



## Handle with care: Safeguarding trade in the age of protectionism

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**EU Trade Commissioner Cecilia Malmström**

*Speech to the German delegation of the Committee of the Regions Bavarian Representation to the EU*

Vielen Dank Herr Vorsitzender,  
Sehr geehrte Frau Ministerin, sehr geehrte Damen und Herren – herzlich willkommen.

I will continue in English. I understand German and speak it, but not to the point of making a speech.

It's really a pleasure to address you here today. Thank you for inviting me to talk about trade that is — with migration — one of the intensely debated topics in Germany and the EU. I'd like to talk a bit about the opportunities of trade for Germany and the German people. The benefits of trade – and concerns about EU trade policy. And look at the role the EU can play in the world, amid rising protectionism.

Germany depends on trade very much. Your trade outside the EU amounts to more than one third of GDP. While one in six German jobs is related to exports.

Germany, like so many other nations, like Sweden I come from, benefits hugely by being plugged into the global grid...  
... and stands to gain from a modern, progressive trade agenda.

A trade deal like the one we have with Canada, CETA will remove 99% of tariffs from day one. But more than that. It will remove red tape, like duplicate testing and lengthy customs procedures and facilitate the establishment of a company. And it opens up markets like services and procurement.

This is a benefit for Europe. And in particular for smaller companies. Small and medium sized businesses suffer when they are high tariffs and complicated customs procedures

### ***Examples of German exporters***

The actions we take on trade policy are not just political deals struck in capitals. They make a real difference in every region across the EU; in every state or province. Let me give you just a few examples.

Take the manufacturer **Kolbus**, between Bremen and Bielefeld, which is involved in paper processing and bookbinding. The tariff cuts in the EU-South Korea trade deal in place since 2011 effectively cut their costs by around €25,000 per machine. This is a lot of money for a small company.

We have **Reclay**, near Frankfurt: which helps companies and governments across the world boost recycling. CETA means EU companies will be able to bid for Canadian government procurement contracts: helping their bottom line, while also helping Canada cut carbon.

Or take the German **brewing industry**. Since our trade deal with Korea, it has seen exports to the country increase six and a half times. This is a lot of money and also means jobs. That bodes well for German brewers' €52 million annual sales to Canada, and not just for the big producers. **Klosterbrauerei Neuzelle** – right by the Polish border, and in the brewing business since the Middle Ages – has seen exports to South Korea rise five times. They expect Canadian sales to increase by one third.

Or take German farmers and food producers. Thanks to CETA, someone enjoying Aachener Printen, Lübecker Marzipan, Schwarzwälder Schinken or Hessischer Handkäse ...  
...will be enjoying the same quality product...  
... in Toronto just as in Thüringen. Because the product sold in Canada will be the same product.

Canada has recognised in an unprecedented way EU geographical indications, of which exports are some €11.5 billion.

Trade deals struck in Brussels, with Seoul or Ottawa, translate into jobs and opportunities in North-Rhine Westphalia, Hessen and Brandenburg, and the other regions you represent here.

### ***Investment dispute resolution***

I know that there are many concerns about aspects of trade policy. There have been a lot of debates and demonstrations too. Investor-state dispute resolution, ISDS, has been around since 1950. This is actually a German invention... it's found in virtually all of the over three thousand global investment agreements in force today...  
... with the EU being the biggest user.

But in the context of the EU-US trade deal TTIP, many raised concerns about the nature of these panels.

We have heard these concerns. ISDS was created in the past when Governments did not focus as much as they do today on protecting citizens.

We have engaged with those concerns and responded to them. We have overhauled the system. Our recent and planned free trade agreements replace it with a new investment court system: transparent, independent, more like a court, with standing, qualified adjudicators, who follow a strict code of ethics, and an appeal mechanism.

We are also consulting with partner countries on whether and how to create a multilateral investment court system – which could also deal with the existing investment protection agreements. We need critical mass for this, and it remains to be decided whether it will be based at the WTO or as a new institution.

### ***EU trade agreements promoting high standards***

I know there are fears of lowering of standards, but nothing we do in trade agreements will undermine or lower the standards we have in Europe. The food we eat and the products we buy continue to be governed by EU rules set by EU lawmakers. Canadians are not lowering their standards either. Far from undermining standards, trade agreements promote them. All new trade deals include chapters on trade and sustainable development, including labour rights and the environment.

For example: Canada has agreed to a raft of environmental commitments, from sustainable forestry...  
... to eco-labelling...  
... to implementing the Paris climate change agreement.

Not to mention the many labour rights conventions Canada has now signed up to.

For those who remain to be convinced about how these provisions work, and are enforced: there is a review mechanism in CETA, and we have committed to trigger it. And I want a debate to feed into that review, with broad and inclusive input, including from civil society.

The EU is the biggest trading bloc in the world. Many countries want to trade with us. We are recognised as a champion of Human Rights protection. And our trade strategy, Trade for All, published in October 2015, sets out how we intend to implement an ambitious agenda for a responsible trade policy that is effective, transparent, and based on values.

The European Parliament gave its consent to CETA; it will be provisionally applied soon. Latvia was the first Member State to ratify it, and several other are expected to follow this year.

Concerning TTIP, the proposed free trade agreement with the US, is in the freezer. We are waiting for a signal from the new administration as to what to do about it. Unlike the Transpacific Partnership (TPP), it was not mentioned in the presidential campaign. Moreover, the US Trade Representative is not yet in office. I plan to visit the US later this spring to discuss it with my counterpart. So far, it seems that the US is focusing on the revision of the North American Free Trade Agreement.

We are also very concerned about the possibility that the US may adopt legislation for a border adjustment tax...

... which could discriminate against foreign products on the US market ...

... and implicitly subsidise US exports.

This would also seem at odds with World Trade Organisation rules.

But if the TTIP agreement is in the freezer, we have many more in the oven.

I already referred to **Canada**. A strategic global ally, with whom we work together on issues from climate change to managing refugee flows. But more than that, it is a major commercial partner. German exports to Canada are around 13 billion euros a year...

... and German investment in the country around the same amount. CETA opens many more new possibilities.

Beyond Canada, there is another opportunity in the fourth largest economy in the world: **Japan**. Talks remain underway. Just yesterday, Presidents Juncker and Tusk met with Prime Minister Abe; they agreed on the importance of an EU-Japan agreement as a symbol of free trade to the world. But, as President Juncker put it, we will take our time to ensure any deal works for both sides and fits with our values and principles.

Likewise talks continue with **Mercosur**, the fifth biggest economy in the world. The latest round of talks was in Buenos Aires. And we are speeding up talks with **Mexico**.

We also intend to launch negotiations with Australia, New Zealand and Chile.

Two weeks ago I was in Manila talking to ministers from the south-east Asian **ASEAN** community:

- deals with Singapore and Vietnam are awaiting ratification. As regards Singapore, we also await the ECJ ruling. The Vietnam deal is undergoing legal scrubbing and translations.
- talks are underway with the Philippines and Indonesia; and
- we have agreed to begin looking at a region-to-region agreement, too.

With **China**, we will continue to press for an investment agreement, to improve and expand market access conditions, and make the level playing field more equal.

President Xi's recent comments in Davos about increasing openness and liberalisation are welcome...

... but the country has to walk the talk...

... and match rhetoric with reform.

They're not there yet. Many Chinese enterprises remain state-owned, state-subsidised, with much overcapacity. This is far from a market economy.

Our trade policy also focuses on Africa. We have in place Economic Partnership Agreements (EPAs) with several African, Caribbean and Pacific partner countries. These are asymmetric agreements that allow our partners to protect their infant industries. EPAs promote infrastructure and customs facilitation as well, and provide needed technical assistance to help our partners develop own food safety agencies for example.

### ***Trade at the heart of EU***

Let me close with few remarks on the Treaty of Rome. Six countries vowed to abolish trade barriers between themselves. The EU evolved from this to be 28 Member States, soon 27. Since then, the EU has assumed leadership in multilateral fora such as the World Trade Organisation, which in the wake of recent protectionism needs to be defended more than ever. The EU also intends to propose new themes such as e-commerce, for new multilateral rules to be developed.

Many of our partners share our concerns about the threat of protectionism. They are willing to work with us because the EU's approach to trade agreements is a win-win situation. We should take them up on their offer. As other doors are closing, we should be clear to them that ours will remain open. I believe the EU needs to remain a strong defender of a strong, open and rules-based trade policy.

I thank you for listening and look forward to your questions.