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Export USA and the Brussels Chamber of Commerce event on "Updating the EU-U.S. trade dialogue"

European Parliament, Brussels
March 2nd 2020

European Parliament has been fostering a progressive transatlantic partnership for decades, investing in developing various channels for communicating with its American partners to make sure that when bad weather comes, we will be prepared to save this strategic partnership.

It has been, indeed, painful for all of us to hear from President Trump his comments regarding Europe. It makes us ask the question whether Europe is still of interest to America when China is seen by the President of the United States as a sort of lesser evil than Europe that, in the President's view, was created with an objective to do damage to America.

We also worry that demographic trends in U.S. leading to a declining share of citizens with European roots reduce in a natural way interest of the American people in the relationship with Europe. That might mean that people-to-people contacts will play in the future a less relevant role in shaping our transatlantic bounds. Taking into account both the bilateral interests of both parties as well as the shared global interests and responsibilities, we should spare no efforts to find a new basis for the reset of our relationship. Certainly, trade relations have played for decades an important role in shaping our common interests.

Today the challenge is not only to further develop bilateral ties but also to tackle together emerging global challenges. It is true that in transatlantic relations it has been difficult for the last four years to find anything that would function well. We trust that there is still a political space for building future relationship based on shared political values. On commitment to global leadership. On awareness of the need to work together on international issues. On rule-based trade. On common approach to security. While coping with the day-to-day disputes, we need to look beyond current events and find a new basis for the reset of this partnership. We need a relationship of equals. Far too often we hear from the American administration that U.S. expectation is that EU should adjust to U.S. position. Recently President Trump has said that China is difficult but the real pain in the head is Europe.

Nobody with whom we members of European Parliament met last week in Washington saw a chance for anything more regarding EU-U.S. relations this year than a small deal.
Richard Trumka, the President of AFLO-CIO said that on standards Trump and Europe will clash and Europe will not get anything this year, except maybe for a small deal where President Trump will play with tariffs.

The relationship between U.S. and EU depends on trust and can change only with changing trust. These days there is a very low level of trust, I would rather talk about distrust. EU is seen as a problem, not a partner. There is no template that would fit our relationship. We are talking to the administration but we cannot say that we are seen as a friend. There is no mood for a comprehensive relationship.

We talk about products, goods, pears, apples, lobsters but of course what is important for this relationship is what can secure and reflect a systemic and strategic interest of both parties. The way we ran in the past our relationship contributed to consolidating trade based on rules. Today the trend is to identify what is doable. American President seems committed to an approach based on identifying issues for mini deals that can come quickly and allow him to announce in the year of election one more success in concluding a quick deal. We move in this direction hoping that mini deals, first of phase one, then hopefully of phase two can bring a snow ball effect and lead one day in the future to a comprehensive agreement. With such a logic the major criterion for choosing the content of a deal is its doability. It also means that American Congress is not involved at any stage of the deal doing or implementing. For Europe it means staying within the existing 2018 negotiating mandate. It implies that both agriculture and services remain outside the deal.

It allows President Trump to show to his voters that he is tough, transactional and effective on tariffs. His starting point is looking at the trade balance, assuming that deficit is bad, surplus is good. This simplistic approach does not work, and in particular has no positive impact on competitiveness of American economy. Back in 2016 the first move of the new President was to renounce existing deals, TTIP was put into the freezer, then some of the existing agreements were renegotiated (USCMA or Agreement with South Korea), now he moves toward the phase of mini deals, (Japan, China, Europe).

We hope this will give us some breath due to de-escalation of tariffs, some space for moving later on to more strategic and more comprehensive approach. Our meetings in the Congress, and in particular in the House of Representatives, showed some concerns of our partners regarding this age of mini deals that do not have to go to Congress. In particular because they can be abandoned also without going to Congress. Our European small deal is envisaged for conclusion on 18 March, just before the next deadline regarding motor vehicle related plans of the President might be announced.

It goes without saying that on the EU trade agenda we are ready to make an effort toward continuity of positive engagement with U.S. This is true for both moving forward on bilateral relationship and on our common global interests. But on the American side, when it comes to moving forward in a constructive way, there is an appetite only for a doable small deal. Phil Hogan aims at delivering within the year mandate a small deal by 18 March. This might include first of all an agreement on conformity assessment. U.S. interest would be to confirm the ability of the U.S. Conformity Assessment Bodies to certify a wide range of industrial products for EU market.

We have also our list of products, in particular in machinery, electric and electronic sectors where we would like to see reduction of costs and administrative burdens of certification opening access to the American market. This would be of particular importance for smaller businesses. Unfortunately, as I said before our American partners look on each issue from the perspective of the surplus/deficit situation. That means that if in machinery Europe has a surplus, U.S. is not interested in moving forward on improving market access.

We are also willing to strengthen cooperation on standards, both existing and future ones. In particular, aiming at facilitating cooperation in the area which is crucial in the context of Chinese competition which is the area of emerging technologies, AI, robotics, internet of things, digitalisation, through progressing now on the standardisation would make sense. The good news is that there are talks at technical level. It is clear that trade liberalization in agriculture is not on the agenda. Some easing, however, of trade restrictions in SPS on non-controversial products like seafood, meaning U.S. lobster, as well as pears, apples on our side might be possible.

When talking to the administration, Congress, think tanks, NGOs, trade unions, business community, we realise that China is an absolute obsession for the U.S. The issue whether the China - U.S. small deal is fully WTO compliant is still open. It means also that the EU, while agreeing to the small deal approach will make sure that it will be WTO compliant. The Chinese agreement includes issues like reduction by half of tariffs by U.S., a pledge of the Chinese to increase purchases in U.S., opening Chinese market to American financial services, on currency side, a pledge of China to avoid devaluation of the Renminbi, on intellectual property rights also Chinese commitment to soften pressure on technology transfer. There is also some sort of dispute settlement mechanism included in the deal.

But there has been no involvement of Congress, so the small deal can be easily withdrawn by new administration or even the current one. It is also rather surprising that there is actually a rather limited knowledge among American stakeholders on the details of this mini deal. It was interesting to hear from the American International Trade Commission that it has not been consulted on it. Neither was Congress.

In the meantime, it has become also clear that the U.S. Trade Representative Robert Lighthizer is sceptical of the benefits afforded to U.S. entities under the World Trade Organization’s Government Procurement Agreement and backs a plan to leave it. The U.S. can do it through a draft executive order of the President. This is a plurilateral deal, which includes the U.S. and 47 other WTO members (counting the

27 EU member states and the United Kingdom), allows companies within member countries to compete for procurement contracts awarded by signatory governments. The “fundamental aim” of the GPA is to reciprocally open government procurement markets among its parties. Mr. Lighthizer has expressed scepticism about assertions that U.S. firms benefit from the GPA. USTR’s preference is to negotiate procurement benefits on a bilateral basis. Major business groups urged the U.S. to rethink any plans to withdraw from the GPA, alleging U.S. companies would be negatively affected. The move would put American companies in a disadvantageous position and would significantly impact procurement market access. Foreign contractors from nearly 50 countries may be at a disadvantage when competing for U.S. government contracts that are subject to domestic preference laws like the Buy American Act. If U.S. leaves the GPA, foreign firms and their supplies would no longer benefit from a BAA waiver in U.S. procurements that would otherwise be covered by the WTO agreement.

One could question what the U.S. had to gain in mulling such a move. The U.S. could face retaliation from other countries if it followed through with the plan. Most parties to GPA do not have measures in place to block access to procurement that they open under the Agreement. Consequently, countries that are not parties to the GPA can participate in procurement opened under the Agreement. That could change if the U.S. closes its procurement.

U.S. seems also to be considering raising their WTO bound tariff rates. These are maximum rates for every type of product, they bring uncertainty because they are the maximum that can legally be applied. With their increase, commercial reality might not change; more uncertainty will be, however, introduced.

It is XXVIII article procedure to notify intention to raise an undisclosed number of bound tariffs by an undisclosed amount. If there is no compensation envisaged for this change, then retaliation will be possible through equivalent amount. This dubiously WTO compliant trade war is actually frustrating and generating uncertainty.

We have been repeatedly saying that we are not defending the status quo with China. Of course, we have independent Chinese policy but we see the problem, we

also share concerns regarding their development model, state capitalism based, managed trade, not rule based relations. We do not defend the status quo on WTO either. We want to work with U.S. on that. Our message is that in these fields we have a new positive agenda.
But we also have to finalize the disputes on many open issues. We should work now with a view to find settlement for the Airbus/ Boeing issue as we both have been found in breach of WTO rules. We should talk not only about the Airbus part but also about future discipline in the sector, including Boeing. Now it is China, which benefits from the fact that U.S. and EU are imposing tariffs on each other in the context of the aircraft state aid breach.

Of course, WTO reform is a big theme. We want to improve rule-making function of WTO and have a well-functioning institution. We have to fix dispute settlement system, enforce rules, establish a two-step dispute settlement, with a legally binding and independent appeal system. To level the playing field we need new rules on industrial subsidies and forced transfer of technology. In general, we must aim at closing the gaps of the multilateral rulebook. We can work together on the preferential system regarding developing country status. It is not clear, however, how much appetite on this there is in U.S. And for these reforms we need a combined effort of major partners. In particular regarding China, some Asian big economies should be on board. None of us is big enough to cope with challenges alone.