

LSE public lecture

Advancing Global Trade and Employment Together: Shared Opportunities and Responsibilities for the United States and the European Union

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“Thank you, Chairman Sutherland. And thanks to the London School of Economics and Political Science, faculty, and students for this opportunity. As a trade policymaker, I am humbled by the fact that this campus was once home to great thinkers like Friedrich Hayek and Lionel Robbins, who I understand were among the first to advocate the economic benefits of trade liberalization. But I have to confess that I’m slightly more impressed with the work of another famous LSE alumnus, Mick Jagger, who wisely abandoned his economic studies to pursue an alternative career in international affairs.

“Of course, I’m not here today to talk about Europe and America’s mutual love of rock and roll. Instead, I want to talk about our uniquely successful transatlantic trade and investment partnership. More specifically, I’d like to explore ways that the United States and the European Union can work together to enhance our economic growth and invigorate the global trading system for the 21st century.

“Our future trade efforts will surely build on a strong record of past success. After World War II, European and American policymakers worked together to frame an international trading system based on open markets and the rule of law. On balance, that model has worked well for more than sixty years – from the General Agreement on Tariffs and Trade (GATT) to the World Trade Organization (WTO) as we know it today. And during the past six decades, the United States and Europe have built the largest, most advanced, most mature, and deeply integrated trade and investment relationship in the world.

“Right now, the United States and the European Union face common economic challenges that require us to work even harder to enhance the competitiveness of our economies and workers

and to support more and better jobs for our peoples. And the key trade and investment issues we grapple with today are more difficult than most of those we've tackled together in the past. At this critical moment, the United States and the European Union are considering how to enhance our mutual growth, which continues to support greater global prosperity as the world economy evolves in new and important ways.

"It is always important to keep in mind the unique quality and unprecedented scale of the U.S.-EU trade relationship. It is worth remembering that the transatlantic economy still accounts for nearly 50 percent of world GDP. In fact, transatlantic trade in goods and services totalled nearly one trillion dollars last year, which breaks down to more than two and a half billion dollars in two-way trade each day. And together, we are driving global foreign direct investment (FDI): U.S.FDI in the EU was worth nearly two trillion dollars in 2010, and similarly, one and a half trillion dollars flowed from the EU to our shores.

"The maturity of our trade relationship complements its magnitude. This point was the subject of my very first meeting as U.S. Trade Representative. Within five hours of my having been confirmed by the United States Senate, I sat down with then EU Commissioner for Trade, my good friend, Baroness Catherine Ashton. Almost immediately, we agreed that we could not afford to have the U.S.-EU trade relationship defined by our disputes, which are disproportionately represented in news coverage, when in fact we have this massively successful and significant trade relationship. We agreed we would do whatever we could to solve disputes quickly so that we could focus on larger issues.

"I am proud to say that's exactly what we have accomplished: the Obama Administration has worked closely with our EU partners to reach agreements on issues such as EU market access for U.S. beef exports, and an equivalence arrangement to promote trans-Atlantic trade in organic food. In both cases, the outcomes reflected cooperation, pragmatism, and a focus on delivering real results for consumers and producers on both continents.

"I am convinced that if we apply the same spirit of common purpose to the current dispute regarding subsidies provided to our large commercial aircraft producers, then we can find a mutually-beneficial solution – one that removes WTO-inconsistent subsidies from the global aerospace sector while leveling the playing field for manufacturers and workers on both sides.

"Despite occasional disagreements, the integration of the U.S. and the EU economies has been an important source of global prosperity and an anchor for each of us in tumultuous times. During the recent financial crisis, U.S.-EU trade flows did not suffer as much as our respective

trade with other partners. But as we continue to recover from the worst recession since the Great Depression, a consensus has emerged on both sides of the Atlantic that we can – and we should – do even more to tap the full potential of this extraordinary relationship to boost our growth, support more and better jobs, and to help meet the competitive challenges of the coming decades.

“This recognition prompted President Obama and European Presidents Barroso and Van Rompuy, to create the High Level Working Group on Jobs and Growth last November. Our leaders tasked Commissioner Karel De Gucht and myself to examine, with an unprecedented degree of rigor and cooperation, all of the available options for increasing our economic growth, jobs, and international competitiveness.

“Right now, American and European teams are working together to examine a wide range of possibilities, including: eliminating conventional barriers to trade in goods, such as tariffs and tariff-rate quotas; reducing barriers to trade in services, and to transatlantic investment; promoting regulatory approaches that facilitate trade; reducing, eliminating, or preventing in the first place behind-the-border barriers to trade in all categories; and developing rules and principles on other global issues that are of common concern. In each of these areas, U.S. and EU teams are assessing the potential economic value, the feasibility, as well as the international implications of further liberalization. We have agreed to be both ambitious and realistic as we establish our negotiating parameters and goals.

“From the U.S. perspective, an ambitious transatlantic negotiation – were we to pursue that course – would need to achieve full liberalization of market access for all categories of goods, and expand transatlantic flows of services and investment. The United States also believes an ambitious approach should identify new approaches to non-tariff barriers. For example, if food and agricultural imports are blocked by health- or safety-related measures, then those measures must be supported by sound science and risk assessments. Tackling those non-tariff barriers successfully would constitute a major breakthrough.

“The United States understands the need for realism in any comprehensive negotiation. Priority market access and other goals of one side often collide with acute domestic sensitivities or statutory limitations of the other side. Many in Europe have already voiced support for a comprehensive free trade agreement pursued as a single undertaking. While the United States agrees that this approach presents many exciting opportunities, we want to ensure that its outcomes could be at least as broad and ambitious as those contained in existing U.S. trade agreements.

“With so many jobs at stake right now, neither the U.S. nor the EU can afford to leap into open-ended negotiations on faith alone. Our mutual, urgent needs to enhance growth and employment compel us to identify a reasonably short path to success before we launch negotiations. That’s why we are working quickly and thoughtfully to identify likely landing zones. And if the Working Group’s rigorous dialogue and analysis determine that the most ambitious outcomes are not likely to be achieved through full-fledged trade negotiations at this time, then the United States will be ready to explore how the U.S. and the EU could reach agreements in areas where we have shared ambitions.

“After all, the Leaders’ mandate was simply not ‘go big or go home.’ It was to identify options that are both achievable and that will enhance economic growth and help create jobs in the United States and the European Union. By that standard, the United States is committed to finding the smart, prudent, and most effective way forward on measures to strengthen and deepen transatlantic trade and investment.

“We know that the United States and European Union can successfully and creatively address critical challenges and set high standards for global trade. For example, last year U.S. and European leaders joined like-minded countries including Australia, Canada, Japan, Korea, Mexico, Morocco, New Zealand, Singapore, and Switzerland to conclude the Anti-Counterfeiting Trade Agreement. At the time, ACTA was widely heralded as a groundbreaking achievement that will greatly improve the enforcement of intellectual property rights around the world. Since then, it has been sadly mischaracterized by some and simply misunderstood by many more.

“Frankly, we all must work to clarify how ACTA will help protect the creativity and innovation of rights holders in every country. It recognizes the fundamental relationship between innovation and the rule of law. ACTA would change the unfortunate reality that creativity and innovation are protected more often by paper rights, but police or customs authorities seldom have the power to take action when they see commercial-scale counterfeiting or piracy. We would never tolerate that standard for the theft of tangible property. Fortunately, now ACTA provides real tools to stop the wholesale robbery and theft of knowledge-based products.

“We must also do a better job of emphasizing how ACTA reflects our deep concern for the health, safety, and welfare of consumers – not only in the European Union and the United States, but around the whole world – that are compromised by counterfeit goods. At the same time, we can point out specifically that ACTA is the first and only international IP agreement to explicitly provide that enforcement of intellectual property rules on the internet must, and I’m quoting, ‘be

implemented in a manner that ... preserves fundamental principles such as freedom of expression, fair process, and privacy.'

"In other words, ACTA does not dictate to governments how to strike the right balance between protecting IPR and promoting these fundamental principles; but it does give us stronger tools to make those critical decisions. The truth is intellectual property theft saps the lifeblood of innovation from any market where it occurs, and counterfeit goods put the health and safety of communities and consumers at risk around the world. And since no government can single-handedly stop counterfeiting and piracy, implementing this Agreement should be an act of shared leadership.

"As mature free market economies, we both rely heavily on the rule of law to provide a level playing field for our businesses, workers, farmers, ranchers, manufacturers, and service providers. That's why we jointly seek to enhance transparency and nondiscriminatory access to global markets. In the Doha Round of global trade talks, we worked together to develop and advocate tougher subsidy rules for state-owned banks and state-owned industrial enterprises. "The EU has also partnered with the United States in two important trade enforcement actions against export restraints on industrial raw materials and key rare earth minerals, respectively. Earlier this year, a WTO Panel ruled in the raw materials case that such restraints effectively distort global markets for these key manufacturing inputs. When we stand together on issues like these, we amplify the message that market-based competition is an essential element of the global trading system.

"We also have common interests in expanding global services trade and investment, and helping our small businesses increase their international trade. In the Transatlantic Economic Council (TEC), for example, we made good progress on common standards and regulations for electric vehicles, and reached agreement on common principles for investment, information and communication technology services, and regulatory practices. Best practices exchanges in Washington and Brussels are identifying ways to support small businesses trying to crack international markets.

"A shared sense of responsibility and opportunity is also driving our joint work to promote trade and investment integration in transitioning economies in the Middle East and North Africa, or 'MENA' region. The United States and the European Union have strong common interests in the economic development and stability of all MENA economies. We are working jointly, and through the G-8's Deauville Partnership to promote policies that support trade, investment, and job creation, and that deepen regional trade and integration. We are also eager to increase our trade

and investment links with MENA countries in transition. Last month, we and the Deauville partners met at the Dead Sea and discussed priority trade and investment issues like investment, trade facilitation, and support for small- and medium-sized enterprises. Our hope is that these discussions can yield common approaches that will improve MENA countries' access to each other's markets, as well as to the European Union, the United States, and beyond.

"Bilateral and regional efforts can complement our work at the multilateral level, where we must continue our long history of shared leadership alongside emerging major players. From the GATT to the WTO, the United States and European Union have worked together to advance trade liberalization by making the tough decisions necessary to open our markets more broadly. And we have jointly enabled the expansion of WTO membership to more and more countries.

"Today, there are increased opportunities at the multilateral negotiating table, and there are high expectations not only for the United States and the EU, but also for emerging countries that have benefitted the most from multilateral integration – such as Brazil, China, India, and soon Russia – to help find new ways toward additional market-opening achievements in the WTO. To be sure, for the last ten years the United States and the European Union made strenuous efforts to conclude the most far-reaching multilateral trade negotiation ever – the Doha Development Agenda. But at the Ministerial Conference last December, all WTO members made the honest assessment that the Doha negotiations were at an impasse.

"The United States does not see utility in the WTO returning to the negotiating dynamic that existed before. Indeed, the clear message emerging from this collective acknowledgement is that it is time to move on and start charting a new course – identifying concrete opportunities to advance trade liberalization and reinforcing the WTO as a bulwark against trade protectionism. This requires fresh ideas, as well as learning from the past what has worked and what has not. One of those lessons is that strong plurilateral results can serve as stepping stones to broader multilateral measures. The Uruguay Round included many multilateral commitments that were built on plurilateral codes from the preceding Tokyo Round.

"Today, forward-leaning WTO members are exploring a plurilateral services negotiation that would go farther in opening services markets than any previous measure. This potential International Services Agreement will directly address cutting-edge issues, such as international data flows, that were only in their infancy at the launch of the Doha Round. The United States and like-minded partners are also exploring expansion of the products covered by the historic Information Technology Agreement, which has already led to huge increases in international trade in information and communications technologies. Multilateral efforts are also continuing on

trade and development, least developed country issues, and trade facilitation. Without a doubt, strong partnership between the United States and EU in these areas would enhance our prospects for success.

“We also must not forget the essential role of WTO bodies to support strong existing trade rules and to guard against protectionist impulses. We need to rediscover these bodies’ potential to advance implementation of agreements, such as by addressing subsidies and regulatory barriers to trade, and to explore emerging global trade issues, such as the relationship between trade and currency fluctuations.

“In another sign of its enduring significance, the WTO’s membership is now nearly universal, particularly with the invitation extended to Russia, and the accession efforts of Kazakhstan, Yemen, Serbia, Bosnia, Laos, and Afghanistan. Every WTO member stands to benefit from Russia’s successful entry into the rules-based trading system. That’s why, as Russia takes the final steps to join the WTO, the Obama Administration strongly supports the U.S. Congress terminating application of the Jackson-Vanik amendment and extending permanent normal trade relations to Russia.

“The WTO as an institution is evolving and moving forward. This process should be revitalizing, as WTO members begin to think in new ways, learn lessons from the immediate past, and remember the variety of successful approaches we’ve taken throughout the years. And the United States looks forward to continuing work with the EU and other partners to keep it strong and well-equipped for years to come. Our collective challenge for the 21st century is to welcome the energy and dynamism of an expanding global trading system without undermining the foundational norms that have supported successful trade liberalization and economic growth since World War II.

“Having benefitted tremendously from open markets and rules-based trade, the United States and the European Union have a responsibility to help other economies achieve greater prosperity as well. I am confident that the United States and the European Union can meet 21st century trade challenges together, if we draw inspiration from the bold spirit and determination of our predecessors. Our history and heritage, and our broadly shared vision, can drive a common quest for more robust economic growth, not just in our countries but worldwide. Thank you.”

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