Unedited Event Transcript

EU Trade Priorities in 2016

Cecilia Malmstrom (European Commissioner for Trade)

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Adam Posen: Good afternoon everyone and welcome to the spring in Washington. I'm Adam Posen, President of the Peterson Institute for International Economics. And it's my pleasure to have you all here for what should be a very important, and I know, very visionary statement on EU Trade Priorities in 2016 by Commissioner Cecilia Malmstrom.

We've met with the commissioner. She obviously had a large role in European affairs as Commissioner of Home Affairs from 2010 to 2014, dealing with many issues that remain at the forefront. She was previously Swedish minister in charge of Europe and a member of the European Parliament.

As I explained to the Commissioner and some of her team, we've long had a soft spot for Swedes here at the institute starting of course with Fred Bergsten who won, I think, Swedish American of the Year last year. But going through various people including our mutual friend Anders Borg, who's had affiliation.

But obviously we are excited when we have, not just a person of her background or her distinction and experience, but a commissioner who in a time when trade is under scrutiny. And political criticism, not just in the US but in Europe, is standing up forth rightly for the true interests of the European people in trade and looking at the true commonalities between the US and EU on the issues.

Commissioner Malmstrom is on a tight schedule, so what we agreed was we got you all fed and seated, which I hope makes you happy. And we'll now turn to her for conversation and her remarks. Following her remarks I will ask just a couple -- how do you say softball in Swedish? -- questions. And then we will turn it over to this distinguished audience for on the record discussion and Q&A. The commissioner will have to leave promptly at 2:03. So, we will stick to that.

Again, Commissioner Malmstrom, thank you for joining us today.

Commissioner: Thank you very much for that kind introduction and thank you for inviting me. Ladies and Gentlemen, good afternoon. It's an honor to be here. Looking forward to our discussion. Well the European Union and the United States have much to discuss. We have it all the time, but we have it particularly when it comes to trade. And today we have even more because there is a paradox at the heart of trade policy today. And I had the honor of be speaking to some of the members of the institute just before lunch on this.

Because on the one hand, people on both sides of the Atlantic are benefiting more from economic openness than ever before. They benefit from exports. In the EU, one in every seven jobs depend on exports to outside the EU borders. In the US, the figure for manufacturing jobs alone is a quarter. And these are kinds of job that tend to be higher paid and higher skilled jobs. And we need them, we need more of them.

People also benefit from imports. Consumers have access to the products of the whole world so they can pick out the best for their needs. Business do too, making them more competitive. And both of us are benefiting from direct investment. Over seven million people are employed in the EU and over six million people here in the US thanks to foreign direct investment.

But on the other hand, trade is more and more debated than ever before. In the EU, the controversy is about trade deals with partners to our west. In the US, well, here you have an increasing debate as well in the electoral campaign here. But there are different partners involved maybe in the criticism.

On both sides, people are questioning both the fundamental benefits of open trade as well as the fairness and the effectiveness of the means to achieve it. So how do we solve that paradox? Well, we have tried to do a few things to embark that road in the European Union.

First, through engagement. On both sides of the Atlantic we need full, frank, open democratic discussions on trade policy. That involves making the case for open markets. But it also involves listening to the principal concerns being raised; and we do that though an inclusive policy reaching out to citizens and stakeholders.

We are also secondly, adapting our approach -- not only listening but also take peoples' concerns into consideration. If the trade agreement we need to support are long-term economic success are to have the support of the people we also need to take good ideas on board.

We need good ideas on how to make sure that trade policy is as effective as possible creating economic opportunities. That can be about how to make sure that small and medium sized companies really use the trading system to their benefit. Or it can be about making trade agreements fairly enforced.

We also need good ideas when it comes to using trade policies to set global rules that reflect our values. We need an approach that not only tackles issues of unfair competition but also respects and even advances labor rights, environmental protection and robust regulation. And adopting those to these concerns is very achievable. In fact, on both sides we are doing it.

The recent president's trade policy agenda for 2016 and the European Union Trade for All Strategy that we released just this autumn, show clearly that this is the case.

And that brings me to our third task in resolving the current trade paradox: transatlantic cooperation. If the European Union and the United states have similar goals we must support each other's clear efforts to achieve them. And we can do that.

We can do it in different settings, in the World Trade Organization, WTO, in our respective bilateral agreements with other partners and of course in our joint project, the Transatlantic Trade and Investment Partnership or TTIP as it's called as well.

So, starting with the global level, in the WTO it is the result of long hard years of transatlantic negotiations and cooperation. And we should be proud of what we have achieved. But it's also true to say the WTO has had some very difficult years and for many years compromise was blocked by the different perceptions of developed and emerging economies. Idealism gave way to fatalism as the DOHA Round failed to advance. But in recent years we have actually proven that fatalism wrong.

The Bali Conference in 2013 produced a global trade facilitation agreement. And in Nairobi, just before Christmas, we reached an agreement on agriculture of all things, and also on trade in Information Technology Equipment, the ITE agreement, and that was a major achievement.

We have also made progress towards environmental goods negotiations that we are having within the WTO and Trade in Services Agreement, TISA, which we believe must eventually also come into the multilateral fold one day. So, we can build upon this momentum for a revitalized WTO agenda. And that means, first of all, dealing with some of the outstanding issues of the DOHA Round. Whether the DOHA is dead or alive is not really interesting. The interesting thing is that there are important questions on the agenda that only WTO can address, like agriculture domestic support, industrial subsidies. And we need to find a way to do that. Bali and Nairobi can serve as blueprints.

But we also need to bring WTO up to date by addressing new issues. Many issues are being discussed right now, for instance digital trade, good regulatory practices, export restrictions, just to name a few. And here EU/US cooperation with other partners will be essential so we can set and reach more precise goals. And in all of this we should of course be aiming as much as possible for multilateral agreements involving all WTO members when that is possible. When it's not possible interested parties must be willing and able to move ahead and anchor their new initiatives in the WTO setting and then other countries can join afterwards.

The second way that we can support each other is in our respective relations with other parties. Some may choose to view these agendas as competing, and I think they are not actually. On the one hand, our core objectives are by necessity the same: we want to expand opportunities by opening markets and setting high standards of the road. On the other hand, the world economy is such a complex web that we actually all benefit when flows between any two partners are opened up and regulated. Take the transpacific partnership. EU is not a party of that, but we believe that that is a good agreement and it is also in our interest, because European firms have manufacturing services operations in many TPP members. In fact, the turnover in those firms are over two trillion euros. That is $2.2 trillion a year.

And moreover, where the TPP raises labor and environmental standards or encourages market base approaches to state owned enterprises that is also in our interests. And the same, I would think, goes for European Union's broad agenda of bilateral negotiations and relationship. We have a very broad and ambitious agenda in the European Union, and actually many of the TPP countries are covered by this. We just launched negotiations with the Philippines. We have concluded with Vietnam and Singapore. We are exploring whether to start negotiations with Indonesia. We are doing the preparations to launch with Australia and New Zealand, and we will also see whether we can restart the dormant negotiations with Malaysia. And that is just in that region. In that region, we also have China, where Europe like the US, wants to deepen its economic ties. Over three million jobs in the EU are supported by our exports to China today.

But we are also aware of the huge challenges that China presents. Too often the state is more a participant than an independent regulator. And that makes life very difficult for those who want to enter that market. It also impacts global markets as the challenges facing our steel sector right now is showing in the US and in the European Union.

And we are seeking, both of us, to address those issues through bilateral investment agreements. We are placing emphasis on improving both market access and the overall investment environment in China. Legal certainty, predictability are key objectives here. And we want unambiguous rules to protect and to guarantee transparent, fair, proportionate licensing procedures, genuine known discrimination and a level playing field for our investors. I think you want the same.

We are advancing with those negations and we hope that we can soon achieve an ambitious and comprehensive result. We are also working in the EU for high quality free trade agreement in Japan. We are both highly developed and mature economies with many interests in common. And that means our joint interests go beyond the traditional trades into areas like service, procurement and product standards. And we are moving here and 2016 is a reasonable target for conclusion, but there is still some work to do. And here again, TPP is complementary. Even if it cannot naturally serve as a template for the EU/Japan deal, it does set a positive precedent for Japan opening its market.

Two other EU partners will be of interest for you: Vietnam, as I mentioned and Canada. And we have recently concluded groundbreaking agreement with both these countries. The deal with Vietnam provides a new model for our engagement with developing countries. It creates opportunity for the EU's agriculture, industrial and service exports. And it has a highly ambitious chapter on sustainable development, covering labor rights and environmental protection.

The deal with Canada is one of the comprehensive agreements ever reached between two developed countries. And I'm sure the Canadian representatives who are actually here in Washington today will agree with that. It is highly ambitious on the traditional trade barriers. For example, 98% of EU exports with enter the Canadian market duty free on entering into force. And it goes further.

It's a very comprehensive agreement we have made on procurement as well, Canada is opening its market on federal government, provinces region, cities and state owned enterprises and are ambitious and our commitments on our side are equally ambitious. It also paves new ground on the provisions of investment protections, where we have rolled out a new European approach that we proposed last autumn.

And that approach is vital for what we believe the response should be to the public debate on trade. That is very emotional in Europe but also in other countries of the world. It's a way to deal with legitimate questions that people have asked on investment protection, changing the old system to something more modern, increasing the level of transparency, limiting the scope and increasing the impartiality and the due process of selection of the judges who will be examining the cases.

And it has a very clear language on the right of governments to make policy in public interests. And furthermore, we want to see those two agreements that we now have with Canada and Vietnam on the investment agreement to pave the way for an international investment quote for the future. And we believe this is the way forward and we have proposed it also in the context of TTIP.

And that brings me to TTIP, which is of course one of the reasons I'm here in town today, to meet with Ambassador Frohman and to push negotiations here. It's a highly significant agreement for many reasons. Well, in scale of course because it would cover 30% of the world's trade in goods and services, 40% of foreign investment stocks and 45% of output.

It is also unique in its depth, because the European Union and the United States share a broad vision of how to organize our societies and our economies, so we can agree on issues that would be more challenging with other parties. We share many values, we share history; we share our commitment to the rule of law, human rights, democracy. And the combination of these factors gives TTIP a particular potential. And when the EU and the US agree, we have the weight of our economies behind us and we can encourage others to follow while we take the lead.

Getting to result is of course a challenge. These negotiations has and is involving very hard work now for two-and-a-half years, both at the negotiation table and away from it. But it's a surmountable challenge. We have come a long way with offers and proposals on the table in most areas of negotiations.

We had the latest round of negotiations the 12th in Brussels two weeks ago, where we got into detail on sustainable development, labor and environmental rights. Where we made significant progress in the regulatory cooperation area in different sectors where we try to eliminate unnecessary duplications of testing and inspections and so on. For instance, in sectors like cars and medicines, without lowering standards.

And this week negotiators have been, for the first time, discussed offers on public procurement. We are not there yet, but we are moving forward. And I remain confident that we can come to an agreement by the end of this year if we continue the hard work and if the substance is right, of course. There is no point in agreeing on a TTIP light, as someone has called it. It is not on the agenda.

We need to be ambitious, we need to be creative and we have to be constructive. And that's the approach that we have been taking and I will continue to take with my American counterpart, Ambassador Frohman and the administration that I meet with when I'm in Washington. And I know that our American counterparts are equally committed to finalize this.

So, ladies and gentlemen, some will question the European Union and the United States' ability to fulfill this broad agenda of cooperation. Both of us have very ambitious other agendas, of course. People will point to the many challenges that we are facing also in the European Union. That is known to you, on migration, on energy, on security and still struggling to come fully out of the economic crisis.

People will point on both sides to a seemingly political gridlock in the face of these issues. And you have I think some election coming up soon that might influence that as well. So, surely some people say that that may mean that you can't move this year.

That is wrong. Because the right kind of trade policy will, I am convinced, be supported by broad majorities in both our systems, policies that give real opportunities to our workers, to our consumers, to our entrepreneurs. Policies that reflects the core values that we are sharing, transparency, fairness, respect to human rights including labor rights and the environment.

I don't see the debate on trade going away, nor would I want to. It actually good that people want to be involved and discuss trades at a broad level. That's what democracy is about. But within trade policies like the one I outlined, hopefully people can be convinced of the benefits and that the results will speak for themselves. They are, of course, not trade policies made in a vacuum.

Like all foreign policies, it only works if you can persuade others of your vision. But the European Union and the United States share a vision for the future of trade, and that means that in a changing world where we both have less influence than in the past, transatlantic cooperation is the only way where we can make a difference., for us but also for other parts of the world. And that is why TTP is much more important that just lowering tariffs or agreeing on some minor things in facilitating trade. That is why it also has a huge symbolic value to conclude it. And that's what we are determined to do. Thanks you very much for your kind attention.

Adam Posen: Commissioner, thank you very much. That was terrific. And if I could get a regulatory standard on my microphone I'll be all set.

Commissioner: We can harmonize those, absolutely.

Adam Posen: No bad tones. We have many people in the audience and I want to turn it over to them for questions and comments. But, let me if I could, just pose one set of questions. Part of our mission at the Peterson Institute is not to advocate for the US, it's to point out places where the US may be falling short of its economic interests and ideals. And I think, I have several colleagues here who would argue that the US views on government procurement barriers and, less consensually but arguably, on financial services, both becoming sort of barriers or red lines – maybe not officially red lines we hope – in the negotiations of TTIP are a problem.

So, to the cynic who just says, "Well, they'll never give you anything", where is the discussion now in these two areas, of government procurement and the financial services and what kind of arguments do you think – not just Ambassador Frohman, but people in congress should be hearing from Europe on these points?

Commissioner: Well, in trade policies as in all policies, I think the "advice is that optimism is a duty", by Karl Poopers, is appropriate here. There's no secret that these two issues that you mentioned are controversial and difficult of course. On financial services, we had good discussions not only with USTR but also on treasury. I think there is a willingness to cooperate, whether that in the end results in concrete issues on TTIP or not is a little bit too early to say. But we have outreach. Also, my colleague who's responsible for financial services in the European commission, Commissioner Jonathan Hill, is very engaged in this. And I think he was here just recently to reach out. So, there is an ongoing discussion in a very friendly and constructive way.

So, we'll see where that ends. When it comes to government procurement, in the European Union we are quite open. There's one database where you can see where it is, there are same rules all over the European Union. We are open to public procurement for all and of course it is in our offensive interest to get increased access to the public procurement market in the US. That is natural.

We do not expect you to change your policies on by America or by American. That is not going to happen even if we think it could be good also for American consumers if there was increased competition in this. But there are ways to make exceptions and wavers and that has been done before and it can be done.

So this is what we are looking at. We are just sharing our first exchange of offers on this so obviously there will be a second one coming later. Hopefully by the summer, so we haven't really entered into real discussions on this yet. But this is very offensive interest of ours. Many member states would expect us to at least gain some progress here and then we'll see where we are.

Adam Posen: Great. Thank you for the forthright answers. So, let me turn to the audience. The way it works here as many of you are familiar, there is a traveling mic up near the front with Jessica. There's a standing mic near the back. All of this is on the record. Please, either go to the standing mic or raise your hand here to be recognized. When you're recognized, please identify yourself and also the more it's a question the longer you can go. The more it's a statement the shorter you can go. Okay? Cool. That gentleman right there.

Higu Garas: Madam Commissioner, my name is Higu Garas. I'm a reporter of Argus Media and I write about oil and LNG and natural gas. And I'm wondering if the energy chapter is still in the agenda when you talk to USTR.

Commissioner: Yes, absolutely.

Adam Posen: Okay, I'll give you a follow up if you'd like.

Commissioner: It's a clear question.

Higu Garas: Is the USTR receptive to it? In the previous rounds, I know that came up and stayed on the agenda but in an unsatisfied form. Is that an accurate statement or facts? And where does energy trade in general fit into TTIP?

Commissioner: Well, we envisage to have a chapter on this. This is the European Union goal. There are many statements and many rumors going on out there. We are negotiating and we will be talking about this. I will be seeing Mike Frohman tomorrow. I think we'll talk a little bit about this as well.

So, we hope that there can be a chapter on energy. This is important for us as well, not only for economic reasons, and market access reason, but also from a broader security point of view. If we can use TTIP to decrease the dependence of energy from other important actors in our neighborhood that could be a good things.

Adam Posen: Very nice. At the back mic.

Alli: Hi. Alli Renison from the Institute of Directors in the UK actually. Two questions and they are questions so I'll be brief. First, in the wake of the "steel crisis", I would put quotes on that because, I think, in the UK where a lot of his is being held in response to, it's been in decline for quite some time. Is the commission anticipating going down more of a reactionary US style to trade defense, whether it's reviving TDI reform, import tariffs on steel, denying China market economy status, et cetera.

And then secondly, I'm going to try and draw you on Brexit, whether you think that the commission would want to be, for a few, that it has a right to be involved in negotiating any of the third party agreements that the UK is a party to through its membership if we were to leave? Thanks.

Commissioner: Well, on Brexit, starting with that, obviously that is the choice of the British people. They will vote in June and the commission is not campaigning on this. We are waiting for the result. I speak for the whole commission when I say we really hope the Brits would stay. We need them and we want them in the European Union but that is for them to decide.

If they vote no, then it will be up to the government to formulate what kind of relationship does it want to have with the EU. Obviously, that will have to be a negotiation. But that depends on what level of ambition they want. In that case, I guess the commission will be involved. But that is too early to say. We are not working on any alternative option. That's for the Brits to decide.

On your second question on the steel crisis, this is obviously a long question to a big problem. We are seeing, as I think you have here as well, crisis for the steel sector in many countries. It is broad and vast and has many explanations. But it is of course being made more difficult because of the massive overproduction of Chinese cheap steel, and they are dumping this.

So we are making sure that some reforms are being done internally in the European Union. As well, many of my colleagues are involved with this. We are talking to some partners including China. We are making sure that when necessary and we have clear evidence, solid trade defense policy, we're also discussing whether to modernize and update this discussion we're having with member states because competition is good, but it has to be fair. So, yes all this is being discussed.

The question on market economy status of China is of course coming at the same junction of this but it's actually a separate question that we are looking at. We are evaluating what we think must be done or not when there is an expiry of the protocol of the WTO in December. We're making impact assessments internally, the effects of this, by sectors, by country.

We're consulting with member states and the European Parliament. Because in the European Union we have to, as a difference to US and many others, if anything is going to change we need to do a law, to propose a law that has to go from the Commission to the European Council and to the European Parliament. I think if you are going to do it in the US you can do it overnight. So that makes the process a bit complicated.

We're of course talking to American partners on this as well, but this is a special provision for the EU making it more lengthy. We haven't landed yet, there is a big--an intense discussion going on this. So, we'll see by the summer what will happen.

Adam Posen: Can I just press you one inch further on that specific topic? How concerning would it be to you if US and the EU started to go in different directions on that decision? I mean, is it just the EU has its process and whatever that process decides it decides or is that a real factor in the process? That if the US says one thing and the EU says another that goes against some of the things you talked about in your speech in terms of common interests.

Commissioner: Well, obviously, we talk about these things and the steps we are taking and with full transparency, we share that with the Americans. I think there are also discussions on different levels, technical and legal levels beyond my pay level among our leaders. It is being discussed in G20, G7 and different kind of summits.

Of course, we discuss but in the end every country has to make an independent decision on this and it could happen that we don't land in the same decision. But as long as we are transparent and inclusive and share our views, I don't think that is a problem. I mean, we cooperate but not necessarily agree on all issues. That's normal.

Adam Posen: Very good. We have a nice queue at the back mic and then we'll come to the front in a minute. Please.

Melinda: Thank you very much. Melinda, St. Louis from Public Citizen. You mentioned the importance of having an open process on TTIP, more transparency to build public trust around the agenda. Obviously, the European Commission has published textural proposals for TTIP.

The USTR has not followed suite, has not been willing to publish its textural proposals and our understanding is that the US government is opposing making a consolidated texts publicly available. I came from Europe where there it does seem that the public there is extreme skepticism about the project. And I think the US's level of secrecy on this is feeding that skepticism and concern from the European side.

And so my question is whether it's on the agenda with Ambassador Frohman to say that it's important for the US to open up and to publish textural proposals and allow for consolidated texts to be available. Or perhaps it's not appropriate to continue the negotiations until that happens because we and the US side are very frustrated that they haven't been willing to make those changes. Because I do think that it does impact in Europe the ability to sell the agreement to the public given the level of close process that the US government is continuing to have.

Adam Posen: Thank you.

Commissioner: Well, you know what we are doing in the European Union, we are publishing a lot of texts. We are engaging with the citizens. We have a website with a lot of background and accurate material. We are engaging in different ways. What the US does, they do what they do. It's not up to me to lecture Ambassador Frohman or anybody else on how to that.

Adam Posen: Okay. One more from the back mic and then the gentleman in the hat over there.

Sean Donnelly: Sean Donnelly from the US Council for International Business. Thank you Commissioner. I just want to talk about how do we get to ambitious, comprehensive and balanced agreement. You and other leaders have laid out a series of areas where you want the US to move on procurement, on GIs, regulatory sectors, your new investment court procedure of the energy chapter.

And you've also laid out some red line areas where Europe can't go in terms of eliminating all agricultural tariffs, the SPS issues like biotech; eliminating some of the services things. You're asking a lot of the US. What's Europe putting on the table? What's in this for the US? Thanks.

Commissioner: Well, I'm here to speak from the European Union point of view. I'm sure that if my American counterpart was here he would list quite a lot of priorities from the American side as well. Our mandate is public. I am obviously tasked to achieve as much as possible.

But how do we do to achieve it? Well, as we always do. We sit around the table and we talk. And we have concluded 37 trade agreements in the European Union so far. We have 20 ongoing negotiations. I think we're quite good at negotiating. I also know that the Americans are quite good at negotiating and we will eventually achieve an agreement.

We give and take. That's what it is. But exactly how we do that and exactly what I'm going to give in on and what I expect the Americans – I mean you understand the respect so I am not in a position and say that.

Adam Posen: Please.

Rob Scott: Thank you. I'm Rob Scott from the Economic Policy Institute. I think there's a growing awareness that there seem to be a disconnect between the public view of trade and globalization and the way it's perceived here in Washington and Brussels. And I think a big part of that have to do with the real effects of trade, especially on working people.

Globalization and trade agreements associated with growing trade deficits, it eliminated millions of jobs in the United States, it had serious depressing effects on wages, especially for workers without a college degree. And, to me, it seems as though instead of talking about the rules we should be talking more about the outcomes and moving toward more balanced trade. That's one thing we could do to help relieve some of these negative impacts.

Do you see any mechanism going forward to move the discussion more in the direction of talking about measures that can remove trade imbalances in addition to the other discussions going on in TTIP and so on?

Adam Posen: If I can piggyback on that. Obviously, I have a slightly different interpretation than Rob, but taking I think a fair point, one of the issues that people like me who've been advocating trade in the US is, we always say the problem isn't so much trade, it's the lack of a welfare state in the US.

But obviously in Europe there is a much more extensive welfare state. Not everyone is Sweden, but everyone is not the US. There are unions, there are labor standards and yet there still seems to be dissatisfaction in Europe as well.

So, just putting that context on things, do you see the sources of dissatisfaction or unhappiness with trade as being similar in the US as in Europe? Is there the same approach to deal with them? How do you think about those things?

Commissioner: Well, I don't have the competence of going into detail into the American debate of course. But, I think, people in the US like people in the European Union have suffered immensely from the economic crisis of 2008. Many, many people have been unemployed, are still unemployed.

Many young people are still struggling to even get into the labor market. People have been forced to leave their homes. There's been huge social consequences of that and, many areas here and also many countries in the European Union, even if in general on the macro-economic level we are moving out of it, many people are still suffering.

So that of course, has led to a discontent. To a mistrust and a struggle that sometimes trade arguments are blamed for in a way. I do not share your premise. I think trade basically, if it's well done and under good rules and so on, it can be a fantastic source of growth both here and in the European Union.

Millions of people worldwide have come out of poverty because of trade. But of course we also need to realize that in a very quick globalizing world there are losers and winners. So there needs to be, and without dictating how that should be, there needs to be a safety net for the losers on this if there is competition and globalization. There needs to be protective measures so that people can move between jobs so they are protected.

We have something called the Globalization Adjustment Fund in the European Union where we try to compensate areas who have been under every big stress of competition. For instance, there needs to be some sort of state's intervention, welfare system, whatever you call it, in order to make sure that you reach out to the most vulnerable people who have done this.

But the good and fair trade agreement, I think can be a way, especially if what we try to do in TTIP is try to have a focus on small and medium sized companies and those are companies who have a lot to win. They can employ new people, they can create new jobs and also thereby contributing to us recovering from the economic crisis as well.

Adam Posen: Thank you. At the back mic and then here at the table.

Thornton: Hi. Brett Thornton with Inside US Trade. You mentioned there was going to be a second procurement offer. Can you please tell me or tell us –

Commissioner: No, I'm not going to tell you details on that.

Thornton: Nothing more on what you're looking for from [inaudible 00:38:02]. In that case, on regulatory cooperation, I know there's been a lot of talk about progress in sectorals. You mentioned earlier cars and pharmaceuticals.

Has there been a political agreement or an agreement at the negotiators level to move on specific outcomes in those areas? Or is that still just very closed?

Commissioner: Okay, on the first issue, we are just analyzing our respective first offers on public procurement so that's why I can't review them in public with you because we are looking into it internally. On regularity, we are actually making good progress. I mentioned cars ad pharma where we are approaching agreement.

This is not a political discussion, it's very technical. We need to know that the agencies -- and you have many in this country in the US -- and our agencies as well, the regulatory bodies feel comfortable with the research, the data, the experience, the facts they have. So we can say, "Okay, this way of inspecting factories, of certifying devices or that little clicking system in the seatbelt that they can be made in the same way". Or for instance, we also talk about textiles, the labeling things where you say how to wash them, what's the different fabrics and so we can recognize each other.

So it's not a political issue. We are advancing on these issues that I mentioned. We have basically an agreement. We just need to get the technicalities right. We had very good discussion on this at the February Round. And the April Round that we are now preparing, I hope that we can be conclusive on some of these matters.

Thornton: Just to clarify, the concrete objectives haven't been identified in those areas yet about what can be done?

Commissioner: As I told you. I gave you three examples.

Adam Posen: Her main point was that the objectors are actually not very much in dispute. You're going to go as far as the technical talks can get you.

Commissioner: Absolutely, yeah.

Adam Posen: Before we go back to the back mike, here in front, please.

David Short: Thank you, David Short with FedEx. At FedEx we're convinced one of the things TTIP could do that would have the most benefit for small and medium enterprises on both sides of the Atlantic is to have a commercially useful de minimis level, the level that low value goods could flow back and forth without the burden of duties, taxes and customs entries.

Here at the Peterson Institute there was, what I think, is a very persuasive study done led by my friend and mentor Gary Hufbauer, that showed it's crazy for governments to spend say 50 Euros in administrating expense collecting 20 Euros in taxes. That's not good for government and it's a burden on the economy, particularly the SMEs.

In the US, most of our recent trade agreements with Columbia, with Korea, et cetera, there has been a mutual commitment to match the US de minimis level, which at the time was US$200. The US, trying to lead by example just two weeks ago while we were in Brussels for the Twelfth Round, president Obama signed an OR, a unilateral increase in the US de minimis to $800.

So, European businesses taking orders on the web from any of us in the US, they can take orders up to $800 and it comes flying into the US, no duties, not taxes, no customs entry. Meanwhile in Europe the de minimis is stuck at 22 Euros, which is one of the lowest. Even Mexico has you beat by double and that's perhaps a developing country.

In the Twelve Rounds we have seen no flexibility on the EU side. We've had very civil discussions and your people in DG tax suit are very -- I realize that's a different part of the commission -- but they're responsible for this. They're consummate professionals, they know their business, but they've not shown any willingness, if I may say, to come up to the US level or to even, move at all beyond the 22 Euros.

And so I just wonder, can we hope for any flexibility from the commission going forward? Thank you.

Adam Posen: He gets away with it because he cited the Peterson study.

Commissioner: I think the answer to that question is that maybe, sir, you could give me a copy of that study and I'll go home and read and talk to my people then we'll see.

Adam Posen: Gary will give you an autographed copy, we assure you, hint to everyone. At the back mic and then there.

Jim Burgher: Yeah, Jim Burgher from Washington Trade Daily. Just a simple question. What are the top items on the agenda for your discussions tomorrow with USTR Frohman?

Commissioner: Well, we have the meeting tomorrow, quite short. But we'll be meeting each other next week as well for a whole day. So I think, tomorrow we will be evaluating a little bit the results of the twelfth round of negotiation where mainly we discussed regulatory cooperation, sustainable development also.

So these would be the things, I think, we will discuss. But then we will probably mention other things as well, but I will reckon that is what we will dedicate most of our time to. And then we have a longer sitting Friday next week in Brussels.

Adam Posen: Very good.

Dadeusch: Ouie Dadeusch with the Carnegie Endowment for International Peace. Commissioner, there's a view that US and EU are actually fiddling at the margins of the trade agenda with little things. Whereas the big items in the world are left unaddressed. And in particular the tariffs and the service impediments in the large developing countries, the integration of the Middle East North Africa with Europe where the big crisis is at the moment.

These are the big issues. The other big issue is the whole issue of agricultural subsidies. If I have a moment, I'd like to add one comment, Adam, just very quickly. We have been saying that you cannot deal with agricultural subsidies in regional negotiations. I note that in the TPP both Canada and Japan are increasing their agricultural subsidies to compensate for the liberalization, so it seems that we can increase agricultural subsidies but we cannot reduce them in regional negotiations.

Commissioner: Well, sir, I think that was both a question and a comment. Even if, of course, we need to get things right, you can say we are fiddling with the details. Yes, but those details we need to get them right. So, it's a good agreement so I can get my member states on board and Ambassador Frohman can get the congress on board in the end of the agreement where we both say that this is a balanced, good agreement.

But of course the differences are minor between us than between other countries. The issues you mentioned are very important as well and we have to deal with some of them in the WTO context, in the multilateral level.

We did agree to phase out export subsidies in the agricultural sector in Nairobi. That was quite an achievement I must say. There are lots of other things pending around there where we need to have WTO on board. We are right now engaged internally in the EU as I guess you are in the US, to see how can we address those remaining issues. But also as I mentioned some of the new issues. this is a conversation I'm having with Ambassador Frohman as well.

I think the people here in the Institute who are also looking at the future of WTO and what can be done. We didn't have time to discuss this today. I'm happy to come back on another occasion and I think there are many issues here where the EU and the US can contribute as well. We have conversations in many different foras as well because these items are indeed very important as well.

Adam Posen: Commissioner, I will hold you to that, we do want you back. You're going to have to leave in two minutes. Let me -- roughly if you have more --

Commissioner: Five.

Adam Posen: Five. Oh good. So, before I ask the last question, does anyone else want to grab that? Please, the microphone, since she's generously given us those extra minutes.

Bob Bastein: Thank you very much. Bob Bastein, Georgetown Center for Business and Public Policy. I could give a preamble, but I'm going to get right to the point. The European Union has made weak, poor, some say abysmal offers on services. Your offers do not rise to the level of SITA or TISA or other FTA's that you've negotiated.

The US made, what I understand to be a reasonable offer consistent with its current practice and high standards achieved in other agreements. So, why are you holding back? Why so reticent?

Adam Posen: I appreciate coming right to the point. That was great.

Commissioner: Well, I think we have made a very decent first offer to the US. We will obviously discuss this. But the problem is also – not a problem – but the fact is also that the European Union is already a very open market. Our services are liberalized, they are accessible for others as well. So we think we are already at another starting point. But obviously, quarreling about the different offers is not what I'm going to do here in front of all these journalists and the people. We take that into the negotiation room.

Adam Posen: A bit more broadly. So, let me put it to you differently. Our colleague Brad Jensen, whom you've met, has done seminal work on services. My colleague Jacob Kirkegaard has written on liberalization and reform in Europe, has pointed out that -- at least take just one example -- Germany, various guilds and regulations, are interfering with growth and services within the German economy.

This is the one point where I will sound a little more like the sanctimonious American and push you a bit. It seems that unlocking competition and services could be a huge step forward for productivity growth in Europe. And we all know that that is a huge goal of the commission for good reason.

So, I guess I have to say again, slightly differently than the way the question was put, but again, this is something that's really in Europe's own interests. And so why are we seeing just literally stuff that's behind SITA, for example? That does seem to be the case.

Commissioner: Well, SITA as I said is a very far reaching agreement. We gave a very generous offer but we also get a lot back. That's how you negotiate. Depending on what you get back, you offer. And exactly where we are in those discussions with the US, this is not the place to discuss this. But it is true that we have -- I mean, the European Union is a very open economy, both for services and public procurement, but true, we still have work to do when it comes to services.

Completing the internal market is a very important project and one of the biggest things there to do is services where member states have not lived up to their promises and what we have jointly decided and this is a huge problem so we are from the commission side pushing that as well. So yes, we have homework to do there as well.

Adam Posen: Finally, and again, you've been very generous with your time and your forthright answers. I appreciate it. One of the most heartening things you said in your speech, which, I think, our staff has already tweeted and your staff has already tweeted, is the welcoming of TPP. That at the same time you've concluded negotiations with Vietnam and Canada, you still view it as a good thing for the US to be moving forward with those things, and that's very heartening. Some people may be surprised to hear that.

So if you could just say a couples sentences in your view about why this all goes well together. Why this isn't a competitive liberalization in the bad sense; that if you get access to Vietnam, and we don't, that's nice. Just give us a bit more of a rousing optimistic Carl Popper kind of ending.

Commissioner: Well, I think, I mentioned it in my speech, because these kind of agreements with countries who obviously are less advanced when it comes to openness and liberalization. If those agreements lead to better rule framework, if that leads to more opening, better regulation when it comes to state owned enterprises, if it increases the level of labor protection, environmental protection -- we know that in some countries in TPP they are quite low. That's a good thing for the whole world. And I want to congratulate the US for concluding this. Of course this in a way leads to increased competition. But this is overall globally good for the whole world. So we welcome this.

Adam Posen: Fantastic. Thank you, Commissioner Cecilia Malmstrom at the EU.

Commissioner: Thank you.