create make war less likely and more expensive. And, when people can put food on the table, and when they see opportunities for themselves and their children, they do not have time to focus on old rivalries.

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So the principle is clear. Open markets help us reach our objectives of prosperity in Europe and beyond and a world more consistent with our values.

The questions is how to actually open those markets. That's not always straightforward.

But Europe has a very ambitious strategy to do it:

We work, first of all, through the World Trade Organisation. Europe has been at the forefront of multilateral market opening negotiations for almost 70 years. We are still there today.

- We helped reach a final deal on trade facilitation last year. It was the first full WTO agreement in 20 years. Developing countries will gain the most.
- We are working to use the current momentum to finally close the Doha Round.
- We are pushing hard in specific negotiations on issues like green goods and information technology.
- And, in parallel to the WTO, we are negotiating the Trade in Services Agreement, which will bring together 23 countries that account for 70% of world trade in services.

On top of this, we have the most comprehensive programme of bilateral free trade negotiations that the world has ever seen.

It covers every continent:

We've done deals in Asia, with countries like Korea and Singapore...

We've done deals in the Americas with Canada, six Central American countries, Peru, Columbia and Ecuador...

And we've done deals with our neighbours to the East, like Ukraine, Moldova and Georgia.

We are negotiating many more agreements too. Besides the Transatlantic Trade and Investment Partnership, we have very significant and advanced talks with Vietnam and Japan.

And these deals are not just about colouring in parts of the map. They all open markets in as many ways as possible. These days, freeing up trade depends on thousands of individual policy choices made all across government. So Europe's free trade agreements get rid of trade barriers at the border – like tariffs and quotas – but they don't stop there:

- They look at trade in services like finance, architecture and shipping.
- They look at investment, public procurement and unfair subsidies.
- And, more and more, they look at the relationship between trade and regulation, a complex and sensitive subject as you will certainly know if you read the papers.

We also have a comprehensive approach to boosting development.

First we use trade preferences.

- We give all developing countries preferential access to our 500 million-consumer market.
- We give better access to countries who implement tough rules on labour rights and the environment.
- And the poorest countries get full access: no tariffs, no quotas.

Second, we are broadening access for many countries through what we call economic partnership agreements. Last year we reach agreement with 27 different countries in Africa, building on deals with countries in the Caribbean and the Pacific. These agreements provide full access to the European market and also, very gradually and carefully, bring the benefits of increased competition to our partner countries.

Third, the agreements the EU negotiates now contain chapters that require both sides to protect labour rights and the environment, and give civil society groups the ability to monitor our implementation.

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All of these different approaches produce results:

On the development front, the EU's openness means we are the largest importer of developing country products in the world. That creates jobs and growth.

On the rights front, the sustained political pressure we can put on a country like Bangladesh is helping to drive improvements in working conditions in the factories there.

And on the economic front, the European Union is the world's largest exporter and importer and the world's largest host and source of foreign direct investment.

To a significant degree that's thanks to our policy.

You just have to look at our agreement with South Korea. Since it went into force in 2011 our exports are up by a third. In cars they're up by 90%. And our overall share of the market has actually increased – despite strong rivalry from China and the United States.

If we put all our programme into practice we can expect more results like these. We will go from having just a quarter of our trade covered by free trade agreements to over two-thirds. And by our estimate the whole set of bilateral free trade agreements would add about 2% to the EU's GDP.

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EU trade policy, then, is doing well. We can be proud of what we have achieved.

What we can't be is complacent. Because the world is always changing we must change with it.

Three changes are particularly important for trade policy.

First, the world economy is changing.

- We've been through a major crisis, which means we need the benefits of trade more than ever.
- We also see emerging economies like China becoming more important, meaning we need to find ways to connect to them economically.
- And we know that the global economy is becoming more integrated, through the value chains I mentioned earlier.

All of these things affect our approach to trade policy.

Second, trade policy is changing too. There is certainly a new positive mood at the World Trade Organisation.

But if an alien was observing today's trade policy, she would probably be more impressed by the proliferation of bilateral free trade agreements all around the world. That has an impact on us, because our policy doesn't operate in a vacuum.

The third change is to our politics here in Europe.

The TTIP debate has brought old concerns about trade to the surface and raised new ones too. Some fear that trade may threaten public services like health and education. Others are worried that it will undermine regulation to protect people and the environment. And these concerns are accompanied by a sense that trade policy-making is too remote from the people.

The reality is that TTIP and other trade deals will protect the European way of life today and in the future. But we must address these concerns, nonetheless.

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All of these changes are why I am working on a new strategy for trade policy.

I want to take a close look at all these issues and see how we can improve things.

That work is just beginning. But I can give you sense of what its focus will be, so we have something to discuss.

First, a new approach will need to work on strengthening people's trust in trade policy. In particular we will need to look at how to deal with the issue of regulation.

When we decide on new regulation the European Union, that happens through a very open process. International negotiations of all kinds are much more confidential. In TTIP we've gone a long way to address this issue. But can we make our negotiations on sensitive issues even more transparent?

Second, is there way to go beyond our current approaches to trade and labour, human rights and environmental protection? The Bangladesh initiative and our proposal on conflict minerals are innovative approaches. Can the idea of responsible supply chains be a new way to look at these issues?

Third, delivery, delivery, delivery. The fact is that we have a lot on our plate with all of our current negotiations. Can we deliver?

If we agree on Doha, what happens afterwards? More specific agreements like green goods or more broad packages like Doha? How can we bring the opening agreed bilaterally back to the multilateral system? How can we make sure that the whole web of bilateral deals are properly implemented? And how do we make sure that we don't lose out when others negotiate free trade deals?

Fourth, integrating the new players. This is a major strategic question for the whole of international relations. Trade is no different. We want an orderly shift of power in favour of the world economy's rising stars. But we also want to keep the benefits of an open, rules-based trading system. How can we encourage China and others to value and promote it as we have?

Finally, we need to update our analysis of the kinds of policies by other governments that affect the European economy. One constant throughout history has been the ingenuity of governments who want to protect markets. Today is no different. How can we address digital trade and disguised subsidies? And how can we make sure trade policy works to free up global value chains?

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Ladies and gentlemen,

These are not small questions. And the Commission will be working hard to provide answers over the coming months and to produce a new Communication on trade policy in the Autumn.

But we will not be able to do that all on our own. We are very open to ideas in fact.

That's why discussions like this one are so important.

So I look forward to your comments and questions.