

Professor Danuta Hübner

"Making the transatlantic relationship mutually beneficial"

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Strengthening and transitioning our economies"**

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Transatlantic relations are today broader and deeper than at any time in the past.

But it is also true that the challenges we face are unprecedented and when I say "we" I mean the EU and US independently and also jointly because we do share global responsibility.

Joint efforts to cope with those challenges are facilitated by the fact that our systems and bonds are based on shared fundamental values. And I think about both geopolitical and human dimensions of these bonds.

It is also clear today that the challenges we face will not be narrowing. We are looking into an uncertain future of the world.

I would also say that we have learnt, sometimes painfully, how to be good partners. And I continue to believe that one day we will have a barrier free transatlantic market place.

The good news is that we do not leave our relationship only to the executive, crucial as it is. In the recent years we invested a lot in transatlantic dialogue between lawmakers. The Trade and Technology Council also helped to establish a dialogue among businesses, labor, consumer representatives.

We have moved on to better data governance.

We need to invest more in common transatlantic standards supporting multilateral trading system and breathing new life into global system. We are slowly moving on more mutual recognition and conformity assessment. But there is so much more to be done.

Additionally, I would say that all those unparalleled challenges and opportunities are a moving target. This implies that the purpose and meaning of the transatlantic agenda will evolve, requiring further deepening of the bonds and bringing in new instruments.

For the last two years we have worked together to secure the foundation for our political, economic, technological and trade partnership. Today this foundation is strong, resilient and supportive.

Our transatlantic trade surpasses the pre-pandemic levels.

Together we are the largest and wealthiest market in the world accounting for almost one-third of world GDP in purchasing power terms. We also see highly interconnected supply chains and strong mutual investment flows.

Both our trade and investment support millions of jobs in the EU and the US. And let me say that I would like to hear this message more often in the speeches of our political leaders and lawmakers. Recent data talks about 5 million jobs created by US companies in the EU and 4.8 million created by European companies in the US. And these are only jobs directly generated by trade and investment. There are more indirect jobs as a consequence to spill overs as Dan Hamilton and Joe Quinlan will let us know after this panel.

Most of us here probably remember years of dysfunctional relations and then seeing America coming back in January 2021 and our strong commitment to work on our hopes and expectations. It led us to the EU-US Summit of June 2021, when we found pragmatic solutions to ongoing costly trade irritants and took action to avoid new disputes. We set up the EU-US Trade and Technology Council to create a space for strengthening our cooperation and deliver concrete outcomes.

A lot has been achieved but – as we normally add in Brussels in such moments – a lot remains to be done. We need permanent solutions to remaining bilateral disputes.

A meaningful example here is the need to find agreement on a Global Sustainable Arrangement on Steel and Aluminum. I assume we are progressing on it. We also have to continue to solve the civil aircraft dispute that was paused a year and a half

ago and find a common understanding and solution to the issue. We see how quickly China is moving forward in this field.

We definitely need EU-US cooperation on WTO issues. Our trade and investment relations are firmly anchored in the World Trade Organization. For trade to be a win-win process, we need to have healthy and respected rules based international framework. A strong joint commitment to WTO reform should remain a key element of our bilateral relations.

We are not yet there, though.

We should not forget that EU-US cooperation and co-leadership has historically been a driving force for progress in GATT/WTO negotiations. And I think there is on both sides the awareness that a strong international rules-based trade system is essential in this increasingly polarized world to shield us from the weaponization of trade and many other global flows. Global order and peace are in the interest of both the EU and the US.

Today, giving a meaningful look at the EU-US relationship one cannot skip the challenge represented by the climate change. It gets increasingly prevalent and everyone will need to be involved to tackling it effectively globally.

I would like to recognize the importance of the US embarking on an ambitious program to prevent unmanageable levels of global climate change. The Inflation Reduction Act sends a clear signal to industry that the future is climate neutral. We have been addressing this issue for many years through our policies.

We see the Act as a climate, industry and trade policies framework with a strong security dimension. It aims at its objectives mostly through tax breaks and “made in America” requirements. The good news is that the EU-US Task Force on the IRA established in October 2022 continues to progress in addressing EU’s concerns about the IRA.

Two weeks ago, Presidents Biden and von der Leyen had a positive meeting in Washington. They announced the start of a targeted negotiation on a critical minerals agreement to boost the EU and US mineral production and processing and expanding access to sources of critical minerals that are sustainable, trusted and free

of labor abuses. We expect that in this agreement, the US will grant “FTA-partner like” status to the EU in the context of the IRA.

In my view, the health of the transatlantic relationship will hinge on the EU’s readiness to work with the US on coping effectively with China’s geo-economic and political challenge.

In this context I would say that the TTC is a good platform to bring us closer. I am among those who believe that transatlantic cooperation is the only way for either side to end their dependency on China and to face this competitor successfully. This matters these days even more as a new target for China’s global race seems to be financial and monetary system.

When looking ahead, it would be good indeed to cross out in a timely manner some issues of our common to-do list.

First, it is impossible not to mention the war in Europe. A cruel, unjustified one, in which the aggressor – country that has a permanent seat at the UN Security Council – denies a nation of 44 million people the right to sovereignty, to its own state, in violation of international law and human rights. The EU and the US must continue supporting Ukraine at all costs so that it can win against Putin’s illegal war of aggression.

We need to focus on providing adequate support to bringing peace, and then focus on reconstructing and stabilizing Ukraine. This will not be an easy task and we will need the support of multilateral institutions and huge engagement of private investment.

The EU’s additional task is to ensure that Ukraine will become a well prepared member able to benefit from accession and contributing to the strength of the EU globally.

Second, the EU and the US should pursue their mutual and respective efforts in building clean economies of the future, solving remaining trade irritants, and continuing to cooperate to reduce unwanted strategic dependencies in net-zero supply chains.

I trust that our respective policy packages addressing climate change and the transition to a low-carbon economy will build the resilience of the transatlantic marketplace in a mutually supportive way. This should be our common goal.

I hope that the TTC will continue to be the cornerstone of a positive transatlantic trade agenda. As an important platform of transatlantic cooperation, it has had a clear value-added since its establishment. Its potential is growing. The most notable example is how it gave the EU and US a solid foundation for the work on sanctions deployed on Russia.

I am convinced that the next TTC meeting in May in Sweden will bring concrete deliverables. It would be a good time then to conclude the targeted critical minerals agreement announced by Presidents Biden and von der Leyen that would hopefully grant the EU 'FTA-like' status under the IRA's clean vehicle tax credit. It would boost EU-US mineral production and processing and expand access to sources of critical minerals that are sustainable, trusted, and free of labor abuses.

In the ongoing technological race against China, the TTC helps us advance the resilience of transatlantic supply chains in key sectors for the green and digital transition and cooperate on standards for emerging technologies.

The EU and the US have set themselves a very strict deadline – 31 October 2023 – to address carbon intensive and global overcapacity in steel and aluminum so that the US can lift the threat of the Section 232 duties and the current tariff rate quota system that has dramatically reduced EU exports to the US. Progress is being made, non-papers were exchanged by both sides. It remains to be seen how the methodology they will come up with will tackle carbon leakage – one of the key policy point of the negotiation.

It has been reassuring to hear Katherine Tai and Valdis Dombrovskis say that coming to a common agreement on the Global Steel and Aluminum Arrangement is a top priority for each team this year.

Third, this year could be a pivotal one for the WTO as we are expecting progress on WTO reform talks. We know that the WTO rulebook not only needs to reflect the world that we currently live in, but it also needs to adjust to future challenges that

await us. That is why finding a way to cooperate on reforming the WTO is fundamental.

I trust that the EU's February communication on the WTO reform will federate a critical mass of countries, including the US, to reach a substantive package for MC13. I hope it will pave the way for text-based negotiations on how to improve and reinstall a fully functioning Appellate Body and how to reinvigorate the deliberative function of the organization.

Fourth, about China. When we look at the IRA, it has to be seen under the prism of the geo-economic struggle and technological race against China. For the EU, the issue is whether we are ready to share American approach to linking economy and security in the emerging geopolitical reality. We are working on it.

Finally, interconnectedness between the EU and the US is also needed in the financial services. I worry that we underestimate challenges related to the international competition of China in this area. Xi Jinping has recently announced one of the biggest reforms of the supervision of the Chinese financial system in years.

China is moving towards a stronger presence in the world of global financial services. They have also advanced meaningfully on their path toward a digital renminbi. We have to watch it. And we have capability to do it.

Both, the EU and the US are undergoing important regulatory changes in the financial and capital markets. In the US, the SEC has proposed the biggest overhaul of its capital markets in decades, seeking to improve competition and increase transparency for investors. We will need to see how many of those proposed changes will become effective, as there is now some pushback from the industry.

In the EU, co-legislators are working on new measures bringing more international standards into the banking sector and building strong and more attractive capital markets. For Europe the role of its capital market becomes fundamental to allocate capital more efficiently and to raise the financing needed to accelerate the sustainable and digital transition.

In the EU, banks remain resilient and well capitalized, and the banking sector is stable. And the recent events in the US and Switzerland reaffirm the importance of commitment towards global standards and internationally agreed rules.