

# Writing the Rules for 21st Century Trade: New Solutions for Old Problems in the Trans-Pacific and Trans-Atlantic Negotiations

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- Opening courtesies.
- This event is well timed as we are on the eve of launching the Transatlantic Trade and Investment Partnership, which will create the largest ever free trade area covering almost 50% of global world trade. It is a very exciting moment in the transatlantic relationship.
- And we need it. A trade and investment agreement between the world's two biggest economies will give a massive, no cost economic stimulus and create jobs on both sides of the Atlantic.
- The numbers are impressive: half percent increase in GDP on each side, more than 700 dollars a year in additional income for every family in the US and Europe. Over time EU exports to the U.S. would go up by 28%, U.S. exports to the EU would go up 37%. That's if – IF - we succeed in effective regulatory cooperation, deal with non-tariff barriers and open up public procurement and services.
- So yes, TTIP will contribute to badly needed economic recovery and job creation.
- Some, however, may wonder why negotiations for a free trade area between the EU and the U.S. should be successful now while all past attempts haven't produced any result.
- There are a number of reasons for that. First of all, there is massive political commitment to an ambitious result, and to deliver it soon.
- Secondly, the lack of progress in the WTO Doha Round makes it more feasible we move ahead bilaterally. The EU has been the biggest supporter of the Round and we have moved mountains to get it finished but to no avail. So we have to take other means, like TTIP, to liberalise trade and negotiate new rules. Once we have done so I am sure it will create a big pull factor and bring others to the negotiating table in Geneva.

- TTIP will also go well beyond what is possible in WTO amongst 160 members. The rule making agenda in TTIP – investment, competition, procurement, services, TBT and SPS plus rules - can take us further than has been possible multilaterally. TTIP is potentially a laboratory for developing regulatory solutions that can be benchmarks for subsequent work at multilateral level.
- The U.S. will manage side by side the TTIP and the negotiations of the Trans-Pacific Partnership (TPP), which may be considered the two most ambitious free trade negotiations ever launched. This is likely to create a positive dynamic relationship between these two tracks and both negotiations will feed each other.
- In reading the various submissions by US business groups, a common theme is the need for TTIP to follow the model and level of ambition of the TPP. I think TTIP, being between two partners at the same level of development and with a commitment from the outset to high ambition, should also try to set the bar for other FTAs in future. That at least should be our aim.
- I have spoken a lot about ambition and about the need to set new trade rules. What does that mean for agriculture in the TTIP? Pundits have traditionally singled out agriculture as a major obstacle to ambitious trade liberalisation between the EU and the USA. Have things changed? Can TTIP be different?
- The answer has to be yes. Things have changed. For one, there have been big changes to the EU agricultural policy since the nineties: public support has shifted away from trade-distorting support based on classic market intervention, towards decoupled income support. And it's still going on. The new phase of CAP reform continues that trend with most public support falling under the WTO green box.

One result of this is that the EU does not play the role it used to on commodity markets. The focus of EU exports has moved towards the high-value end, processed products, for which there is a solid demand, including in mature markets like the USA.

- Secondly, and in part thanks to the reform, bilateral disputes which created bitterness and trade friction in the past have been better managed between us in recent years, improving bilateral relationship.
- Three good examples of this.

- First of all the solution in 2009 of the **hormones dispute**, with the opening of a TRQ on high-quality beef by the EU. This solution defused a major source of bilateral disruption.
- Second, the **agreement on trade in wine**, concluded in 2006, showed how, by addressing several issues together - including wine names, wine making practices and labelling - and doing so in a pragmatic way, we have boosted two way wine trade. TTIP should learn from this pragmatic approach and complete the unfinished business in this sector.
- And a third recent example of good cooperation is the **arrangement on the equivalence of organic products** signed in 2012. This arrangement shows how the U.S. and the EU can set the standards and regulatory framework for the future in a rapidly growing market with great potential.
- So what can TTIP actually deliver in agriculture? If we look just at tariffs, further market opening will mainly benefit U.S. exports, in particular on meats, because EU tariffs are higher and U.S. producers have an important export potential, notwithstanding SPS-related requirements. The US is also more productive and competitive, with significantly higher EU production costs for meats and dairy, around 20-25% higher than in the US. There is a variety of factors behind this, including land and feed availability, as well as production **standards**, such as animal welfare and environmental requirements. This dimension will have to be borne in mind in the negotiations.
- So the overall balance of the TTIP negotiations in agriculture is probably going to be greatly in favour of the U.S. The EU's current trade surplus, due mostly to exports of high value products with low US tariffs, will probably shrink.
- But of course tariffs are only part of the story. The regulatory dimension of TTIP is at least as important in ensuring trade opportunities. Two observations on this.
- First, to allow EU producers to compete fairly in the US market, and provide quality products, the TTIP negotiations must address the protection of **Geographical Indications**. It would be illusory to pretend it will not. The EU and the U.S. both attach a great importance to IPR protection around the world and this commitment must include GI's.

- So the EU expects from TTIP good protection to its names so that there is no abuse or freeriding on them. Given that in mercantilist terms the EU is going to be paying a lot in agriculture in the TTIP, better GI protection will be crucial to sell to our Member States what may otherwise be seen as an otherwise unbalanced deal. The US also has GI's and can promote them also.
  
- Another key **pillar of TTIP relates to non-tariff measures** such as differences in technical regulations, standards and certification. In agriculture this means especially differences in our sanitary and phyto-sanitary measures (SPS) which may affect levels of market access.
  
- Both the EU and the U.S. have a long "list of complaints" in the area of SPS and the negotiations will certainly have to address many of them. The agriculture community is no doubt right in flagging this as an economically significant area of the agriculture negotiations and the most complex to resolve in a short time
  
- So how do we tackle these SPS problems? In a threefold way. First, we should do what we can to reduce regulatory differences and reach greater compatibility of our respective regulatory standards. Secondly, we need to eliminate duplicative tests and inspections, and streamline trade procedures so as to cut costs for exporters. And third we need to set up regulatory cooperation to set global, 21<sup>st</sup> century standards and prevent new obstacles arising in future.
  
- Specific sensitivities will certainly emerge, - on both sides by the way, not only on the EU side – and as the HLWG report recognises these sensitivities will have to be catered for. Major differences in the way we regulate are not going to be removed overnight. But with pragmatism coupled with political will I am sure we can reach good results.
  
- In sum, we have our work cut out. But we have literally a once in a lifetime to build an open transatlantic market for more than 800 million people. Let us respect our differences, build on our many similarities, and make it work.