

European interview

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Interview with Karel De Gucht, European Commissioner for Trade

1. In your opinion does the future of trade relations lie in bilateral rather than in multilateral free trade agreements?

The European Union’s priority is to protect and strengthen the multi-lateral trade system. In times of crisis when the temptation towards protectionism is particularly great this is all the more important. Our programme of bilateral negotiations does not contradict this commitment. On the contrary, we are continuing our work to bring the Doha Round out of the stalemate and, in the long term, to protect the irreplaceable role played by the WTO.

Moreover our bilateral agenda that in 2006 turned towards the preferential opening of emerging markets is vital for growth and jobs. External trade is a decisive factor in terms of stimulating the European Union’s growth. We should not forget that over the next few decades 90% of world growth will be generated outside of Europe and that 36 million jobs i.e. more than 10%, in the EU depend on external trade.

With 17.5% of world trade in 2011 making it the world’s leading trading force, the EU is still well positioned in the competition for world trade. It is the world’s leading exporter of manufactured goods and services and, apart from energy; it can boast a trade surplus. World trade is restructuring according to the development of global value chains: the products that we export are manufactured using imported intermediary goods. The idea of the country of origin is losing ground to an economy’s position on the world’s value chains.

Within the three centres of this phenomenon - Europe, North America/USA, Asia/China - the EU obviously has its place.

Our free trade agreements are also paving the way for liberalisation and multi-lateral regulation to move to another level. I am convinced that the ambitious agreement that we have started to negotiate with the USA will, in this context, be a sign of unprecedented opening that could provide new impetus and encourage our partners to return to the negotiation table in Geneva.

2. Why at the end of its mandate has the European Commission deemed it appropriate to launch transatlantic trade negotiations with the USA? Was it an American request?

The idea of an agreement with the USA is not a new one. Both sides of the Atlantic have always wanted an agreement like this, but negotiations have only recently become possible. Many things have changed over the last ten years making this agreement both necessary and possible:

- Firstly there has been the crisis. We must take up every chance we have to revive growth and create jobs. It is the absolute priority of every country in Europe, likewise in the USA. We have a unique tool to stimulate activity with our most important partner. We cannot afford not to use this lever. In terms of growth it means 0.5% to 1%.

- The world has changed too. China, India and Brazil are much stronger players than they were 10 to 15

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years ago. The centre of gravity of the world's economy has moved. We can see this as we start to work seriously with these partners in bilateral discussions. But the USA and Europe have to show that they are still capable of taking the initiative. We have to act now. In 10 to 15 years it will be too late.

- Europe itself has changed. Our trade interests are much more offensive than in the past – in services, in industry and even in agriculture, wines and spirits and foodstuffs. The reform of the Common Agricultural Policy (CAP) has given us greater room for manoeuvre: support to farmers mainly comprises direct aid decoupled from production, which the WTO says does not distort trade. The structural increase in agricultural commodity prices has changed the situation: with just a few exceptions, the price of agricultural products in Europe is not fundamentally different from that seen on the world market.

- The question of the impact on the multi-lateral trade system no longer arises under the same conditions. Ten to fifteen years ago we started a new round of multi-lateral negotiations in Seattle and then in Doha. Many reasons, starting with the upheaval in the world's economic hierarchy have meant that these negotiations – at least the core of the negotiations – are currently in stalemate. An agreement with the USA could help end the stalemate. Historically, major regional agreements have often led to a revival of interest in multi-lateral negotiations. And within the WTO, as elsewhere, we need leadership.

- In terms of leadership we have an opportunity to influence the rules. Europe is a normative power, but our primacy is no longer guaranteed. And is it on rules that we find it most difficult to come to a multilateral agreement. If we are really ambitious with the USA we can move forwards in areas where the multilateral system faces a stumbling block. A real convergence of views between two major powers, which often adopt extremely different approaches, would make a vital contribution to the multilateral system. It would show that convergence is possible while at the same time offering real solutions adapted to very different approaches. As in Europe, an agreement between France and Germany – two pillars often holding different views of a specific problem – is a vital transition towards a wider ranging agreement.

3. What advantage can the European economy draw from these negotiations whilst its trade balance with the USA is largely in surplus?

It is true that with nearly €2 billion in goods and services being traded daily, the level of our trade with the USA is already unrivalled. Nevertheless, the American market is still a promising one for European businesses in the future. The "strategy for France's external trade" adopted at the end of 2012 identified the USA as the most promising market for French businesses until 2022 ahead of China and far ahead of Germany, Japan and the UK. There is still a great potential.

Reducing costs for our export businesses by eliminating remaining customs duties between the USA and Europe and by making it easier to get authorisation to place goods on the market will help our businesses make major savings and will have a powerful multiplier effect for trade.

It is also our aim to gain better access to the American market for our service providers and for sectors heavily dependent on public procurement. As a result European businesses will benefit from new opportunities which should lead to yearly increases in EU GDP of €119 billion.

4. To justify its commitment the European Commission published some studies ordered from private institutions the conclusions of which have been the source of surprise. Does it not have its own means to undertake studies like this? And why did it claim questionable conclusions about potential European gains as its own? How can it be seriously claimed that every European will enjoy a rise in income of over 500€ in the conclusions made of these negotiations without knowing what the content is and whether it will be successful?

I think there has been a certain misunderstanding concerning the figures you quote. The estimate made by the CEPR, an economic policy study centre based in London refers to an increase in available income per year per household (and not per person), which, to be more precise, would total €545. Of course, this figure

is an econometric forecast and whether it becomes a reality depends on a series of other factors. However, it does give people a clear idea and we quote it as such. The CEPR’s study is, however, far from being the only base on which we took the decision to launch negotiations. There were other studies, such as the one prepared by ECORY on our initiative in 2009 which focused on regulatory issues. The Commission also undertook its own impact study based on the expertise of more than twenty of its departments, taking on board the results of consultations with civil society, industry and social partners. It is precisely by having an extremely varied network of experts that we can be sure that the initiative that we are now launching will benefit the entire European economy.

5. At this stage can you tell us what you think of the first round of negotiations on the transatlantic agreement? Which sectors do our American partners notably want to exclude from the negotiations? Financial services? The defence industries? And what about new electronic media?

The general impression after the first meeting in July is quite positive. Our negotiators were able to prepare a base for future discussions on around 20 subjects, including customs duties on agricultural and industrial products, public procurement, investments, energy, primary materials, sanitary and phytosanitary issues, services, intellectual property, sustainable development, SME’s, litigation mechanisms, competition, customs procedures and public companies. The USA was doubtful about the inclusion of regulatory issues concerning financial services, but at this stage the question is still being discussed.

6. The Americans have passed the “Buy American Act” which privileges American businesses in terms of public commissions. Why can’t the European Union adopt the same legislation which would enhance and consolidate the internal market? Do you personally support this?

No, I am still convinced that we must do everything to guarantee the opening of markets worldwide and pu-

blic procurement should not be an exception. The international opening of public procurement is in the interest of businesses, consumers and the tax payer. I do not think that the solution chosen by the Americans is an example to follow. On the contrary, public procurement in the European Union is amongst the most accessible for international suppliers and service providers and I do not want to change that. However, the European Commission has drawn up legislation that aims to give the Union a counterweight in international negotiations to make our partners’ markets as open as ours. It is rather in this direction that we should be focussing our efforts. One of the main aims of the negotiations is to ensure that European businesses are no longer subject to the “Buy American” act.

The opening of public procurement to competition also benefits the tax payer as it enables public administrations to provide goods and services at the best prices. If protectionism is not good policy generally then the same applies to public procurement.

7. You have concluded an agreement with China to bring the dispute over solar panels with the European Union to an end. Can you explain what this entails and the opportunity it provides?

Yes, at the end of July after weeks of intense negotiations we came to an amicable solution in the solar panel affair between the EU and China.

Negotiations took place after the Commission set provisional anti-dumping duties on solar panel imports from China on 6 June. These duties were to be set in two stages starting with 11.8% as of 6 June, and 47.6% on average as of 6 August. Chinese businesses which took part in the talks will be exempted in exchange for a commitment to a minimal price. This type of commitment on prices is an amicable solution included in the WTO’s and EU’s trade defence measures.

The commitment made by Chinese export companies will help stabilise the European solar panel market and relieve the damage caused to European industry by dumping. At the same time, the solution will ensure stable supplies to the European market.

8. The European Union is the “model pupil” in terms of its determination to implement

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the commitments made as part of the trade negotiations it undertook and believes it has to serve as an example, which is not always the case on the part of its partners. What does the Commission do to guarantee the respect of the agreements, both past and future? Aren't the procedures that have been introduced to pinpoint any possible failings too long and complicated?

The European Union is committed to the defence of its legitimate rights and interests to guarantee the competition and respect of international trade rules. Our strategy of market access based on a coordinated effort between the Commission, the Member States and export industries enables us to take action to tackle trade barriers imposed by our trading partners. It is a control system that is producing good results. In order to assert our rights we use both bilateral and multilateral agreements. When necessary, we do not hesitate to use dispute settlement procedures. At the end of last year we proposed a new legal framework to the European Parliament and to the Member States which aims to simplify Europe-wide the adoption and implementation of appropriate responses in the event our trading partners do not respect international rules. This proposal is currently going through the legislative procedures. We hope that this more effective legal measure will be ready towards the end of the year.

9. European public opinion is expecting greater transparency during negotiations as we saw with the debate over Acta and the mandate which you received for the transatlantic negotiations. Don't you think it necessary to modify the procedures so that prior debate is more transparent and systematically organised?

A certain amount of confidentiality must inevitably be respected so that negotiations can take place and succeed. In a card game you don't constantly reveal your hand. We owe it to Europeans, however, to be transparent about the aims of negotiations and we do everything we can to guarantee the greatest transparency possible.

The meetings we have organised to date show that there is no need to change the procedures in order to have serious discussions with all of those involved. Before we entered the transatlantic negotiation process there were three public consultation phases which were open to all. Several meetings provided occasions for discussions with representatives of civil society. We are in close contact with European industry, NGO's, the

media and the public at large. Our team of negotiators is also constantly in contact with internet users via social media. In particular, we created a Twitter account devoted to the negotiations with the USA (@eu_ttip_team).

The Commission gives regularly updates the Member States on the state of progress of the negotiations and also informs the European Parliament. Once the negotiations are finished it will be the responsibility of the Council of Ministers, comprising representatives of the governments of the Union's Member States, and the European Parliament, directly elected by universal suffrage, to approve or reject the agreement. Again, at that stage we shall certainly have a big public debate.

10. How will the European election agenda and the ensuing appointments affect the on-going negotiations?

Once the negotiations have started most of the work is done on a technical level which should not be affected by any new appointments. As far as political decisions are concerned, I think it is too early to say anything. Let the citizens of Europe vote first. I have noted, however, that the European Parliament adopted a resolution in May providing extremely strong support for the on-going negotiations and that this was a cross-party resolution supported by more than 460 MEPs, forming an extremely wide majority from many parliamentary groups.

11. Can you provide us with an overview of the results of all of the trade negotiations concluded or on-going by the Union with various countries or regional organisations in the world? What view do you have of the European trade policy and what figure would you estimate the beneficial effects of this to be?

Around 30 trade agreements are in force between the European Union and third countries right now. We have concluded negotiations with 11 other partners. These agreements will be implemented as soon as the necessary legislative procedures have been completed, i.e. this might mean this year for some or otherwise during 2014. Discussions on economic partnerships are on-going with several countries in Africa and the Pacific. We are also negotiating with 11 other partners in North and South America, Asia and North Africa. The Commission has negotiating mandates and might – depending on the political priorities and availability of resources – start talks with about 10 other countries.

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Our trade agenda is quite simply the most ambitious in the world. We are the leading trading power in the world. Just a few years ago less than a quarter of our trade was covered by free trade agreements. If we successfully conclude the on-going negotiations up to two thirds of our trade could enjoy extremely favourable market access conditions. In the crisis we have been anything but inactive in the face of the challenges set by globalisation.

The agreement with South Korea is the best example of the benefits of this strategy. Following the implementation of the agreement our exports to South Korea increased by over 16% in one year, providing the EU with a positive trade balance with this country for the first time in 15 years. If we conclude all of the on-

going negotiations successfully we could see a 2.2% increase in European GDP, in other words €275 billion –equivalent to the Austrian or Danish economies and the creation of 2.2 million new jobs.



Karel De Gucht

European Commissioner for Trade

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