

TTIP public event

Statement of Deputy Minister of Economic Development, Carlo Calenda


Rome, 14th October 2014

Allow me first of all to thank Ambassador Froman and European Commissioner De Gucht for accepting our invitation to participate in this event of the Italian Presidency. I also wish to thank my colleagues, the European Ministers present here today.

Our purpose in organising this initiative is to place the free trade agreement between Europe and the United States at the centre of the public debate. This agreement, once finalised, will constitute a turning point in international relations, and must not be confined to restricted circles of experts.

This is why the Italian Presidency has set as its priority to obtain the declassification of the negotiating mandate, more than one year after the start of negotiations.

The TTIP mandate is declassified



COUNCIL OF
THE EUROPEAN UNION

Brussels, 17 June 2013

11103/13

RESTREINT UE/EU RESTRICTED


WTO 139
SERVICES 26
FDI 17
USA 18

NOTE

From :	General Secretariat of the Council
To :	Delegations
Subject :	Directives for the negotiation on the Transatlantic Trade and Investment Partnership between the European Union and the United States of America

Delegations will find attached the directives for the negotiation on the Transatlantic Trade and Investment Partnership between the European Union and the United States of America, as adopted at the Foreign Affairs Council (Trade) on 14 June 2013.

NB: This document contains information classified RESTREINT UE/EU RESTRICTED whose unauthorised disclosure could be disadvantageous to the interests of the European Union or of one or more of its Member States. All addressees are therefore requested to handle this document with the particular care required by the Council's Security Rules for documents classified RESTREINT UE/EU RESTRICTED.



**Link to the EU directives
for the negotiation
on the TTIP**

[http://data.consilium.europa.eu/
doc/document/ST-11103-2013-
DCL-1/en/pdf](http://data.consilium.europa.eu/doc/document/ST-11103-2013-DCL-1/en/pdf)

I wish to thank the Commission with whom we have worked and the Member States who have unanimously agreed to disclose it. We have waited too long and this delay has been highly detrimental to the public's perception of these talks.

The negotiating mandate is a useful document for responding to the understandable concerns of public opinion. It provides many of the answers to the questions of those who believe that the TTIP is an agreement made for multinationals, aiming to lower social security and regulatory standards.

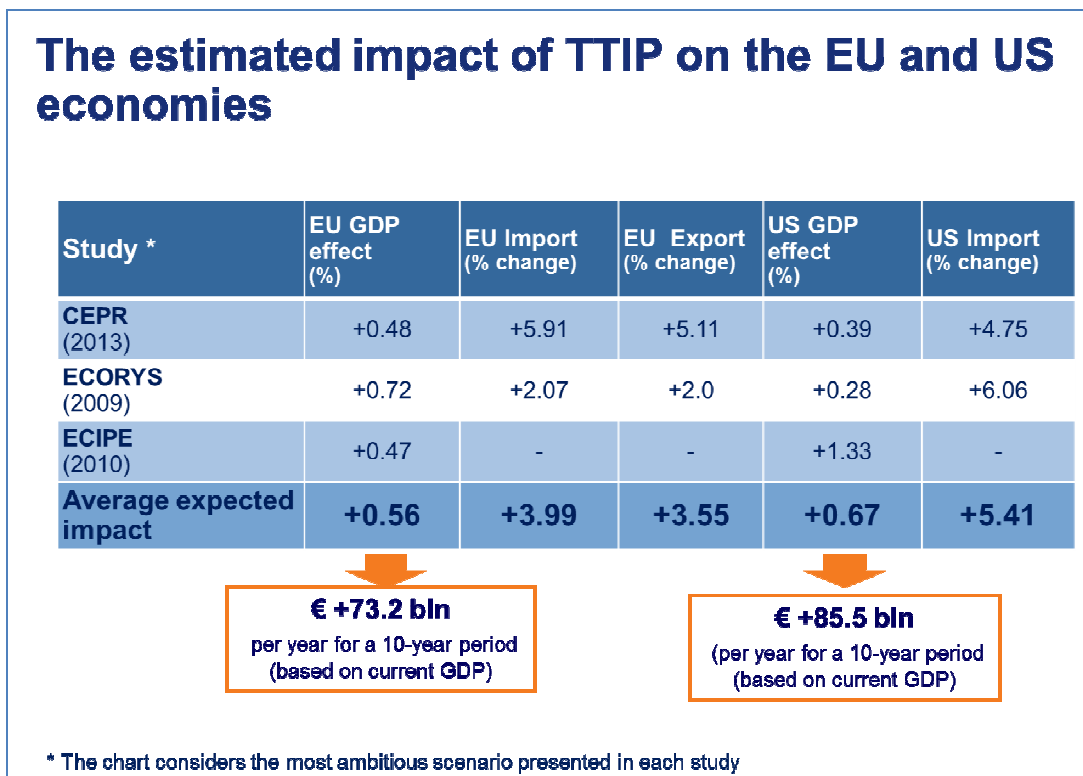
Indeed, its directives contain a clear indication of the *red lines* which draw the boundaries of the negotiators' field of action.

It will be evident to all of those who will read them in good faith, that public utilities are not covered by the negotiations, nor is culture, the indiscriminate access of GMOs, or the possibility to limit European governments' sovereignty (see pages 7,3, 4, 8, 9 of the Italian version).

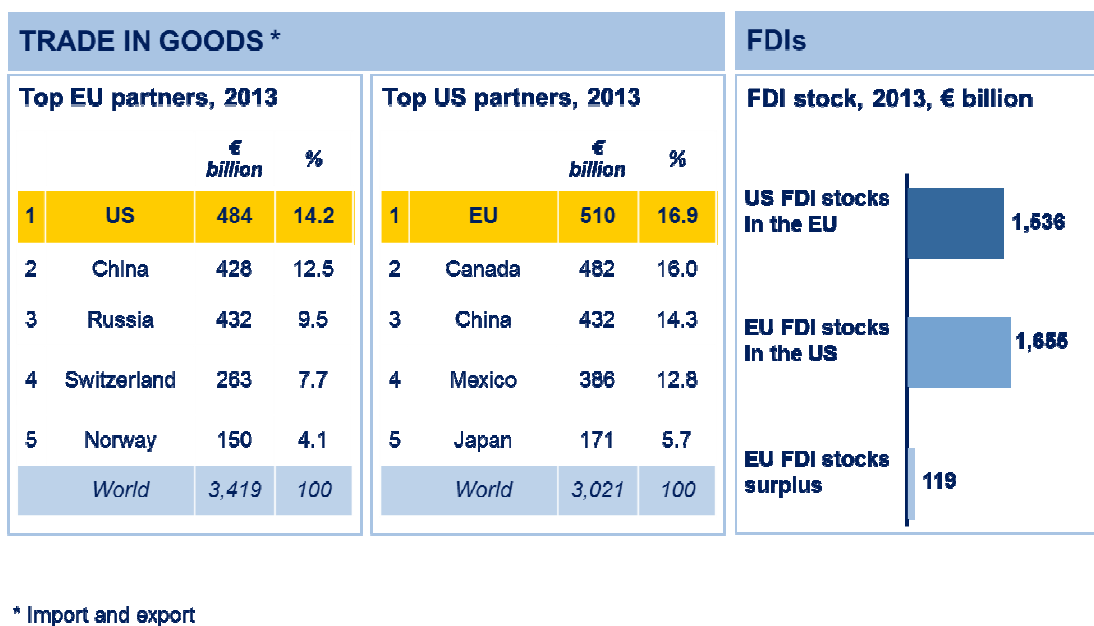
At the same time, the mandate offers solid arguments to defeat the instrumental contentions of those who use the TTIP to spread irrational fears aiming to attack the principles of free market and free trade, and the very EU-US relationship. A relationship on which the second phase of globalisation must necessarily rest, if we Europeans are to play a leading role.

There are three main reasons that make the TTIP fundamental. I shall list them by increasing importance.

Firstly, TTIP is a good deal for both sides. According to the most authoritative estimates, the impact of a "*comprehensive agreement*" is about half a percentage point of GDP per year, with a highly significant increase in exports and employment.



The EU and the US are each other's first commercial partner



Though both economies are already highly integrated, both in trade and investment terms, considerable tariff and non-tariff barriers do still exist. Especially with regard to tariffs, peak values in certain strategic sectors are still very damaging to Transatlantic trade.

High tariff peaks

EU TARIFF PEAKS

selected products

Products	Up to
Agriculture	⇒ 18-25% *
Trucks	⇒ 22%
Footwear	⇒ 17%
Audiovisual products	⇒ 145%
Clothing	⇒ 12%

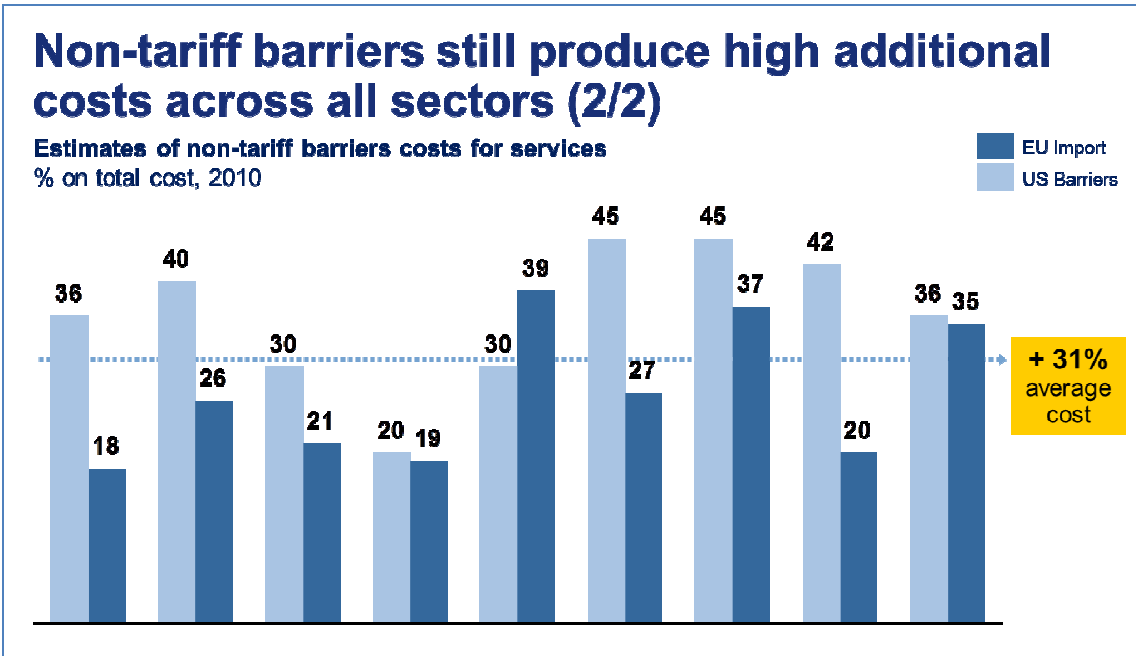
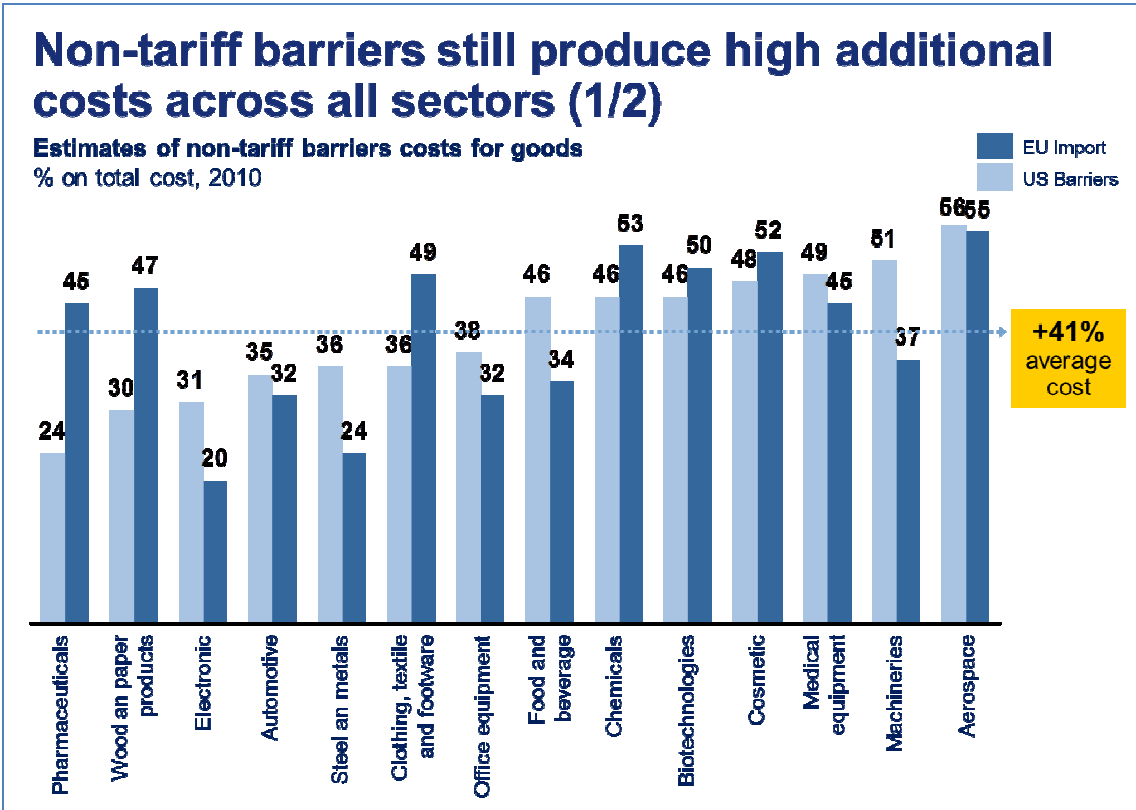
US TARIFF PEAKS

selected products

Products	Up to
Tobacco	⇒ 350%
Agriculture	⇒ 160%
Footwear	⇒ 56%
Textile	⇒ 40%
Clothing	⇒ 32%

*Average agricultural peak tariff

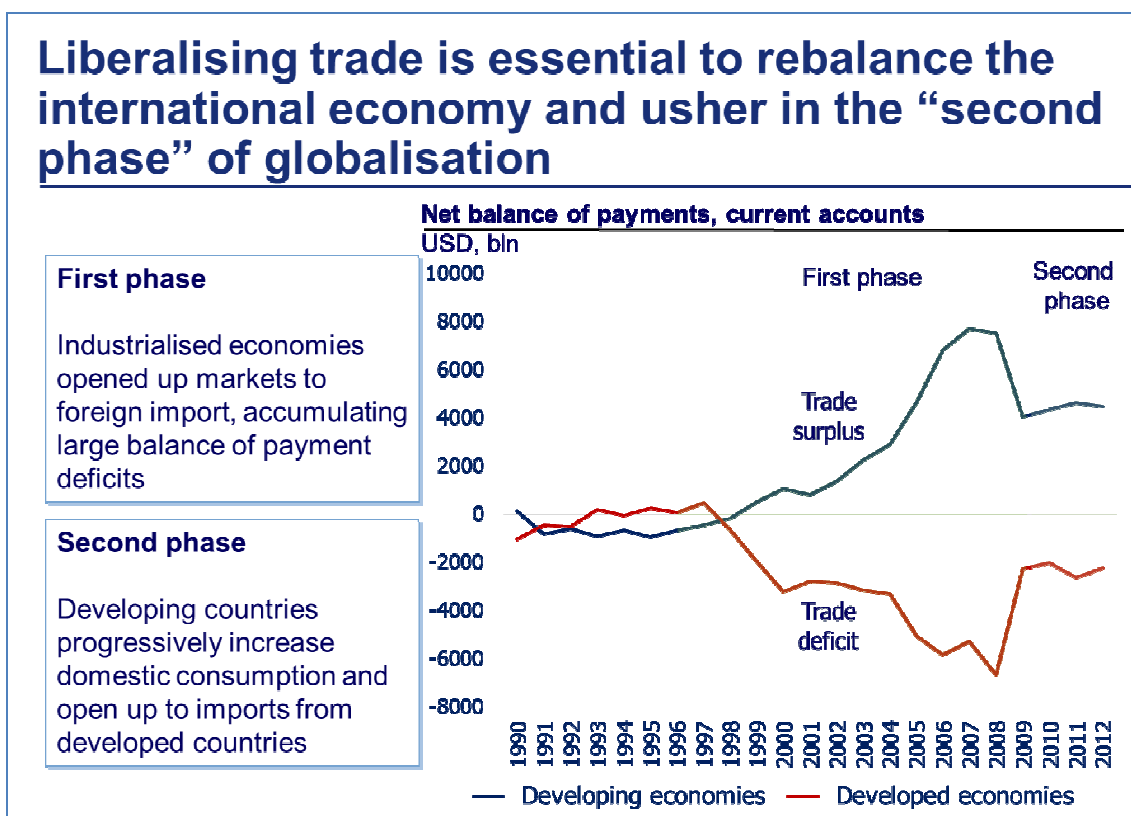
Also, non-tariff barriers are responsible, according to some studies, for average increases of 41% in goods prices and 31% in services prices.



The data I have just presented clearly show it is SMEs that stand to benefit most from the TTIP. Indeed, it is a matter of course that multinationals can easily overcome tariff and non-tariff barriers by delocalising or absorbing the costs of double standards, which are often an unsurmountable problem for an SME.

The second reason why the TTIP is fundamental is linked to the completion of the integration process of international economies which commenced in the early Nineties. Nowadays, in our societies, there is a widespread opinion that the West has been on the receiving end, rather than leading the globalisation process. On the contrary, I believe that this process is above all an investment made by our economies to foster the creation of new customer bases and lay the foundations for the steady expansion of a development model which would otherwise be doomed to the sluggish growth characterizing economies of substitution.

This process has developed in two distinct phases. The first features the opening of our markets to goods from emerging countries, at times without sufficient reciprocity, and at the price of building up enormous trade deficits.



This has enabled the appearance of a production economy in these new markets, through the exploitation of the cost advantages deriving from disregard of environmental and social standards.

The second phase is already under way and centres around the transition of now fully emerged markets from production to consumption economies. To quote a French scholar, the first phase of globalisation has been characterised by Chinese manufacturers and American - though I would say Western - consumers, while the second phase will witness a more balanced distribution of production and consumption.

And if there is no doubt that the geographical distribution of benefits during the first phase has been unequal, we must not forget that anyway a billion people have been released from poverty as a result.

This first phase has given rise to increased profits for companies and lower prices for many products in the West, but has had a negative impact on the distribution of wealth, placing the middle classes under considerable pressure.

It is my opinion that the various speculative bubbles created by an overgrown financial supply have actually been an attempt to reduce the pain of this transitional phase by boosting the middle classes' debt capacity and giving rise to largely artificial growth.

The idea – to me wrong – has also been gaining credence that our development model necessarily involves a high degree of inequality and that free trade acts as a multiplier of this pathological situation.

The second phase of globalisation has very different features from those we have experienced up to now. Increased consumption in new markets constitutes an ever more important structural outlet for those enterprises, both large and small, that have succeeded in enhancing the quality of their products and processes.

Secondly, lower differences in production costs between mature and emerging countries, also resulting from the introduction of new production technologies, are laying the foundations for possible delocalisation.

What is known as *reshoring* is certain to characterise the coming years all over the West.

Manufacturing, which all too early had been given up for dead in Western countries, can return once again to be the backbone of our economies.

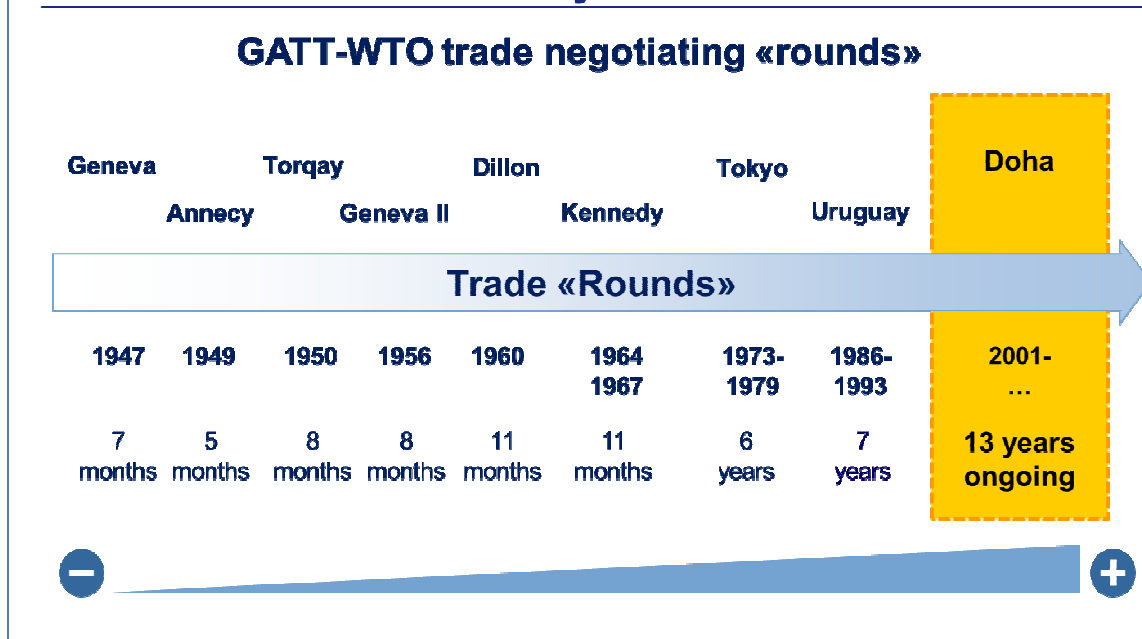
Simply speaking, we are beginning to reap the dividends of our investment.

A successful conclusion to the TTIP can bring perceivable benefits to citizens and small and medium enterprises, thus also changing the way in which trade and globalisation are perceived in the West.

However, a happy ending must in no way be taken for granted. There is an indispensable condition for this to happen: the BRICS must open fully to our products, services and investments. Unfortunately, though, the temptation is prevailing, although to different extents in individual countries, to keep the benefits of the past two decades of growth within their own boundaries.

This lack of progress emerges clearly from the increase in non-tariff barriers and the more than ten-year deadlock in the Doha Development Agenda.

However, trade liberalisation is slowing down and trade negotiations have become more difficult over the last 15 years



It is clear today, despite our long-standing beliefs, that multilateral talks alone cannot ensure sufficient progress in the opening up of trade in goods and services.

Consequently, we are witnessing the birth of a more complex system for the governance of globalisation, built on three tiers.

The major bilateral and regional agreements such as TTIP and TPP will represent the front lines of globalisation, offering the legal framework for the most significant progress in terms of market access and dismantling of non-tariff barriers.

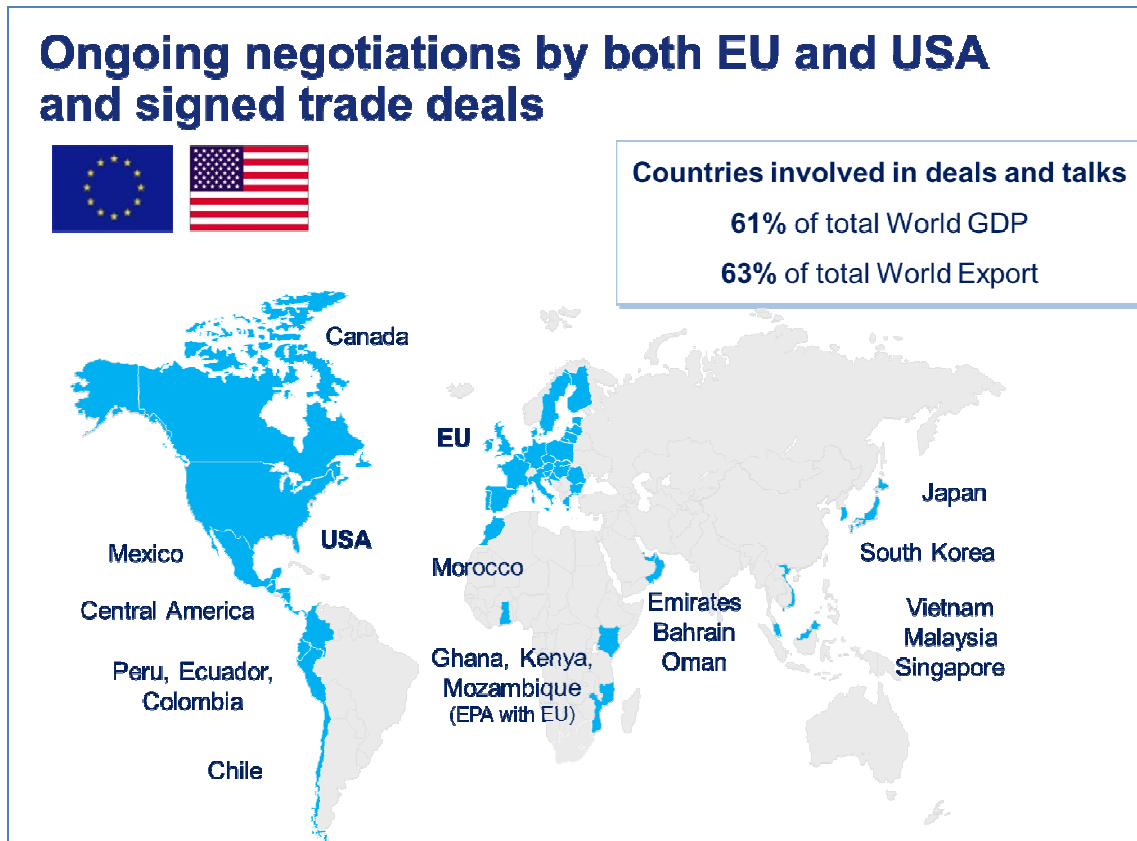
The plurilateral sectoral agreements within the WTO, such as those currently under way on environmental goods and services which only involve countries willing to negotiate, represent the second tier. And lastly, the multilateral round – this is fundamental if we are to keep within the system all the other countries who are not prepared to open up as deeply as required by the first two negotiating tiers.

These three levels, of course, are not completely separate. Specifically, the progress made in the upper pyramid will boost the lower tiers.

The TTIP, therefore, is one of the cornerstones of the new system of international economic relations. It is not simply a matter of reaching a common agreement on standards that will ultimately become global – it is above all a question of striving to prevent the opening of the major emerging markets from coming to a halt.

If we analyse European Union and US trade agreements with these same parties, either currently under negotiation or already signed, we realise that a vast free trade area,

accounting for more than 60% of world GDP, is in the process of being established. An area encompassing the Pacific and Atlantic regions and gathering together like-minded countries that reject protectionism and the consequences, including the political consequences, it engenders.



The third reason why the TTIP needs to be closed swiftly and successfully is essentially political.

The scenario we have just described in relation to new developments in trade policies cannot be evaluated separately from an increasingly complex geo-political framework. The world has not become flat, neither from an economic standpoint nor from a political one. More and more unstable “fault zones” are widening around the world, from the South China Sea to the Mediterranean, reaching to Eastern Europe.

In some cases, we are dealing with the reaction not just to an economic development model but to a political one, as well. Protectionism and nationalism have always walked hand in hand.

The financial crisis has recently brought into question the ability of liberal democracies to ensure growth, development and well-being.

And if we look at the Russian-Ukrainian crisis from this perspective, we cannot help wondering whether a rapid conclusion to the TTIP negotiations, comprising specific provisions on energy, might offer a far more useful countermeasure, as compared to sanctions, against Russia’s actions.

More generally speaking, a rapid success of this agreement would bring the values of liberal democratic economies – which have become controversial in many regions of the world - back to the centre of globalisation.

But, if the TTIP is so clearly indispensable, one must wonder why the negotiations have not yielded the desired outcome up to now. One year is certainly a short time, even taking into account the preceding two years' work of the High Level Group, whose aim was to draw up a framework for the agreement. Nevertheless, we are not meeting the deadlines we had set ourselves. And, as I have just explained, failure to meet these deadlines has serious consequences.

The feeling is that we have overestimated our capability to address the more complex parts of the deal. **The repeated statements about the willingness to close a “comprehensive agreement” cannot hide the fact that we are demanding that all the “comprehensiveness” be on the other side of the playing field.**

We started out with the idea that two already highly integrated economies, with high standards and extensively shared social and economic values, would have had no major issues in closing the deal.

The actual state of affairs, unfortunately, is different. It is the very strength of our relationship that offers the reason why some of the differences are deeply rooted in our social and cultural sensitivity.

From a political viewpoint, I believe there are three types of negotiating headings under which the individual negotiating elements should fall. Only in this way will we be able to pinpoint the effective landing zones for this agreement.

Certain topics are not available to negotiators, as they relate to deeply different sensitivities that are connected with their respective cultures. GMOs, the difference between the precautionary principle and the scientific evidence principle and audiovisuals are examples of such topics as regards Europe. We must be very careful to avoid that these chapters hold the negotiations hostage for years on end.

And such would be the case if one of the parties refused to recognise the non-negotiable nature of this type of dossier.

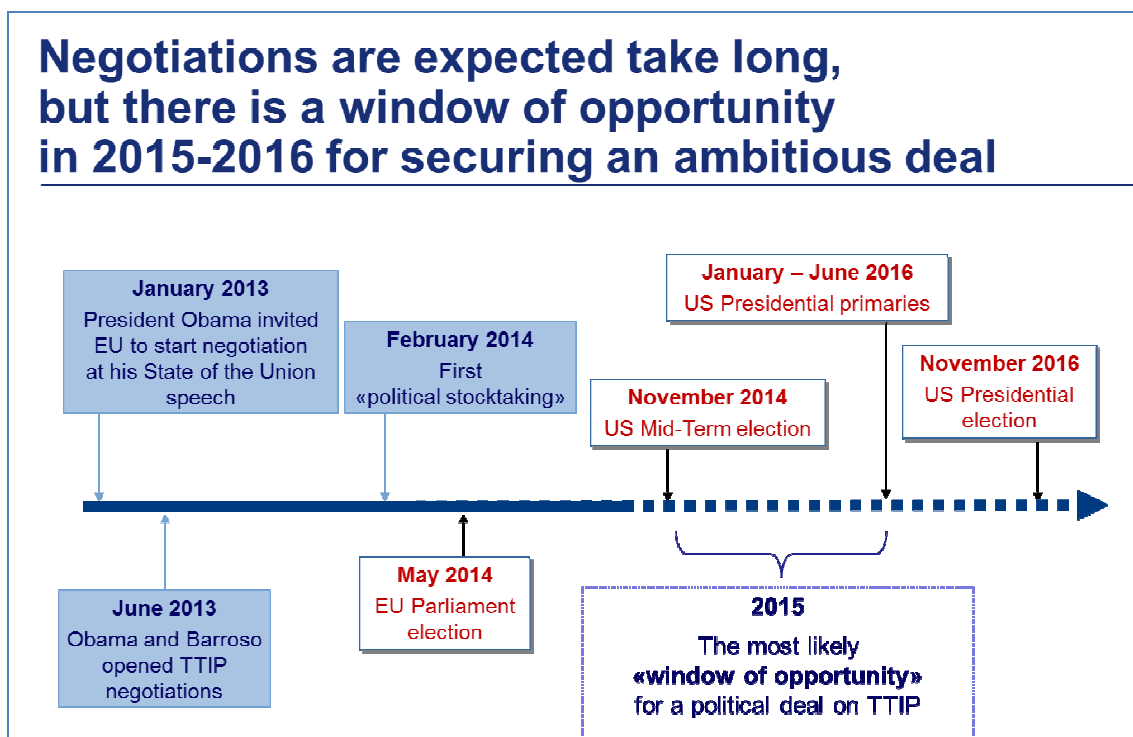
Also, there are subjects of high political importance and sensitivity. This category includes a considerable portion of the value of the negotiations: *public procurement*, energy, maritime transport, agricultural tariffs, financial services, the ISDS clause, geographical indications. The possibility of closing a deal in these fields depends more on political commitment than on negotiators' technical abilities. **A hostile political context could prove fatal, unless it is counterbalanced by strong leadership in the United States and in**

Europe. Here, too, time has a role to play. As the outcome drifts further away, the negotiations, left prey to their opponents, risk witnessing the shifting of some of these topics into the non-negotiable category. This is what is now happening with the investment protection clause. At the start of the negotiations, this was a sensitive issue. Today, at least in its more extensive wording, inclusion of this clause is politically out of the question for a number of European countries.

The third set of topics comprises the politically and culturally less sensitive part of the talks: most of the tariff lines, horizontal and sectoral convergence of standards, strengthened trade facilitation for SMEs. The value of this *cluster* is far from negligible.

A principle of international negotiations, which I would venture to define nearly sacred, is the so-called “single undertaking”, whereby nothing is agreed until everything is agreed. It is fundamental in order to enable the parties to reach agreement also on the most complex and contentious parts. One must also bear in mind, however, precisely because of the specific nature of TTIP, that this principle needs to be completed with a more clear-cut definition of the possibility of reaching its goals over time.

We have only a few months left to emerge from deadlock. The window of opportunity for closing the agreement is from the day after the November mid-term elections to the early months of 2016. After that period, the approach of the American primaries and the subsequent presidential elections will make things much more complicated.



We need a fresh start, therefore, better, a fresh re-start, in order to do away with petty negotiation tactics and clearly re-define the effectively achievable landing zones, by laying down a feasible road map. A road map foreseeing specific checks along the way and leaving the door open to the possibility of making further changes of route and of methods of closing the negotiations, should we again find ourselves in a deadlocked situation in six months' time.

It will also be essential to boost communication initiatives and the transparency of negotiating rounds.

There is a general principle that can come to the aid of the TTIP. I think we are forgetting that already in the High Level Working Group report the TTIP had been indicated as being by nature a "living agreement". An agreement which, once concluded, cannot exclude the possibility of additional chapters. The most immediate example is the audiovisual sector. Today Europe is not prepared to discuss it, also because common rules in this field have not yet been adopted. But once the regulatory framework within the EU has been laid down, it will be essential to work towards making it a part of the agreement with the United States, a leader in this field.

In other words, a certain amount of flexibility on the *single undertaking* is intrinsic to the TTIP.

Distinguished Guests, Dear Colleagues,

It is very likely that next year will be more difficult than this one, from many points of view. The geopolitical situation is worsening visibly, nor can new financial upheavals be ruled out. The Italian Government deeply believes that it is necessary to strengthen in every way the ability to jointly respond to these issues on the part of Europe, the Western world and of those countries which share our political and economic values.

The TTIP is the lever that can enable us to steer globalization. We can only reach this goal if we can show strong political leadership and the ability to prove to public opinion and our partners that our economic, political and social model is not doomed to emerge defeated from this momentous process.