



## EU Trade policy: Driven by people's needs, responding to their concerns

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**Cecilia Malmström**, Commissioner for Trade

*Brussels – Hearing at the Parliament of Belgium*

Honourable Members of the Belgian Federal Parliament,

This is a country with trade at its heart and your history proves it:

- Your great medieval cities were built not just on the talents of your craftsmen and farmers, but on the skills of your merchants.
- In the industrial revolution, Belgium was again both a producer and a trader - at the cutting edge of the transformation of our world into the modern society we know today.
- In the 20th century, Belgium was a pioneer of open trade on this continent, starting with the Netherlands and Luxembourg, then as a linchpin of European economic integration, from the Six to the Nine and on to the Twenty Eight.

As a result, this country is deeply integrated into international supply chains. A third of the value of your exports is made up of goods and services sourced from abroad. One in six Belgians owes their job to exports outside the European Union.

So this Parliament is exactly the place to talk about trade policy.

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We are going to focus most of our discussion on the Transatlantic Trade and Investment Partnership (or TTIP). You have a draft resolution on that negotiation before you. And the Parliaments of Wallonia and Brussels have already voted on resolutions on the matter over the last few weeks.

I first want to make one point clear: TTIP is just one part of the EU's trade agenda. We are also negotiating in and around the World Trade Organisation and we have a vast range of other bilateral negotiations that are very important. That includes our most recent agreement with Canada, which we see as an excellent deal for Europe and which I hope we will get some time to discuss today as well.

We are negotiating agreements with other countries because we want to make sure that the European Union can compete in a 21st century where trade is going to play a much bigger role in our economies than before.

It's a strategy that works. The most recent agreement whose impact we can measure is with South Korea and is in force since 2011. It's an ambitious agreement that covers goods, services and public procurement. It tackles rules and regulation as well as more traditional barriers.

And since it went into force, our total exports to South Korea are up by 35%. In the car sector they are up by 90%.

If we continue our efforts - while making changes when needed to keep up with the times - we can deliver more results like this for Europeans.

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And TTIP is a key part of that strategy. So let me use that as an example of what trade can do.

What would be the economic gains of a deal with the US for a county like Belgium?

Let's start with the fact that 20% of Belgium's exports outside the EU go to the United States. And that they directly support almost 150,000 jobs in this country. The potential is clearly there for Belgian people to gain from this negotiation.

Just look at the small and medium sized enterprises that are so important to your economy. Smaller firms account for almost 25% of Belgium's total exports to the United States!

And they will do well from TTIP, because they are affected disproportionately by the trade barriers TTIP will tackle.

Adapting a company's production line to comply with US rules is basically a fixed cost. That makes it much more expensive for the firm that makes 10,000 units than for the one that makes 100 thousand units. TTIP is focused on lowering the costs of complying with regulation like these.

TTIP can also help SMEs get access to information. The EU wants a commitment in this deal to create an easy-to-use online database of all the rules and regulations that apply to a particular product. That will give small companies more certainty and take away some of the mystery of crossing the Atlantic.

These aren't just abstract imaginary companies by the way. In Liège there's a firm called Aphesa. They make industrial cameras for exploring oil wells. They are interested in the TTIP negotiations, not only because of better access to the US market but because they import parts and components for their products from America. Getting those more easily – by removing tariffs – will make their firm more efficient.

Beyond SMEs, Belgium is likely to gain from this negotiation across many sectors. I will give you three examples of sectors which will gain.

First, you have a very competitive automotive sector. TTIP will make exports of cars and trucks easier by making regulations more compatible without lowering the level of safety protection.

For example, EU and US safety rules on seat belts are very similar. But they are different enough that a company will need to have a different production line for both sides - creating a significant cost. TTIP will lower that cost.

You also have a very competitive pharmaceutical sector.

Finally, Belgium is also a world leader in the dredging of ports. One of our requests in TTIP is to allow Belgian and European firms to compete for dredging contracts in America. Today the US is a

closed market for these companies. We've made progress in Canada and we hope also TTIP can create new opportunities.

These are just some examples of the economic gains that TTIP can deliver for Belgium. They would mean real opportunities for Belgian people.

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But of course I know that people are not only interested in the benefits. Many people are also expressing concerns about what they believe this agreement will do.

I have heard those concerns over the past 6 months. And I am responding to them.

Let me give you four examples:

First, on transparency of the negotiations. When I took this job, the first thing I understood was that we needed to open up these talks. And that's what I've done. TTIP is now the world's most open bilateral free trade negotiation. All the EU's negotiating proposals are online. And we're meeting with anyone who's interested to explain what we're doing.

Second, TTIP and EU regulation. People are concerned that TTIP will lower our levels of protection. So I am taking action to address this too.

I'm making sure that nothing we negotiate will water down existing European rules. TTIP will not change our European laws on hormone treated beef or GMOs.

And I'm making sure that nothing in the deal limits our freedom to regulate how we want to in future.

Our proposal, published last Monday, for a chapter for EU-US regulatory cooperation states it clearly. I quote: "The provisions of this chapter do not restrict the right of each party to maintain, adopt and apply timely measures to achieve legitimate public policy objectives, at the level of protection that it considers appropriate."

The proposal also makes sure that the mechanisms we propose for cooperation are very clear. We encourage the EU and US government bodies responsible for regulation to talk further to each other. But if they don't agree then they can do what they want afterwards.

What all this means is that the precautionary principle, which is core to our EU policy approach will not be put into question. Where the US also takes a precautionary approach - which they actually do quite often - we will work together. Where they don't, we won't.

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The third area where people and you, honourable members of this Parliament, are concerned is investment protection. I have heard these justified concerns, and that's why I am taking a new approach for a deep reform of the investment protection system.

I presented a paper last week to the European Parliament and Member States on how we could reform the investor-to-state dispute settlement mechanism called ISDS.

The starting point for our approach is that investment creates jobs and makes our companies more competitive. That's why EU Member States, including Belgium, have 1400 of bilateral investment treaties overall that have been negotiated since the 1950s. Belgium has 86 such agreements in place with third countries. And these agreements include ISDS mechanisms that belong to the past and should be reformed.

Our end goal is a proper international investment court with a full appeals system, instead of today's private arbitration mechanisms. It will take us some time to get there because that will involve many countries and many complex questions. But we must start now.

In our agreement with Canada we've come a long way: with more transparency, a code of conduct for arbitrators and a clear statement that governments have the right to regulate in the public interest.

TTIP is the next step. We want to build an appeals mechanism; set up a permanent roster of arbitrators, with the same qualifications as judges; and clarify the relationship between arbitration and domestic courts.

If we can do that - between the world's two largest economies - we would set a vital foundation for the international work of reforming this system for the 21st century.

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Finally, people are worried about TTIP and public services like healthcare or education. We've heard the concern here too. And again we've reacted.

I've tried to make it perfectly clear that our right to organise, for example, our health system is not up for debate or negotiation. And that goes for how we set the prices of medicine as well as for whether our hospitals are public or private.

But you don't have to take it from me. My US counterpart Ambassador Froman agrees fully.

We have released a joint statement in March this year that makes very clear:

- That nothing in a trade deal will prevent Member States like Belgium from organising public services the way they want to...
- Nothing will oblige them to privatise anything...
- And nothing will stop them from taking healthcare services into public ownership if that's what they want.

And there is no room for doubt about this. Because we've done it in the past. The legal mechanisms we use to protect public services have been tested by time in many previous trade agreements. We will approach TTIP in the same way.

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All of these actions show that I am listening to people's concerns. And more than just listening, I am responding to them.

This is fundamental because it means we'll get the best deal. One that protects our way of life and delivers on the economic benefits we need.

But let's not forget the most important benefit of this deal actually goes far beyond economics.

TTIP also has a much wider strategic goal - securing our European values in a fast-changing world. The biggest change going on in the world right now is the shift to the east and south of the world's economic centre of gravity. Emerging and developing countries' share of world GDP was 20% in 2000. Last year, it was just under 40%.

That trend is very good news. It means hundreds of millions of people have climbed out of extreme poverty.

But it also means that Europe's voice in the world is getting weaker.

And that's bad timing. Because decisions made outside our borders are going to affect us more in the future. The world economy is becoming more integrated. And that will mean more demand for global rules on everything from safe products to environmental protection.

When the decisions are made on those rules, we want European values to be at their core.

To do so we need allies. And when it comes to those values, the United States is our closest partner.

I know there is a caricature of an America that is vastly different from Europe.

But it's false.

Yes we do differ on some important things, just like we have differences of opinion within the European Union.

But when it matters we are together. On democracy. And on strong regulation to protect people and the environment.

TTIP will help us strengthen our ties in order to make sure we have a strong voice in setting the global rules of trade. The "P" in that acronym stands for partnership. A partnership for leadership is what we are trying to build. If we don't lead, others will.

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Honourable Members,

We've now had nine rounds of negotiations. We've covered most of the ground. And we are doing all the necessary technical work to prepare for the difficult political compromises. We've made a lot of progress, but closing this deal will be a challenge.

It will require your help, in two ways.

I am relying on you to understand the opinions, hopes and fears of the people you represent and to share these with me.

But your voice is also strong within your communities. That gives you the possibility, and the responsibility, to explain this negotiation to them. We need a debate based on facts.

We in the Commission can provide you with the information you need. But only you can make sure people understand what's at stake in TTIP.

And what's at stake for Europe in TTIP is significant:

- We have a chance to improve people's lives by creating new economic opportunities.
- We can protect them better through more effective regulation based on international cooperation.
- And, most importantly, we strengthen and protect our European values through a deepened alliance with a partner that shares the same values.

That's the chance we have with TTIP.

Thank you very much for your attention.