



Future EU Trade Policy: Achieving Europe's Strategic Goals

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Cecilia Malmström, Commissioner for Trade

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Ladies and gentlemen,

I'm here in Washington for meetings with Ambassador Froman on the Transatlantic Trade and Investment Partnership. We are assessing where we stand and making sure our negotiators are on track.

It's actually the third time we've met this year, which is more than I can even say about some of my family members! Why? Because we both take this negotiation very seriously. And we take it seriously because it's so economically important and so strategically important for Europe and the United States.

But we also know that on neither side of the Atlantic is TTIP the be-all and end-all of trade policy. Here in Washington the loudest buzz is in fact about trade across the Pacific. And that makes very good sense. The Pacific region is an indispensable part of the world economy.

In Brussels too our strategy goes far beyond one ocean or one continent. It also changes over time. And right now, at the beginning of this new Commission, we are updating our trade strategy, to bring it into line with today's realities.

So since you are going through a deep discussion here in Washington about trade and what it means, I thought it would be interesting for you to hear about ours.

Setting a strategy is not an easy task. Not least because it means you have to use the word "strategy" all the time!

But more importantly it's hard because strategising means planning for a future that is unforeseeable by definition. So it's easy to give up and let your focus narrow to the stream of decisions you have to make every day.

But it's important to resist that temptation. Because as a great American once said, "if you don't know where you are going, you'll end up someplace else." (Thank you Yogi Berra!)

And he was right. Even if we can't predict the future. We still have to plan for it.

How are we doing that for EU trade policy today?

We've started by seeing what's working well already.

We're looking closely at how the world has changed since we last set our our stall five years ago.

And we're working to answer the questions those changes raise.

What do we know about EU trade policy today? We know it's helping us do two things:

Build prosperity. And protect and project European values.

First, prosperity.

The EU is the world's largest exporter of goods and services. And those exports support over 30 million jobs across our continent. Almost one in seven European workers owes his or her job to our exports to the rest of the world.

But the benefits Europe gets from trade go beyond exports. Our imports are also an economic success story.

Not only do consumers get cheaper goods and wider choice...

... but businesses become more competitive.

In a world of global value chains, almost 15% of the value of our exports is made up of imported goods and services. Two thirds of our imports of energy, raw materials and intermediate goods. So all of these imports support jobs at companies in Europe.

We owe these economic benefits of trade to the drive of our workers and entrepreneurs. But we also owe them to an open trade policy at home and abroad.

For almost 70 years Europe has been pressing for greater openness through the World Trade Organisation and the GATT before it. And we continue to do so today: together with the United States and our other WTO partners.

Those efforts created the framework that underpins today's open global economy, and the benefits it delivers. We take those rules for granted today but they were essential to preventing a return to protectionism in the aftermath of the 2008 financial crisis.

More recently, we've also been using bilateral negotiations to create more openness and therefore more opportunities for European people.

Last year alone, for example, we concluded highly ambitious agreements with Canada, Singapore and Ecuador. These agreement are very effective at opening markets. They remove barriers to trade and goods, services and public procurement. They tackle rules and regulation as well as more traditional barriers.

And they work! Take our deal with South Korea. It's a good example because it's the first one of these broad and comprehensive agreements. And since it went into force in 2011, our total exports to Korea are up by 35%, compared to the year before we launched the deal. Our car exports are actually up by 90%!

So we have strong evidence that European trade policy is helping to create real prosperity on the ground.

But Europeans are demanding people! They want a trade policy that sees beyond economics: a tool to promote European values around the world. Values like democracy, human rights, protection of the environment and equality.

And we know this works too.

Let me give you three examples.

First, the EU's trade preferences help to reduce global inequality. We are the world's largest importer of products from developing countries.

That's certainly because we have a big market of 500 million consumers. But it's also because we offer full duty- and quota-free access to that market to the world's poorest countries. And because we offer more limited but still very valuable trade preferences to all developing economies.

Second we are using a specialised trade preference scheme to strengthen labour rights and environmental protection.

Under a programme known as GSP Plus we give better access to the EU market to vulnerable developing countries that sign up to international conventions on everything from racial discrimination to biological diversity to corruption. If they don't implement them, they lose that access.

And third, we are seeing results from innovative tools like the compact with Bangladesh on working conditions in clothes factories. The compact is a deal between the EU, the US, the Bangladesh government, the International Labour Organisation, trade unions and employers.

Two years on from the Rana Plaza clothing factory disaster, we are seeing real improvements in working conditions and workplace safety. There is a very long way still to go but the pressure trade can bring is helping to drive change. It must continue to do so.

These are just three examples, but they show trade can support the values at the core of Europe's identity.

But though I am proud of these successes, I'm certainly not saying that there is no room for improvement.

The world is constantly changing. So we must change with it, if we want to keep meeting our goals.

Three recent changes are particularly important for trade policy.

First, the world economy has changed:

- The global economy is becoming more integrated, through the value chains I mentioned earlier.
- Emerging economies like China have continued to become more important, meaning we need to find ways to connect to them economically. 90% of the world's growth is projected to happen outside Europe's borders between now and 2030.
- Technological change means that trade is not only physical, but is now increasingly electronic. Digital communications are making new parts of the economy tradable; and they are creating whole new fields of business too.
- And innovation is not confined to the private sector. The last few years have also seen governments come up with new and creative types of trade barriers! These include localisation and local content requirements and disguised subsidies like export restrictions on energy and raw materials.

Trade policy is changing too. There is a new positive mood at the World Trade Organisation. The European Union and the United States are both supporting Director General Azevedo's efforts to conclude the Doha Round.

But the most dramatic trend in world trade policy today is the proliferation of bilateral free trade agreements all around the world. This means that even if we wished to do so, standing still is not an option. It would put European exporters at a huge disadvantage, as others improve their access to markets vital for our exporters.

The third big change is to the politics of trade in Europe. It may not be obvious in Washington, but there is an intense public debate around the Transatlantic Trade and Investment Partnership in Europe. It's front page news in several EU countries – and whatever the equivalent of front page news is on social media!

The debate has shown that people are concerned about what they see as TTIP's possible impacts - whether it's on public services, regulatory protection or investment arbitration. We know that such fears are not justified by the facts. But they show that people feel distant from trade policy-making. And we must address that.

Our challenge is to provide a broad response to these broad changes. We are doing that by asking questions about four groups of issues.

First, we need to find ways to seek broader engagement and broader trust from the public. This has been one of my personal priorities for TTIP so far. What we are looking at now is how we can be more transparent across the rest of our agenda. It also means making sure we are working effectively with EU Member States and the European Parliament. They represent our citizens. They are essential to our work.

Second, Europe's trade policy must also have a broad conception of how to advance our values. We know that trade can't solve every problem. But we have shown that it can drive the right kind of change.

Can we do more to strengthen human rights, labour rights, and development?

One idea we want to explore further in this regard is responsible supply chains. In addition to our initiative on Bangladesh, we are also working to address issues around raw materials sourced from zones of conflict. The question is whether we can look at further ways to address these issues, perhaps by promoting the concept of fair trade more generally.

Third, our strategy must also be broad when it comes to hard economics. In recent decades, the scope of trade policy has already expanded greatly. There was a time when the main negotiation was about tariffs. That's not the situation today. And that trend has to continue if we're going to be effective.

Now is the time to explore new issues like digital trade, mobility of people who want to provide services or maintain goods already sold, and new disguised subsidies. The strategy should also look at how we move to deepen existing work in areas like trade in energy and regulatory cooperation.

Regulatory issues are perhaps the core question for trade policy over the next decade. Can we find a way to make our different regulatory decisions more compatible, while making sure regulation still protects people?

Fourth, even with limited resources, we have to keep the broad geographical scope of our trade agenda and make sure we deliver on it.

The best way to tackle many countries at once is the WTO. Our new trade strategy will need to look not only at the post-Bali agenda, but also the post-Doha agenda. We will have to seek ways to use the energy in bilateral negotiations to drive the multilateral process again.

But that bilateral agenda itself will also bring the amount of our trade covered by open trade rules from roughly a quarter to two thirds in the coming years.

In Asia we already have deals with Korea and Singapore and we are now moving towards conclusion with Japan and Vietnam. We also want to finalise our investment agreement with China. The next steps are twofold: we should look at reigniting our discussions with ASEAN as a region and perhaps with other individual ASEAN countries. The new EU trade policy will need to support all of these goals.

We are also moving to a new phase in our relationship with Africa. Last year we concluded economic partnership agreements with 27 African countries.

These deals are about development. But they are also about partnership.

Because countries also agree to slowly, gradually and sensitively open their markets to exports from the European Union. This is a positive step that signals a new maturity of EU Africa trade relations. It's a partnership of equals.

In the Americas, last year we concluded a ground-breaking deal with Canada, in the north. And in Latin America we already have a broad network that includes Central America, the Caribbean and the entire Pacific coast. The new trade strategy will need to look at filling in the gaps - also by deepening our existing agreements with Mexico and Chile.

And of course, we also have to deliver on TTIP.

Doing a deal with our largest trade and investment partner will make a major contribution to expanding the amount of our trade covered by ambitious trade rules.

TTIP is also the lead negotiation to test the most advanced types of trade disciplines.

- Both sides plan to go further on regulatory cooperation in TTIP than in any other free trade agreement, including the Transatlantic Partnership. We want a deal that strengthens regulatory protections while facilitating trade.
- We also want to set state-of-the-art rules on everything from state-owned-enterprises to small and medium-sized enterprises.

When it comes to the politics of trade, TTIP is also essential. The new ways of engaging with people we are trying there are a testing ground for the rest of trade policy.

Finally, TTIP is also about protecting and strengthening our shared transatlantic values - from open markets to high levels of regulatory protection for the environment, health and consumer protection. By coming together around principles like these, the US and Europe strengthen our partnership to defend them. That's why TTIP will be a vital part of the future structure of the world trade system.

As Secretary Kerry said last week, by working together we create "habits of cooperation" that spread to every other part of our relationship. That gives us the chance to lead together.

Ladies and gentlemen,

Making trade policy is never easy. It always involves tough negotiations with partners around the world...

... and tough discussions with many different interests at home.

Keeping it up to date is not easy either. It involves learning new skills. And addressing new political challenges.

But the effort is worth it.

We are living in a world that becomes more integrated every day.

When Marshall McLuhan said that the "human family now exists under conditions of a global village," it was 1962!

It's hard to conceive what he might make of today's international connections.

In such a context, openness to the world is an essential natural resource.

And it's a resource we have to develop.

Only by engaging actively and consistently with the world can we hope to shape it and to benefit from it.

A trade policy backed up by a clear strategy is a vital tool to do that.

And we need a global trade agenda for a globalised world.

Thank you for your attention. I look forward to our discussion.