Trade, values and the Hanseatic League
Hamburg, Germany, 6 November 2018

EU Trade Commissioner Cecilia Malmström

Hanse-Prize Ceremony

Ladies and gentlemen,

Thank you so much for inviting me here today – I am deeply honoured to receive the first Hanse-Prize! I am impressed by your commitment to the principle of openness, the benefits of trade, and the freedom that come with them.

But it does not surprise me either. Indeed, the history of this city is inherently linked to trade.

Hundreds of years ago a network of German traders felt these benefits. This German-speaking network included cities all across northern Europe, including in Sweden, where I am from.

The Hanseatic League had modest origins, but grew quickly. German merchants, far from their hometowns, formed trading networks. These connections, linked by kinship and mutual interest, became stronger over time. Eventually they grew so strong that they became a political union – one dedicated to free and open trade. One that could raise armies to defend their partners. A network that had the power to protect trade routes and negotiate with empires.

The network stretched across Germany, Latvia, the Netherlands, Poland, Estonia and Sweden. Its impact can still be felt across Europe today. It led to the founding of many major European cities, including Reval – now Tallinn, Danzig – now Gdansk, Dorpat – now Tartu, and Riga – still Riga!

The German airline Lufthansa is the “Hansa of the air”. Indeed, here in Hamburg you still have the prefix “H” on your car licence plates – standing for “Hansestadt”. The cultural impact of the Hansa across Europe should not be underestimated.

It is not surprising as they not only influenced trade and politics, but they were a channel for sharing religion, knowledge, music, art and more besides.

Indeed, trade has never just been about goods and profit. It is about relationships, culture and values too. This is something that is as true today as it was in the Late Middle Ages.

Transforming trade policy

Indeed, we still share our values through trade – and in recent years we have begun to do so more explicitly. We were criticised for being secretive, then we became the most transparent trade negotiator in the world.

These days we publish all negotiating texts from the Commission and recommendations. We do that with material to explain them in a user-friendly way on our website. To make the
negotiations more inclusive, we engage widely with civil society – all across the European Union, but more regularly in Brussels.

We even have a specific group of experts from civil society who advise us on our trade agreements. We hold all of our negotiations to these standards now. Through openness and accountability we have rebuilt trust in trade.

So we were criticised for not being inclusive, so then we doubled our efforts to spread the benefits of globalisation. For example, with small and medium-sized companies or SMEs. They are chronically underrepresented in trade, and yet they are 99% of all businesses in the EU. They have created 85% of all the new jobs in the EU in the last 5 years. They were a good target for spreading the benefits of globalisation.

Some claimed that trade policy lowered standards. So our response to that was to embed values in our trade agreements. The European Union is the biggest trader in the world.

The biggest exporter.
The biggest importer.
The biggest investor.

So we have a responsibility in how we trade.

We have to do that in a responsible way. We have Trade and Sustainable Development chapters in all trade agreements. They include provisions on human rights, social justice, high labour standards, and high environmental standards.

These chapters – which refer to international United Nations conventions – are included in all our agreements. But this is not the only way we have transformed trade.

**21st century trade**

The global economy has become much more complicated in recent years. Technological innovation. Globalisation. Complex regulatory environments. We have been updating our trade agreements to face these challenges and others.

Take our agreement with Canada for example. CETA cuts 98% of tariffs, boosting trade and investment. It opens up markets and brings down barriers. It recently passed a year of application – but a year is not long in terms of trade agreements. Businesses take time to build relationships and break into markets. Yet, despite that, we are already beginning to enjoy some advantages.

Sparkling wine from Spain has risen 50%. Delicious bread, pastries and cakes are up 35%. Belgian vegetables are up by a third. Trade as a whole has risen by over 7%.

This is particularly important here in Germany. 10 464 German companies export to Canada. Over 141 000 jobs are supported by those exports. Indeed, Germany’s share of GDP that depends on exports is the 2nd highest in the world – 47% of the German economy depends on exports.

As we speak, medical equipment from Leipzig, boilers from Stuttgart and car parts from Bochum are leaving the port of Hamburg and are on their way to Canada.

But it is not just about goods. CETA covers many other things. Our agreement lowers non-tariff barriers too. Services for example. Over 30 billion EUR in services were traded between our regions in 2015 – and they are only going to become more important in years to come. European firms can now bid for Canadian public contracts, and European qualifications are recognised in Canada now.

Our new agreement with Japan is similarly modern. It is the biggest bilateral trade agreement ever negotiated. It covers an area of over 630 million people. When signed, approved and implemented, it will account for one quarter of the world's GDP.
Japan is a highly protected market, with custom taxes of nearly 40% on beef, up to 30% on chocolate, 15% on wine, up to 40% on cheese, our agreement will break down these barriers, stimulating business while passing on savings to consumers.

It will tackle other barriers for EU products too, like the lengthy procedures surrounding fruit exports. It includes chapters on corporate governance, and will open up Japan's services market to EU firms. EU firms will be able to bid for more public contracts in Japan – in particular, in railway contracts. It will give official recognition to over 200 certified European delicacies, protecting them from cheap imitations.

This will all boost trade from the EU, but Germany in particular stands to gain a lot. Japan is Germany’s 5th biggest trade partner. Germany exports are almost 20 billion EUR, and you have a trade surplus of almost 4 billion EUR.

Besides these we have closed agreements with Mexico, Singapore and Vietnam. Soon we hope to have an agreement with Chile, and work on Mercosur is moving ahead. We have also opened negotiations with Australia and New Zealand. Things are looking good for EU trade. We stand to gain a lot economically – but it is important to remember our agreements are about more than the economy. Just like the Hansa before, connecting cities across northern Europe – they are strategic alliances too.

These days we need allies, as the EU has ambitious plans. There is system we prize above all others in trade – and it is under threat. I speak, of course, of multilateralism.

**World Trade Organisation**

Multilateralism is enshrined in the WTO – the World Trade Organisation. It has underpinned global trade for decades – allowing stability and the gradual opening of markets. Without it, there is no rulebook. International trade would become totally anarchic. Countries would be bullied and companies fall victim to unfair practices. There would be no reliability, no stability. But we believe, and many others as well, in a rules-based global system, and we are prepared to stand up for it.

Because the system is now being challenged. Unilateral actions are taken by individual countries in violation of WTO rules. The WTO has been unable to make decisions over the past years. The dispute settlement system – the Appellate Body – is supposed to enforce the rules we have set up together. It is made up of arbitrators or judges to impartially decide on disputes.

That has been a system that served us well. But now the United States are blocking the appointment of these judges. Soon we will not have enough judges to operate. Within a year we will run out of judges. The rules have no meaning if they are not enforced. And then the WTO could totally fall apart. It would bring an end to a critical part of the liberal world order – an order which has stood against totalitarianism and anarchy for generations.

**US Closing**

This blocking of the WTO is part of a pattern. Recently we have seen the US withdraw from many international agreements and systems. The Paris Agreement and the Iran nuclear deal. More recently, they announced they would be leaving the UN Human Rights Council and the Intermediate-Range Nuclear Forces Treaty.

This is disappointing.

The US are working to dismantle a system they themselves helped build. The GATT, later called the WTO, was part of a vision – a vision shared by the US and their European allies. A part of a global architecture, which was meant to establish freedom and liberal democracy at the heart of the global order. It stood against the very real threats of totalitarianism and anarchy. The generation who built this order had seen where these paths lead. They did not want to go back.
The aim of the GATT was to create a stable environment for global trade. Although not without faults, their plan was largely successful. Ever since global trade has thrived. The world has become more prosperous. Trade has lifted millions out of poverty. It has built strong connections between countries. And indeed, trade has been a critical element of the EU’s influence in the world. The EU is not prepared to give up on the WTO.

We continue to engage with the US. The US and the EU often agree on the definition of the problems, but not always on the solutions. We are actually working with the US and Japan to cooperate and update the rulebook. For instance, in addressing the challenges posed by China's state-led economy, which leads to massive industrial subsidies and forced technology transfer. We hope that through productive engagement and working together, the US will see the benefits of multilateralism – just as they did in the past.

**Conclusion**

Keeping trade open is critical to the EU economy. It always has been. It is not just profitable, but it is critical to how we project our global influence. Over the past several years we have been doing a lot to strengthen trade. Member States have never been so united behind EU trade policy. People are beginning to understand its benefits. But these days many of the challenges we face come from outside the EU. Geopolitical shifts. Emerging powers that do not play by the rules. Harsh rhetoric and threats of trade wars. We must respond to these dangers, but we must do so in a way that remains true to our values.

Thank you.