



The Next Transatlantic Project

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John D. Greenwald Memorial Lecture, Georgetown University

Ladies and gentlemen,

Thank you for inviting me here today. It is an honour to speak before you – in particular for the John D. Greenwald Memorial Lecture. John D Greenwald was a remarkable man who took pride in his teaching and research. But he also had a real interest in practice.

I have heard that he was a skilled negotiator. This is clear from his achievements. He helped negotiate antidumping and subsidies agreements during the Tokyo Round of the GATT. He was Deputy-General Counsel in the Office of the United States Trade Representative.

And during his decades of private practice, there were not many major trade disputes without his fingerprints on them – from arguing before the US Court of International Trade, to the World Trade Organization’s dispute settlement panels.

It is fitting that a lecture before a crowd such as yourselves – distinguished and accomplished lawyers, trade experts and students – should be dedicated to John D. Greenwald’s memory.

SHIFTS IN GLOBAL ORDER

Today I want to give you a broad view of the state of global trade from a European perspective. Many of you are from the US, so we are likely to agree on many of the things I have to say. As allies, this is only natural – and despite some heavy rhetoric these days, the US and the EU remain firm allies and friends. We have a long history together. From seizing a unique moment to build the current world order, to facing down the USSR.

This all made democracy the natural choice for countries emerging from behind the Iron Curtain. It made Europe stronger. It made America stronger. And it made the world safer.

However, I will say some things you will disagree with too. Disagreement is normal when friends talk to each other.

These days the EU and the US often agree on the diagnosis. What the global challenges are and the threat that they pose. But we do not always agree on the cure.

This is important, as we face many challenges together. There are threats to liberal, open democracies – both internal and external. After World War Two, we together promoted certain values vis à vis our citizens: promotion of free trade, opening of borders, and the Western provision of security and stability.

Our citizens generally supported these policies, but this consensus has now eroded – many people are tempted to close up. They question the value of systems that have underpinned growth and prosperity for decades.

This, in part, is a backlash to the pains that came with globalisation.

Globalisation is a good thing. It has connected the world and created unprecedented opportunity. However, such fundamental and rapid changes in the economy come with difficulties too. This caused pain. Sometime jobs that had been around for generations ceased to exist. Other times, industries moved. And people started saying trade was to blame.

Previously trade had not been a controversial topic. It was the realm of experts and politicians. Of business and academia, and nerds, like us. But then it moved front row, centre – and became a target for frustration.

In Europe, we took it as an opportunity for reflection. Some of these frustrations were based on misconceptions, but others deserved a response.

Trade policy cannot change everything, but it can do its part to shape globalisation. Our response has been paying dividends since.

At the beginning of my mandate as Commissioner for Trade, very often there were demonstrations outside my office. Our solution came in three parts.

Becoming a highly transparent trade negotiator. I would say that we are the most transparent trade negotiator in the world today. We are publishing almost everything – proposals background documents, reports of negotiating rounds.

Becoming more inclusive by opening new lines of dialogue with civil society and including values in our trade agreements.

And spreading the benefits of globalisation by including provisions in trade agreements – specifically for SMEs, the backbone of our economy, so they can better enjoy the benefits.

We changed the way we do trade policy – and now there are no longer protestors.

Our negotiating agenda has never been busier – Japan, Singapore, Mexico, South Korea, Vietnam, Canada. We have all these under our belt. We are close with some others like Mercosur, Chile, Indonesia and starting new ones like New Zealand and Australia.

All of these are more than just economic agreements too. They are strategic alliances for open trade. They bring together countries with similar values, to support each other in prosperity.

Now support for trade has risen again in Europe. But we need to constantly engage with the citizens to retain their trust and explain what we are doing.

These days we are mostly concerned with threats from the outside. Some undermine the international order – and in particular, the transatlantic relationship. Others seek to build an alternative international order – one they can manipulate for their own ends.

And in the midst of all this we see unpredictable factors at play. New technologies with ambiguous applications. A changing climate. Inequality. Of course, the biggest questions for us lie in trade, where there are no less urgent matters at hand. Unfair practices from China. Threats to the WTO. The impact of globalisation. The US and the EU share in many of these challenges – so it is natural that we should work together on the solutions.

TRADE TRANSFORMED

Trade has changed in recent years. I do not need to tell any of you that. We operate in a complex global economy. Value chains stretch across borders. It is important to remember that a trade balance is not like a bank balance. Wherever supply chains run, they bring wealth and jobs.

A car can be bought in Seattle, assembled in Detroit, having been designed by a German, built with a Mexican chassis, and Canadian engine parts. Everyone involved in this process benefits. Every community becomes enriched.

More than seven million US jobs are supported by EU trade and investment. From Alaska to Alabama, from New York to Nevada, trade and investment with the EU supports US jobs in every state. This is how trade is a win-win. Along with these wins come complications. Rules of origin, shifts in manufacturing, more competition. And so far I am only talking about goods!

Add in services, data transfers, geopolitics, and things become very complicated indeed.

This should be expected. Nothing good comes easy. You must work for it. There are those who are intimidated by the complexity, by the job at hand. As advocates of free and open trade, we believe the work is worth it – and we have a responsibility to stand up and speak out.

RISE OF CHINA

A core concern of the past decades is our response to China. It has moved from being a developing country, to a strategic competitor of the EU and the US. China has serious ambition too – from building influence around the world, to driving industry at home. They aim to become the largest world economy in the coming decades.

I have no problem with competition. It drives on innovation and drives down costs for consumers. It is a good thing, but only if it is fair.

We play by a set of rules – and China has been taking advantage of that. They have blurred the line between state and private sector. The State has undue influence – economic diplomacy can be used as a threat or a reward, the intellectual property of our companies is stolen, and state subsidies, either direct or indirect, are common.

These impacts are felt at home and abroad. They range from overcapacity to unfair competition. They are at the centre of many of the challenges today in the global economy – and should be at the centre of any solution too.

The EU is determined to address and respond to this. You can see this in our trade policy as of late. We have modernised our anti-dumping and anti-subsidy regulations. This is in response to overcapacity and indirect subsidies. The new methodology allows us to be more efficient and effective.

Our response goes beyond Trade Defence Instruments however. We have now agreed on an EU-level investment screening mechanism for the first time ever. Across Europe we see worrying patterns. Technology and infrastructure are bought up. Our FDI screening mechanism will help us respond. We are open traders, and we want investment, but we cannot afford to be naive.

This is what we are doing at home. We are calling out unfair practices when we see them – and responding forcefully. Action on the international stage requires more nuance however. It is tempting to try to lock out China. To decouple, rather than to discipline. Doing that may have gains in the short term, but the long term requires a deeper fix – a systemic reform, built to last.

A SYSTEMIC FIX

Structural issues are at the centre of the current tensions. We already have a set of rules and a mechanism to enforce them – they are just not working like they should. This can be frustrating, but it is not a good reason to tear it down – not least because it is unlikely that we could rebuild something in its place.

The international system as we know it today was built at a special moment. It was built on a US vision. A victory of hope over experience. A generation of Americans and Europeans – tested in modern history's most brutal conflict – took up the burdens of global leadership.

Together we built an international order based on our values; liberal democracy, human rights, free markets, rule of law.

What came out of it was a global order that was strong, fit for purpose and stable. NATO safeguarded the security of the West, while the UN fostered cooperation and relations between countries.

The International Monetary Fund sought financial and monetary stability, and the GATT, later the World Trade Organisation, was established to create a stable global environment for open trade. And it worked.

The world has changed a lot since then. Things have gotten better in many ways. Multilateralism has underpinned global growth for decades, and lifted millions out of poverty. Globalisation has fundamentally changed how the world economy works. And we live in one of the more peaceful periods of world history – in Europe in particular.

These positive changes have led to a certain amount of inertia. Many of the institutions have not been updated for a long time. This is understandable. The problems arising now were distant. There was not much incentive for action. But now they are no longer fit for purpose, and there is an incentive for action – the potential loss of the global system that changed the world.

This is made all the more urgent by competition for global hegemony. There are alternatives arising to the liberal world order. A web of interlocking security, trade and investment initiatives, the Belt and Road, the Asia Development Bank, the Asian Infrastructure Investment Bank, and many more.

Unless we save the international order, it may well be replaced – and we might not like all of what we see.

SAVING THE SYSTEM

The US and the EU agree that the WTO needs reform and updating. These updates need to be anchored in stronger rules, rules fit for purpose for this century, anchored in issues like industrial subsidies and forced technology transfer. Both the EU and the US have published proposals and ideas on reform. This is good. We agree on the diagnosis.

If we can effectively reform and update the WTO, we can set the rules of globalisation. We are glad to see this. We hope that the US leads the way in global institution building again. American design once saw democracy and openness established. Europe was the second half of that world order. We worked together time and again in international affairs. Europe stood behind the United States, and the United States behind Europe. Our alliance was, and still is, the envy of the world.

Now I propose that we embark on a new project together. The next transatlantic project – one that will guarantee stability and prosperity for the next generation. One that will establish our alliance and our values as a force to be reckoned with for another 70 years. I propose that we renew our global order for the 21st century – with the WTO at the centre of the transatlantic partnership on trade.

Now we reach one of those moments I mentioned before – one where we don't fully agree. Because the fact of the matter is that US actions are now threatening to break the system altogether. One thing is clear to us in Europe: we must resolve the Appellate Body crisis.

The dispute settlement mechanism of the WTO is vital. Without effective enforcement, the rules become an aspiration. In the past, the US drove the establishment of the WTO – including binding dispute settlement. Now the US needs to stop blocking the appointment of arbitrators.

If we truly want to tackle all distortions to the trading system, we need to bring order to trade. I understand the frustration that drives these actions, but as your partners the EU urges you: we need to find the space between pulling our punches, and pulling the plug.

We are committed to tackling the distorting practices of China. We must make sure trade remains free and fair. The WTO was created from the GATT in 1995. At the time, there were 16 million users of the Internet – today there are 4.2 billion.

At that time countries like China, Russia, Saudi Arabia or Vietnam were not even members of the WTO. Indeed, some current members of the EU were not Members. Today, we have nearly universal membership, with 164 members and 23 observer governments.

In 1995, the economic models of its Members were more or less the same. Today the membership is much more diverse. This has brought growth and dynamism, but it has introduced a new kind of complexity too. We now need new approaches and new flexibility in negotiations.

With US and Japan we are working in a trilateral context. This is the cornerstone of these efforts to update the global rule book. Again, the US and the EU are stepping forward to shape the world order. In these “trilaterals” we seek to address Chinese distortions, while maintaining and updating the multilateral trading system. These negotiations prove that things could change if we work together.

So far, we have made technical progress around subsidies. We aim to deepen discussion on possible rules on forced technology transfer. We have made joint proposals to improve transparency and notifications at the WTO. It is important to realise that China have as much interest in making progress as anyone else. No country has gained so much from WTO membership as them – but every country stands to lose from its demise.

We are doubling-down on these efforts in our bilateral relations too. The EU has a Working Group on WTO reform with China. We have used this as a forum to increase pressure on core issues – like forced technology transfer and subsidies. We need China to understand that they need to pay back into the system, but do so in a way that keeps China engaged.

CONCLUSION

It is normal that disagreements arise between two major economies. But as allies we are prepared to work these things out. Last year President Trump met with the President of the European Commission, Jean Claude Juncker, here in Washington. They decided that they were both committed to finding a positive trade negotiating agenda.

They created an Executive Working Group to find common ground. I am chairing that from the EU side and I have regular discussions with ambassador Lighthizer on the US side. We met yesterday.

We are identifying possible outcomes and making progress – like in light natural gas and regulatory cooperation in some areas.

We hope we can agree to do away with tariffs on industrial goods from both side. This would be important economically, but also rebuild trust between us. Europe was seriously offended by the imposition of steel and aluminium tariffs last summer under section 232. We do not consider that our exports are a security threat to the US. We are friends and allies, not a threat. And now we are carefully watching the president's decision on cars and car parts.

It is clear that no matter what happens in terms of our relationship bilaterally, we must continue to work together on China and the WTO.

As Winston Churchill once said, "There is only one thing worse than fighting with allies, and that is fighting without them." The EU and the US have some differences, but many more similarities.

We live in an increasingly turbulent, multipolar world. Geopolitical shifts, threats and harsh rhetoric. Emerging powers and environmental disasters. Unpredictability and instability. Tackling these things together – from unfair trade practices to institutionalising the rules of globalisation – should be the cornerstone of the next transatlantic project. And I hope that this is something that Mr Greenwald might have agreed with.

Thank you