



# **TTIP AND THIRD COUNTRIES: LOCKED IN OR LEFT OUT?**

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## **MODERATOR:**

**Shawn Donnan**, world trade editor of the *Financial Times*

## **SPEAKERS:**

**Damien Levie**, EU deputy chief negotiator for TTIP and head of unit for the United States and Canada in the Directorate General for Trade at the European Commission

**Luisa Santos**, director of international affairs at Business Europe

**Sinan Ülgen**, visiting scholar at Carnegie Europe

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**SHAWN DONNAN:** Shall we get started gently? When we came in, it was good to see that the left wing of the room had been filled up and the right wing of the room had been filled up and there were very few people in the centre. That's like any discussion on TTIP, as far as I can tell, that you have the people on the left and the people on the right and a lonely middle. My name is Shawn Donnan and I'm the World Trade Editor for the Financial Times. I am the person at the FT leading our coverage of trade and development globally. I'm also the person who gets to track TTIP from start to possibly end, if it comes soon enough.

I quipped the other day at a conference that if this was a negotiation that was due to finish on one tank of gas, the car had been changed and we'd moved to a hybrid engine, and it's something that's going to be part of our lives for some time, I think. But it's a hugely...

**DAMIEN LEVIE:** We're adding solar cells.

**SHAWN DONNAN:** You're adding solar cells as we speak, that means that's good for my transatlantic air miles. We've got a very interesting...It's great to be over here. I'm based in London and came over today for this discussion and part of the reason I came over is because it's a very different form on TTIP. This is the first one in a long time that I can remember that isn't about investor estate dispute settlement mechanisms, and it's about a very important issue within TTIP, which is how this fits in with the rest of the world and with third countries, like Turkey, the other NAFTA countries as well.

We've got a really eminent voice on this question in Sinan Ülgen, who's sitting next to me here. I hope you have all had a chance to pick up his paper and had a look at it. I had a look at it again earlier today and there really is some thought provoking stuff in there about the future beyond TTIP and I'm looking forward to hearing more from you on that. We also have joining me Damien Levie from the European Commission, who heads up the USA and Canada, responsible for another trade negotiation, that is moving along quickly in CETA, the Canada EU. And Luisa Santos, who is Head of International Affairs for Business Europe, the business lobby here or there.

We're going to have some opening remarks from each of the panellists, and then we'll go to you guys on the floor and I'm going to count on you to really add some thought provoking barbs into the discussion and let's have a lively discussion. I should point out, and I pointed it out to our panellists upstairs, that this is a difficult time for transatlantic relations. Right about now, we're coming to the end of the first half in USA Germany in the World Cup. I haven't seen the score yet. It's zero, zero still, so peace will prevail for now, but if anyone wants to shout out any updates during the night, please do so. It's very good of you to come out on such an important night in world football.

Before we go any further, thank you to Carnegie Europe for hosting this event tonight, and let's move on. Sinan Ülgen is a visiting scholar, here in Carnegie Europe; you will have his biography in his paper there. He is also the founding partner of Istanbul Economics, a Turkish consulting firm that specializes in public and regulatory affairs. He is Chairman of the Centre for Economics and Foreign Policy Studies, an independent think tank in Istanbul, and he comes highly recommended by our correspondent in Istanbul, Dan Dombey. Sinan, the floor is yours. Why don't you open up the discussion?

**SINAN ÜLGEN:** Thank you so much and thank you all for being with us on this important day. The reason why I decided to look at something that I thought was rather under explored in the whole

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TTIP debate, which is how third countries will come to integrate this big transatlantic marketplace. Of course, I have a special view on this, given that the country where I live and work mostly has a big interest in this, Turkey, given that it's already in a Customs Union with the EU, but it's not the only country. You have the NAFTA countries, Mexico, Canada, you have also the EFTA that are interested in, basically, understanding how is it that they are going to be associated with it.

So the idea is that if you agree that TTIP should not remain bilateral and it should be multilateralized, then what do you do about it? We know that, both in Brussels and Washington, this question has not been fully addressed in the sense that the statements that we've heard so far, especially from Washington, tend to substantiate the position that yes, TTIP will have an open door policy, but it's not going to be used solely by lateral agreement, but then how that question has not been addressed. So, therefore, the second interesting question to me was; once we decide that this can go beyond the two, beyond Brussels and Washington, what sort of enlargement course can you have or should you have?

Here, you have a number of models that you can choose from. One, the most simplistic one, which is, perhaps, something that some of those countries believe can work, is to say; whatever country already has a trade agreement, so let's say Mexico, which is in NAFTA, already has a trade agreement with the US, should have a trade agreement with the EU and that's the end of the story. Same with Turkey. Turkey is in a Customs Union with the EU, so if it has an FTA with the US, that would solve the problem for Turkey. I think that's too simplistic.

If that is done, what you're doing, essentially, is you're creating a parallel network of Free Trade Agreements that may or may not be linked to a TTIP. That doesn't mean that the country in question, whether it's Mexico, Norway, Turkey, Canada, will actually be part of TTIP, it just means that it will have a parallel set-up next to TTIP. So I don't think that's really the solution. Another solution that can, potentially, be contemplated is to bridge or to have a bridge agreement between existing regional agreements, so between NAFTA and TTIP or between EFTA and TTIP or the EEA and TTIP. So that can be one, if you want, one group of ideas that is worth exploring.

Then the third alternative is to say; no, we're not going to trying to dock in existing trade agreements; that's too complicated. One reason why it's complicated is that in order to have a trade without any tariff barriers or non-tariff barriers, you also have to homogenise rules of origin, which is extremely complicated in this case. So instead of that, we can have individual countries join TTIP. How would that be possible? There again, you have, basically, two options. One, when you look from an international point, how countries can join an international agreement. One model that you have is for the countries in question to ratify the agreement and to join. That is, essentially, the model for some of the international instruments, like the Kyoto Protocol, like the Non-Proliferation Treaty, where countries join the agreement in question just by ratifying. The other model is an area, like the WTO, is where the original members get to vet and to approve each accession.

Now, what's the difference between the two? Why allow non-approval in the first one and approval in the second one? Essentially, because in trade agreements, you have a set of concessions that come into play, like in the Non-Proliferation Treaty, when a country joins the NPT, the existing members of NPT, unambiguously, are in a positive position, so they unambiguously profit from that. And there are no trade-offs, whereas in a trade agreement, there is a trade-off. So some constituencies in the original country may lose out of competitiveness and so on. So in trade agreements, you, essentially, have this clause for the original members to approve each and every accession. And I think this should, certainly, be the way forward for TTIP as well. That's, by the way, already the condition for

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WTO, when you have a new country wanting to join WTO, all existing WTO members have to approve it, and that is, essentially, because of this issue of trade-offs.

So once you are comfortable with this principle that existing members must approve each new accession, then you have to think about well, that's fine, but knowing how the issue of accession can be politicized, how do you find a solution in order to keep some of that politicization at bay? Because you don't want all the political problems to be imported in the TTIP setting. So one idea here would be to task, to combine a technical approach of the assessment of each country's accession with the political approach, which is ratification and approval. In a way, WTO already does that. There's already an enlargement group in WTO that looks at each case, prepares its report, and assesses the preparedness of the country to accession.

And I think the same can, by and large, be replicated in TTIP with an additional functionality. If, actually, you have a committee of, basically, technical experts to assess this issue of accession, you can also task them with all the negotiations about the conditions of accession. Because one thing is to say is, politically, accession will happen, but another thing is in a trade agreement that is as wide in scope and as ambitious as TTIP, accession will necessitate complicated negotiations. In goods, perhaps, that's slightly easier because you've been talking about tariffs and each new country will have to eliminate its tariffs with regard to the EU and the US. But then think about services.

In services, each new entrant will have to negotiate with a different schedule, in terms of its commitments, in terms of how it's going to liberalize its services, and in terms of the different modes, what freedoms will be associated and so on. So there are actually a set of negotiations that would have to take place and you can't really have the blueprint of TTIP be adopted as such to allow accession to happen. There will be negotiations for each country, and therefore, if you have a committee looking at accession, that committee can, potentially, be tasked with this issue of accession negotiations. And then, eventually, once the committee comes to its conclusion, that accession can happen, then you will have the political process of ratification, where each and every member of TTIP will need to ratify, will need to approve, the entry of new members.

Which, in a way, is an avoidable politicization of the process, especially given that each part will have different requirements. For instance, imagine a scenario in the US where the administration has fast track and a new country wants to come in. So there, the administration will be able to do it easily, but once fast track expires, then you talk about a whole different set of difficulties about the enlargement of TTIP when new countries want to join. So you really have to find the right balance between the political approach and the technical approach, which is why I tend to think that you really need to have a committee of accession, which will work more on the technical basis underlying the political process.

Now, there are a couple of other issues in the paper, which I won't go into at length here, which I think will also be crucial, quite critical, in terms of how the enlargement of TTIP can be shaped. One is about dispute settlement; the other one is about the approach that the original members, the EU and the US, will have in terms of dealing with regulatory barriers, behind the border barriers. So whether it's going to be, we're now talking about regulatory harmonisation, obviously, but whether you're going to have mutual equivalents or you're going to have mutual recognition, that will have an impact on how easy future accession can be.

Now, on a final note, what this, in a way, demonstrates is that the current approach of some of these third countries, they pressure the negotiators by trying to be at the table while the negotiations are going, I think they're going in the wrong direction. It's unrealistic to expect Brussels and Washington

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to be more forthcoming at this stage in terms of admitting those countries or being part, as an observer, in the negotiations. But what they could potentially do, not only as an individual country, so Turkey trying to pressure Brussels or Mexico trying to pressure Washington, but essentially, establish a caucus among them and, basically, convince Brussels and Washington that the way forward to eliminate some of these risks, in terms of the multilateralization of TTIP, to safeguard this perspective that TTIP should have an open door policy, is to start to work on this core element of an accession clause and how to articulate this accession clause. And that's, essentially, my message here.

**SHAWN DONNAN:** Thank you. Damien, he's set you up nicely. He's got a couple of questions there. First of all, you are one of the key players in these TTIP negotiations; you're off to Washington to continue that role. You will continue to be one of the key players in TTIP, so have you drafted that accession clause yet?

**DAMIEN LEVIE:** Thank you. I thought I would take a step back because I think it's interesting to think about broader issues as well, before we look at the accession clause, which is, in a way, the focal point of the docking of new countries to TTIP. First of all, from a global trade strategy perspective from Brussels, we've been, in our DNA and in our economic interests, a staunch supporter of WTO multilateral trade negotiations. It's in our DNA because we are multilateralists. We are, as you said, Kyoto Protocol, you name it, all international conventions that European countries support and initiate. But also economically, because our companies export to all countries, so it's easier to get these tariff concessions and other commitments from 130 countries than to negotiate with each and every one of them. So that has been, for a long time, our preference.

Now, given the state of the impasse of the DDA, we went, as from 2006, through the bilateral route, but I think that has been... the magnitude of that exercise has completely changed with TTIP and with EU-Japan. Because now you have, from Brussels, mega-regional deals being negotiated with the United States and with Japan, and the United States has done the same with TPP and with us on TTIP. And you could say that Japan is also doing the same with China and South Korea.

So you now have, in terms of global trade strategy, what are the new initiatives? You have these mega-regional deals that try to fill in the gaps of the global trading systems, in terms of the rulebook that is out there. And from our perspective, what we want to achieve globally is to anchor more the emerging economies in a global rules based system. A market economy that is rules based, where we have independent regulators and independent judiciaries, for example, of a free market economy. That's, globally, our objective, but we're going through the route of mega-regional deals and we can talk about plurilateral initiatives in Geneva, if you want.

Now, looking at an agreement like TTIP, looking at the two elements that are component parts of this global rule making exercise, we see, on the one hand, the regulatory cluster where we have, today, regulatory competition between our systems and a lot of regulatory corporation. And depending on the sector, chemicals, we do a lot in the OECD, financial services, we have various fora that work or don't work. And if you take sector by sector, we have cars where you have the Geneva process where a number of countries are part of the 1958 convention and 1998. So you already have a mixture of regulatory competition and regulatory corporation. And in TTIP for existing standards, we'll try, I think, to do things bilaterally to a large extent.

For future standards, we'll need to decide what we do bilaterally and what we do together multilaterally. Are we going to, first, agree on standards that we propose for new cars, for example, new standards for cars and then we propose jointly in Geneva or jointly on chemicals in Paris at the OECD or different things? To be frank, the jury's still out there, we're looking at various options in

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those sectors, but that is definitely, the regulatory cluster is one area that can contribute in the long-term to this rule making agenda.

The other cluster is in rules where we want to do a level playing field exercise, looking at disciplines on exports. Looking at disciplines on what you could call state capitalism, so localization, SOEs, possibly other types of barriers that we've seen mushrooming over the last years. And also sustainable development standards, what Europe and the United States will agree on labor, on environment and going beyond what we've done so far in existing agreements, will be contributions to the rule making exercise.

Now, theoretically, when you look at these two clusters, we could do two things. Either we do joint contributions to new global trade negotiations or international trade negotiations. Or we look at our TTIP agreement and we enter into a discussion, open platform or docking mechanisms and the type of discussion that Sinan has been... in his paper, which is a very interesting paper, the most developed I've seen so far on the issue, looking at the dispute settlement mechanism, which I hadn't thought about. So far, we have not taken a position on TTIP as an open platform or not. When you look at the mandate that we have received from the council, it's a bilateral agreement.

The only third country element that I can think of at this stage is accumulation of rules of origin, or even there, member states ask for a study and assessment of what it would mean. And we know that rules of origin accumulation could mean something with our neighboring countries, in particular, or countries in which the value chain is well established, for example on textiles between Europe and the neighboring countries. Or if you just take textiles between the United States and Central America and maybe even further south.

So we've heard the statements of Mike Forman [?] [0:23:07] saying it's an open platform, so I think each side will really start reflecting on how it could be done and whether it's in our interests to do so or not. Maybe TTIP and the rest of the world in general, when we ask for a mandate from the council, we also published a backed assessment study that looked at the economic impact on the rest of the world, and it's broadly positive in our study. Some countries benefit more than others, but overall, even developing countries benefit. I think, if I recall, it's a world GDP increase of about 100 billion. You can say it's nothing, but still, it is something.

From a trade perspective, we don't like this NATO argument, but I'll leave that to geo strategic persons to talk about NATO because I think it creates the wrong kinds of expectations and analysis about TTIP. But now it's out there and what we've seen is, indeed, countries around Europe interested in the agreement itself with a view to joining. We've seen other countries in the rest of the world, we've actually asked our embassies to enquire a bit what is the perception of TTIP. In some countries it was; we don't bother. It's not on the radar screen. That's an exercise that was on nine months ago and maybe today, it would be different. Some other countries that see the geo strategic, slash, military angle very well and are concerned. And some others are very skeptical and say; well, we'll wait and see whether they actually manage to pull it off and then we'll start.

So we've had enquiries from our EFTA partners, regular enquiries, and then discussions with Turkey, regular discussions. And it's true that all our bilateral FTAs cause problems to the Customs Union that we have with Turkey. It's obvious that when we liberalise the tariffs for goods coming from a third country, they can normally move freely to Turkey, unless you exercise a safeguard clause under the Customs Union agreement, which you've done in certain instances. I've heard cars coming from Mexico, Volkswagen cars coming from Mexico, they have to pay some duty at the border, but maybe

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you know more of the details, but in general, you have this problem that third countries have a free rider advantage for their exports to Turkey and you don't get anything in return.

And if we negotiate the deal with Central America, I suppose the level of exports to Turkey covering that part of the world, is insignificant, but with the United States, it changes the picture. I think Korea and some other third countries have accepted to negotiate a Free Trade Agreement with Turkey and that's always what we do. We say please, negotiate a Free Trade Agreement with Turkey and we help both parties to understand the respective positions.

Other countries have refused. Mexico is an example. And here, with the United States, we have now for more than a year, drawn their attention to the potential impact on Turkey of TTIP. And I think President Obama and your prime minister have created this high-level working group. I think it was a political signal, which was important, and political recognition that yes, we understand that it has an impact. It will also have an impact on our relationship because we will need to upgrade, fundamentally, the Customs Union, which is likely to pose an interesting question for the overall relationship between the European Union and Turkey.

Because if you upgrade the Customs Union, the question is; how far do you go? You will, naturally, go as far as the contour of an agreement like TTIP. So covering in the market access pile, an area that we've not covered so far. Public procurement services, we haven't really covered. And then in the regulatory part also, a very interesting element. So this is a great opportunity to fundamentally the regulatory framework of an economic relationship between the European Union and Turkey. And this is an exercise that we can start already now.

I'll stop here and maybe a word on Ecuador. Not because of football, but...

**SHAWN DONNAN:** It's still nil, nil.

**DAMIEN LEVIE:** Thank you. But we are actually now in the process of enlarging an existing Free Trade Agreement between the European Union and two countries, Colombia and Peru. And there is an accession clause in that agreement because Ecuador was part of the negotiations and then dropped out, now they want to come in again, so we are doing that exercise with ad hoc concessions or individualized, tailor-made, concessions or commitments in a number of areas. So if that comes off, that may be an interesting precedent to look at, even at least intellectually.

**SHAWN DONNAN:** And that's an interesting example as well because it's also with three of the four countries in the Pacific Alliance, which is one of the mini mega-regionals that people talk about in Latin America and our position in MERCOSUR. Luisa, how does this discussion all look when you've got your business hat on? When you're thinking about doing business in Europe across the Atlantic and with Turkey.

**LUISA SANTOS:** Well, I'll start to give the broad perspective as well, what we want in terms of trade and what is Business Europe agenda. We are very offensive, in terms of trade, because we believe that for Europe to increase its competitiveness, we need also to make progress in terms of trade. We know that about 70% of our trade is still done within the internal market; it is an important market for sure. But it's clear, and we have seen with the 2009 crisis, that we need to look for alternatives. Now, the alternatives at a first stage were China, for sure. It's a big market, one that has enormous potential, huge growth rates. But now, while we have experienced some slow-down, well, I would say the same for Russia, particularly now with the current situation, that is having an impact also in Russia's economic performance.

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So we are coming back to our traditional markets, towards mature markets, developed markets, but they are markets where we still have potential. And that's why, for us, in Business Europe, TTIP is the priority. I'm not saying that we have abandoned multilateral. Of course, ideally, if we live in an ideal world, the best would be to have a multilateral agreement, but we don't, so we have to face the reality and the reality for the moment is that we need to focus on the two most important negotiations we are having for the moment, which is TTIP and Japan.

Also, for another reason is that we are seen, when we compare Europe to the US, we are seeing that because of the energy revolution in the US, the shale gas revolution, the US industry has a competitive advantage. And this means that not only are we facing increased competition in the US market, where, of course, we have already the exchange rate difference, but also in other markets. So TTIP is a way, hopefully, to rebalance this situation a bit in two aspects.

One aspect, of course, even if tariffs are not so important in this relation, considering the enormous amount of goods and services that we exchange, it makes a difference. Even if we're talking only about 4% or 5%, it does make a difference and some sectors are still high duties. So by doing this, we are giving our companies more possibilities to be competitive in the US market. Plus, that's also one of the reasons why we are so interested in having specific provisions on energy in TTIP is because we believe we need to have access or improve access to alternative sources of energy and the US is a potential alternative source of energy. So this is another important aspect of these negotiations for us.

On the overall importance of TTIP and why so many third countries are interested in the agreement, and we have been talking today about countries interested in joining the agreement, but of course, everyone is following this agreement. China is looking at what we are doing with the US and the EU. Russia is looking at what is happening. Why? Well, because we are two important players, very important players, and the other countries believe that wherever it is deciding in TTIP, might have an impact on overall rules, terms of trade, and investment.

So what is our perspective in this aspect? Are you talking under the surveillance of my Turkish member, who is there? Well, in Business Europe, we do have Turkey. It's a member, as well EFTA countries, the ones we've mentioned, so Norway, Switzerland and Iceland. And we have these discussions internally because, of course, we have witnessed already their concerns that they are left out of the potential game for TTIP. We understand that at a later stage, we need to see what kind of solution we can find to the situation, whether it is parallel negotiations, whether it is at a later stage that they become members of the agreement. Frankly, we have not had an in-depth discussion on this possibility.

We understand that Turkey is a particular case, of course, because of the Customs Union, and we have been, so far, encouraging, very strongly, our business colleagues. Because it's not only the Commission that has to convince the authorities of the third countries. We also have to convince our business colleagues because in many cases, it's the business community that is not interested in having agreements with someone else. So what we've been doing is trying to convince the colleagues, including in the US, to be positive to the possibility of at a later stage or starting the negotiations in parallel or at the later stage, include more countries in the agreement.

But I think that now, for the moment, and considering the current situation surrounding TTIP negotiations, and the huge critics that are going around and the problematics of the negotiations, because this is a very, very complex negotiation. We're talking about Canada. We have been negotiating Canada for five years and we are still not included. So imagine, now we're talking about the

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US. So the negotiation, itself, is so complex that, for the moment, we really need to focus on getting the agreement with the current partners; that should be the priority. Hopefully, we will have a fantastic agreement that will benefit everyone, both partners and third countries, but for the moment, both as business in both sides, as well as the authorities, I think the main priority is to try to get this deal done.

And also very important, that the agreement keeps a very comprehensive score, because that's the objective as well. If we expect and we have very high hopes on TTIP and the expectations are very high, it's because we want to have a deep and comprehensive agreement, we don't have one. We don't want to have [unclear] now we're looking at [unclear]. We want to have regulatory services, financial service regulation included in TTIP, as well as we don't want to exclude the SDS, of course.

So for the moment and in order that this agreement be really an agreement that will set rules and will be beneficial also, possibly for other people, for other countries, we need to concentrate on getting it done and getting done in an ambitious agreement. I think that's what, for us at least, Business Europe, for the moment, is the biggest priority. Of course, we will continue to follow the situation and what concerns third countries because we have them inside and we know what their expectations are and what their consents.

**SHAWN DONNAN:** Thank you. We should probably check the score quickly, it's probably nil, nil, I hope. Nil, nil, it should be pointed out, is the best possible result for the USA.

**LUISA SANTOS:** Yes, not good for Portugal.

**SHAWN DONNAN:** And it's very good. It should also be pointed that Ghana and Portugal were also playing, in the name of third parties in the discussion. Why don't we open this up to the floor at this point? One, nil Germany.

**LUISA SANTOS:** It's improving.

**SHAWN DONNAN:** That's terrible. Sir, why don't you go ahead? If you just introduce yourself.

**MICHAEL EMERSON:** Michael Emerson at CEPS down the road. A couple of questions. Sinan, the dog that didn't bark was the EU Turkey Customs Union in your speech. But, rather an innocent question; how far is Turkey actually following, by virtue of the Customs Union, the EU preferential trade agreements? Is that automatic or not happening at all? Linked to that is well, surely you have the scenario that if the Customs Union scraps all tariffs, sorry, if the TTIP scraps all tariffs, that you, Turkey, are worried about having a new competitive disadvantage in the US market. So why not just go ahead and do a bilateral FTA with the US and let the Customs Union cover the EU side?

The second question is that buried in the middle of your text is the fascinating distinction between mutual recognition and mutual equivalents. Now, I've just about understood the difference between harmonization and mutual recognition, but I haven't understood the importance and the real importance in this context of this distinction between mutual recognition and mutual equivalence. Maybe the representative of the Commission will tell us whether this is a vital feature, whether you can tell us if it's a vital feature of the possible outcome.

**SHAWN DONNAN:** Damien, why don't we start off with that easy question for you? Damien, do you want to talk about mutual equivalents? No, you don't.

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**DAMIEN LEVIE:** I'd rather have Sinan explain what he meant by that in his paper. You can talk about mutual recognition of all kinds of things. You can talk about the result of an inspection. You can talk about the tests to those verified compliance with rules that are different. When you start digging into this, it's almost infinite what you can look at. You can have functional equivalents and maybe Edward can say a word on what US regulatory authorities are allowed to do, if they wish to do so, looking at the rules governing banks in Europe or other financial institutions. It's so diverse that I think you need to look sector by sector. So I think I will physically stop there. I'm sorry, but...

**SHAWN DONNAN:** The answer is; it's complicated.

**DAMIEN LEVIE:** Well, it's very diverse and, for example, if you take pharmaceuticals, we're looking either at mutual recognition of the... Because basically, what happens today, if FDA or any European inspectors are inspecting pharmaceutical plans on both sides and in third countries, checking compliance with rules agreed at a global level, good manufacturing practices, well, it's a waste of money and time. So we could have the FDA saying okay, I'll either recognize automatically, legally I'll be bound to recognize the inspection report of European regulators, or I will rely on the results of your work and I will, then, feed that into my own process.

For example, if you take aviation equipment, you have a disagreement between Europe aviation safety where it's not mutual recognition, but it's mutual reliance and it works perfectly, the industry is extremely happy. So you have areas where you don't have this binding mutual recognition, but it works, actually, as nicely or as efficiently as mutual recognition, which would be seen as a few lawyers will take a theoretical look at the things as the gold standard, but that's not necessarily the case. You could have concerns for US regulators to say; well, let's be frank, I'm perfectly comfortable recognizing automatically and most blindly what inspectors from country A in the European Union will do, but country C, they joined recently. I'm not sure I'm willing to do that. So mutual equivalence or reliance could be, also, to a pragmatic way forward. Is that a better answer, Shawn?

**SHAWN DONNAN:** It's a wonderful answer. Sinan, shall we move on to this question; why doesn't open its own FTA negotiations with the US in parallel?

**SINAN ÜLGEN:** Well, it could, given that if the politics are right, if the US administration wants to start an FTA negotiation with Turkey, that, certainly, would be one way. But my argument is that, Michael, this would not allow Turkey to be part of TTIP. It would just allow Turkey to do exactly what you said, which is to lose competitiveness in the US market vis-à-vis European exporters. So it would just prevent that market erosion, but that's the only thing it will do. It would give access to the US market to Turkish exports, but then Turkey would have a customs union and an FTA with the US with all the complications that Damien mentioned, because the FTA that any third country would not have with the US, would, essentially, replicate the FTA, the benchmark of South Korea.

And that sort of an FTA is a very deep and comprehensive FTA, where you have services, agriculture, public procurement, IPR, you name it, you have it. Therefore, when you look at that FTA and the Customs Union today, there's a big gap. Then you definitely have to go back to the Customs Union and modernize it, embellish it and deepen it and so on, and there, we're thinking along the same lines. But having an FTA with the US does not mean that Turkey will be part of TTIP, and here, the objective is to be part of TTIP. The difference being that the countries that have this parallel trade agreement will not take advantage of any of the institutional provisions of TTIP. Not on dispute settlements, not on any guarantees regarding investment, public procurements and so forth. So that's the reason. So it's, at best, a fallback position, but it's not the solution.

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**LUISA SANTOS:** Can I? I agree with you to a certain extent because you are saying it will not be part of TTIP, but you can negotiate an FTA that is based on the model of TTIP. But, of course, even if you decide, you, Turkey, or Iceland or Norway, to join TTIP, there are areas where you need to negotiate bilaterally and it doesn't mean that you will get the same thing as the others. Because when we are talking about, for instance, services, or we are talking about public procurement, will the concessions be the same? I doubt it. So there is always a degree of difference, and that's what Damien was saying when he mentioned Ecuador. At the beginning of the negotiations, we were discussing with Ecuador, we were discussing with Colombia and Peru at the same time, and the idea was to have a single agreement.

But at the end, if you go and see, you have different annexes for every partner because the engagements are not exactly the same. So I don't think there is such a difference between having...I understand your point in terms of, okay, maybe the negotiating power is different at one point, maybe, but in any case, I think that, at one point, it will be a bilateral negotiation. It will not be...you cannot simply adhere or come to what is already there. You have to present your own offers and the other two have to accept those offers, the two or three or whatever. So I don't think there is such a degree of difference between the two.

**DAMIEN LEVIE:** Institutionally, it's very different, but it depends on what institutions we will have in TTIP and we don't know. We've said, both sides have said that TTIP will not modify our own decision-making procedures. Or from a European perspective, delegated acts will still be adopted the way they are, implementing will be adapted to the way they are today. So the whole committology thing will be left untouched. Primary legislation will still be adopted the way it is within the growth council and parliament, and the same thing on the US side, exactly the same thing on the US side. We'll have mechanisms to make sure that the two systems collaborate better, be it before we table new proposals, after , as opposed to before. But the regulatory corporation council that was the idea launched by [unclear] in his speech back in October in Prague, will not substitute itself for the decision-making bodies on both sides, so I'm not sure to what extent a country like Turkey has a strategic interest to be in the decision-making body of TTIP. I don't know.

**SHAWN DONNAN:** It's consultation, rather than joining of the regulators, right?

**DAMIEN LEVIE:** Well, I think it's going to be more a consultation, but it's not going to be the decision-making process, that's quite clear. So I'm wondering whether your expectations of TTIP are not disproportionate to what we can reasonably achieve.

**SHAWN DONNAN:** It's interesting. What I was going to say is if you look at TPP, actually, what you have with TPP is an umbrella agreement being negotiated over a series of FTAs between 12 countries. And if they don't have FTAs in place, then they have a responsibility to negotiate under the TPP. So the architecture doesn't preclude something.

**SINAN ÜLGEN:** Hopefully, TTIP will be much deeper than TPP.

**SHAWN DONNAN:** Yes, TTIP is, clearly, a higher call. Do we have another question on the floor?

**DILEK ISTAR ATES:** Actually, it will not be a question but maybe a contribution from Turkish business. I'm from TUSIAD, Turkish Industrial and Business Association. We are a member of Business Europe. We are representing more than 60% of the Turkish private sector and more than 80% of state corporate tax revenues. When it comes to Turkey, FTAs of the EU, we have been vocal about the FTAs that the EU has been completed long ago, while EFTA countries were not vocal or

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complaining about the FTAs of the EU. Because it started when countries like Mexico, South Africa and Algeria were reluctant about entering into negotiations with Turkey. And it is a situation where the European industry is also hurt.

During some of the meetings at Business Europe, I don't have to talk about the coming problems of FTAs because my colleagues from the other sectors of the European industries are talking on our behalf. They have a huge interest because they have invested heavily in Turkey, they have production facilities, and they want to export to new opening markets, like Algeria. But in such cases, they don't have access from Turkey to those countries, free access, I mean, because of the situation. And so, therefore, it's not only for Turkey or the Turkish economy, it's not only for the interest of the Turkish economy to conclude FTAs. TTIP is also very important for us. It's our priority, although between Turkey and the US, the amount of trade is not so huge for the moment. But there is a huge potential. Once we are there, there will be a huge development, we foresee.

About the observer status, it's not so unrealistic, we find, because we have this consultancy or informative meetings with the Commission. Damien and his team kindly provide information, they share information, with the industry of economics in Turkey, but it is not enough. We already have a mechanism. What we want is to brand it as an observer status that would provide Turkey an opening, economically and politically, to maybe encourage the US to enter into negotiations with Turkey. This is what we support as an idea. Once we have this mechanism system, let us name it...we'll brand it like observer status, which would be beneficial for Turkey's anchorage with the transatlantic region, it's economic aspirations of the third parties would be developed enormously. I think that's all that I want to say for the moment. Thank you.

**SHAWN DONNAN:** Is there another question on the floor? In the corner?

**WOLFGANG PAPE:** Thank you very much. My name is Wolfgang Pape, I'm just returning from a fellowship in East Asia, and I'm a little bit surprised how easy it seems to be to multilateralize a bilateral agreement. I think we have to be very clear on the terminology here. You might go to the point to plurilateralize it, if I may use this term, because these countries you mentioned, Turkey, in particular, of course, EFTA and others, Mexico, NAFTA countries in the American sphere, are very close already, legally bound, partly in a Customs Union and other links. But what you have got different, if you really go multilateral, that would be the WTO system, and there, of course, you are fully aware of what is called the spaghetti bowl, the problem of the bilaterals, which cannot be pluri or even multilateralized, I would call it even omnilateralizing, omnibus for all and by all [overtalking]...

**SHAWN DONNAN:** Omnilateral, that's a great word. I'm going to write that down.

**WOLFGANG PAPE:** Look it up in Wikipedia. Actually, I use it in other places as well. But the idea here is to make a difference because bilateral agreement, I worked a little bit on the EU, Korea when I was still in the Commission, is very much focusing on these markets. You have very specific cultural conditions. We had, even in the 80s already, a commissioner coming to Japan and calling the language a non-tariff barrier. Non-tariff barriers are cultural issues, very often, and you cannot plural, multi or omnilateralize these issues; they are really in the spaghetti bowl, and there's a very heavy tomato sauce on top of it. It makes it very un-transparent.

But the problem here is that because you cannot go to the higher level of multi or omnilateralism, we are, at the moment, stuck in the bilateralism here and there is an enormous problem with TTIP because China and Japan, the next biggest economies, might be excluded. And China, already, is very much feeling the containment. This, more or less, contributes to this development and standards, for

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instance, particularly in the field of electric mobilities and vehicles. The Asians are ahead of us and they will have their own standard where our bilateral standard US, EU, wouldn't make any difference anymore in the long term. This is a real danger for the world economy in the long-term. Thank you.

**SHAWN DONNAN:** That's an interesting point, I'm very glad that you brought the pasta into the story. Because when I was first setting about this job, I came up with, just to simplify the world from my simple mind, I took Jagdish Bhagwati's idea of the noodle bowl and the spaghetti bowl and thought okay, if we think of these mega-regionals, it's the ravioli plate. And the multilateral [overtalking] or the dumpling plate. Then the multilateral world is when all of those raviolis are baked together into one big lasagna. So I still think of that every day.

Damien, we were talking about this a little bit upstairs, so there is this idea out there amongst journalists and think tankers and so on that someday, the mega-regionals might provide this alternative path to a multilateral agreement and that the ravioli might be stitched together at some point. How does that look from where you sit in the trenches?

**DAMIEN LEVIE:** As I said, I think that the route of the mega-regionals, the TTIP and our agreement with Japan, isn't constructed and thought to be stitched together. This would be building blocks and we'll take elements and see what we can take as sources of inspiration for the new trade agenda in Geneva, when we will be ready to negotiate new things. I don't think these things can be stitched together. I think we need to be careful not to do that because there are many countries that are left out of these big mega-regionals, developing countries, to start with. And I think we need to preserve the multilateral trading system and preserve their special place also in that system. So I actually don't like the idea of stitching these mega-regionals together.

**LUISA SANTOS:** If I may, there is only one thing. I agree that we should not, well, in principle, not stitching them together, but for a company, the main problem is that a lot of companies are doing business around the world. So when we're talking, you have already raised this issue, Damien, we were talking about something like rules of origin, that's when the problems begin. Because we know that Europe and also other countries, we have more and more globalized supply chains. So this means that we are doing bits and pieces around the world. I can tell you it's really a puzzle and it's painful for companies when they start working in different locations and they are looking at agreements that exist in place and see, well, what rules have I applied? If I do this here and this there and this there, should I benefit from duty free or not? Should my goods be preferential or not?

So that is something that a big company can decide, okay, I don't care if I pay duty or not and I don't care about the rules, but for a smaller company, it can be a problem. So that's why, for the moment, we don't have any other option, but it's true that from a company perspective, it's not ideal to have different agreements with a different set of rules when we come, particularly, to this point of proof of origin, because it determines the preferences, it determines the amount of duties you pay when you're making your goods go around from one country to another.

**SHAWN DONNAN:** That's a very good point. I was in Geneva last week, and if you pick up tomorrow's FT, you can read all about it. There are some signs of life in the Doha round, and I should probably put that off the record. That may be...

**SINAN ÜLGEN:** It's going to be in the paper tomorrow.

**SHAWN DONNAN:**...opening a can of worms. But you hear this over and over again, that multilateralism is the ideal for business, for peace and prosperity, and so on, but it just isn't working,

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which is where you, then, get these different approaches and journalists and think tankers projecting different ideas. Ravioli.

**DAMIEN LEVIE:** I'll have the lasagna.

**SHAWN DONNAN:** Any other questions on the floor? The score?

**UNIDENTIFIED:** Still one, nil.

**SHAWN DONNAN:** If it stays one, nil, you're definitely not getting financial services regulations [overtalking].

**EDWARD BOWLES:** Like Luisa, I have the privilege of sitting on the advisory group to the European Commission, so we see this from another perspective. I have to say that it's a bit like observer status, it sounds like a great privilege, and actually, well, I'll leave it there. But I was with Sinan recently in Turkey and had a discussion that he organized and hosted and there was real and genuine concern and interest in the third country effect of TTIP, there was no question about that. It was very live, very deeply felt. Of course I hope there will come a time before very long where Turkey won't be a third country, to be frank, and I don't know whether or not the concept of TTIP might reunite it with a strategic re-interest in the relationship with the EU that seems to have stalled somewhat in Turkey and it certainly should, would be my view.

Having said that, I have a great deal of sympathy, frankly, and we see this, this is one of the advantages of being in the advisor group, the sheer scale of this negotiation cannot be overstated. It covers 25 parallel strands of activity, each of them in their own right immensely complex technically, politically fraught with hurdles, and to deal with that in one negotiation, let alone in a series of negotiations, is an immense undertaking. So I feel a great deal of sympathy for the idea of introducing third parties to that negotiation which, frankly, will only complicate it.

The third point is I think there is some strategic timing here which we need to bear in mind, which is actually at the moment the emerging markets are 38% of global GDP. The rate of urbanization and the growth of the middle classes will mean that, in my bank's estimate, by 2030 they will be 60%. They will no longer be takers of the rules of the road at that point and we are reaching the tipping point, in the next five years I would think, when they will be the givers of the rules of the road. You see this already in relation to China with the RMB and the way in which it is now becoming a very significant currency. It's overtaking the Euro and is now the second currency of letters of credit and guarantees for cross border trade.

So before very long, if the EU and U.S. don't get this deal done, the window will close, but the reality is we will simply be told these are the terms of the trade. So I think it's a really important, significant moment and introducing more hurdles or complications in a formal way I think would only delay that. But nonetheless I think this is a really important paper, Sinan, and I think introduces a very important concept which does need to be thought about.

**SHAWN DONNAN:** Sinan, do you want to address that? Is TTIP reinvigorating interest in the EU in Turkey?

**SINAN ÜLGEN:** Sure, absolutely. We've seen this quite recently because for a long time the Turkish government position was that in order to deepen the customs union, so to go to the next stage of economic integration with the EU, that's only going to happen through accession. So the chapters of

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accession will be the way forward for the economic integration as well and it's really by virtue of two things, one of them being TTIP, that this mentality has changed.

There is now recognition that there's a paradox in the Turkish government position asking for an FTA with the US and basically not touching the customs union as is because, as I tried to explain, an FTA with the US would mean quite a deep and comprehensive free trade agreement. Therefore, if the government wants to do that, then we would be in a perverse position of having a much more advanced form of economic integration with the US than with the EU. It is this recognition that has led to a reassessment which now the government has disconnected accession from deepening of the customs union and I do welcome that.

But going back to what you said, I think my idea here was actually to find a solution to the problems of both sides. The negotiating side, which obviously for very legitimate reasons they do not want to include countries one way or another, direct or indirectly, in what is, as you very eloquently pointed out, an extremely complicated process of negotiations. But those third countries also want to know what's going to happen to them in a way. They don't want to feel that they are likely to be left out from this process.

So therefore already designing without giving any names of the countries, without deciding at this point who's going to be a member of TTIP, who not, but just trying to work on this clause of accession already gives the right message to those countries and they would be comforted by that, knowing that there is going to be a clause of accession. Then how you articulate that clause of accession, who do we make it available to, that's a different debate.

**SHAWN DONNAN:** Geopolitics: I know, Damien, you said you don't like thinking about geopolitics or the NATO trip, but the point actually that Edward makes is that geopolitics comes in many different forms. There is the territorial ambition of countries. There is also the rules-making ambition of countries. There's the energy question which we've talked about as well. Mike Froman in the speech at the council on foreign relations last week, which I'd urge everyone to have a look at, made the strategic case for trade and laid it out in quite open, much more open and brazen ways than he has before on what they're thinking in Washington. This moment now, the rule-setting opportunity here, how do you...?

**DAMIEN LEVIE:** I think we share exactly the same view and when you listen to Commissioner De Gucht he will tell you TTIP is not against China, but in a way it's an opportunity to make sure that in five, ten, 30 years' time China will not impose rules on us. So that dimension is clearly out there, at least in the political discourse, and I would hope it will also force all the negotiators around the table to work as quickly as possible. There's a sense of urgency that is there politically that we don't really see in all areas of the negotiations. Also, I think they have their own trade priorities. The [unclear] is first working on TPP and TTIP comes after. I think Mike Froman says, I have two children, one is nine years old and the other is five and, well, the first normally goes to college before the second one, unless an accident happens.

**DAMIEN LEVIE:** Well, I don't know. We'll see.

**SHAWN DONNAN:** I think also his son is now 13 and is on YouTube with his new rock band as well, which you should also check out. But, Luisa, do you want to come in?

**LUISA SANTOS:** On the question of the political aspect, it's clear it's very important. We have to more and more affirm how trade is an instrument. Now, the problem, at least for me the concern that

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is there is that trade becomes too much of [inaudible], but also because at the end then it will be a political decision and much less a technical decision and at the end we are talking about economics. So we understand that there is a geographical and geopolitical dimension. We don't want trade to become submitted exclusively to policy [inaudible] and that is a problem that we have, because then of course it would be less of a business approach and more political. [inaudible].

**SHAWN DONNAN:** Sure, and at least in Ukraine we've seen the potential consequences of rival trade agreements. Do you want to come in, or...?

**SINAN ÜLGEN:** No, I just want to advise everybody to read Richard Krug's [?] article in 97, the one on foreign policy. It's exactly [inaudible]. Trade is a different trend [?] than foreign policy and he explains in great detail how [inaudible].

**SHAWN DONNAN:** Sure, there's that point, but there's also the point that Philip Stephens, my colleague, made in a column a couple of weeks ago which I think is really important to remember as we think about the world today, which is that we're moving now and he argues that we've hit a period where after two decades of post the fall of Berlin wall, thinking we lived in this postmodern world of global governance, we're now moving back into an era of power politics in the world. I think that's scary, but it's also what we see and it takes different forms. It's rule-setting, energy, territorial ambitions. There's many different ways. But, yes, I'll look that article up. Right behind you there's a lady with her hand up.

**YOLANA MUNGENGOVA:** My name is Yolana Mungengová,, European Parliament ECR Group. Just to add to your debate that we also need to think about the political feasibility of TTIP in the first place. Although very many of us are supporters of TTIP, we have to take into account that we have a new parliament, that there are political groups that have already said they don't even want to consider the whole endeavor.

We all know that there will be very tough discussions about certain chapters of TTIP, such as whether or not we will have a sustainable development chapter and what will be the content of it. If we would now put in the debate in parliament the enlargement of TTIP to other countries, then I think we are really shooting ourselves in the foot and within the next five years we would not conclude neither TTIP, nor anything of an integrated economic perspective between the two giants of the world.

So we have to be also politically realistic, although I thank Mr Sinan for his contribution. Academically it's definitely something we should forget about and eventually the accession clause could be used in other negotiations. Still, in this particular endeavor we ought to be focused. We cannot be holistic. We have to really go down to what is now our priority; jobs, growth, and we need it in the transatlantic area.

**SHAWN DONNAN:** Damien, you were nodding vigorously.

**DAMIEN LEVIE:** No, I agree. I didn't touch upon the politics and thank you for raising that. I think on both sides it is seen today as a bilateral agreement and I think the political consequences of negotiating an accession clause today should not be underestimated. It's quite significant. A second point on the geopolitics and trade, I think in Washington most trade initiatives have been seen from a geostrategic perspective. That's not the case in Brussels. We start to see this in TTIP with the relation with Turkey. In a way it's interesting to see the UK looking at TTIP also as one of the arguments to stay in the club.

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You talk about energy; well, the chapter on energy is a chapter of geostrategic importance for us. You normally have the point which Luisa made about, we need unrestricted access to gas and crude oil, but it's also the opportunity to negotiate rules on transit. You have a number of producers in Central Asia that are forced to sell their crude oil or gas to Russia which can then sell it at a greater profit to European customers. If you have rules on transit that become the international standard in one way or another, we can have these rules being emulated by others. Well, then you solve actually quite a few problems.

**SHAWN DONNAN:** Sinan?

**SINAN ÜLGEN:** Yes, just some words on the politics of all this. I really appreciate the comment knowing what the new parliament will look like, but I tend to disagree and the reason why I disagree is that there is a case here which can easily be made and that's the following: the countries that want to be part of TTIP on the European side already have market access to the EU. You're not giving anything new by making them part of TTIP.

But what you're making is that you actually allow raising the barrier or raising the standards of those countries by having them commit to a whole new policy field, possibly labor, environment, which does not exist today in those trade agreements. So you're basically raising their standards, which must be something that many people in the European parliament should have a sensitivity to. So it's not a matter of market access because market access is already there.

**YOLANA MUNGENGOVA:** I think [inaudible].

**SINAN ÜLGEN:** Please.

**YOLANA MUNGENGOVA:** I think the problem is that...

**SHAWN DONNAN:** The microphone is coming.

**YOLANA MUNGENGOVA:** The risk for the EU would be that we may also have to actually lower some of our standards if we would be comparing our standards with certain countries that as of today in certain policy areas are not in any way close to us. With the US we are comparing ourselves with a partner that is not so, let's say different in terms of the level of security or level of welfare that is provided. So we are, yes, converging but converging between equals. We are in the same category.

**SHAWN DONNAN:** Not everyone would agree on converging between equals on certain product lines, certainly. But, Sinan, I think quickly just respond to that, but I don't want to get into a bilateral discussion here. This is a multilateral institution.

**SINAN ÜLGEN:** Again, the counterargument is that you're basically raising the standards of those countries to whatever level the US and the EU have agreed on. There is no issue of lowering those standards.

**DAMIEN LEVIE:** If I may intervene to omni-lateralize the discussion? Thank you for that point. I think one of the risks that you have in the parliament is that, and you have a petition signed by over one million people in Germany against it, is I wouldn't call it a repetition of ACTA but it is public opinion in a number of member states seeing TTIP as being so toxic that the MEPs will then be forced to vote against it. All the arguments that you will be making about third countries joining TTIP

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and us helping to raise the level have zero impact on that debate in the countries where TTIP is seen as toxic.

I think, I can be wrong, but I think the reason why MEPs may in a resolution, a non-binding resolution which we could see or in hearings of new commissioners impose certain things on you are the [unclear] commissioner, we will only approve you if you make now in the room commitments or in writing commitments on this and that, that you will or will not do in TTIP, and you can have the same in several hearings in the European parliament, it will have nothing...the argument of a third country will go there, but it will be irrelevant to the discussion.

**SHAWN DONNAN:** I want to come to Luisa there, but I think you raise an important question. It's something I'm trying to get my head around, of whether the opposition and the discomfort we see in Europe with TTIP, and that is incredibly vocal on twitter – I invite you to look up #TTIP if you want to work on your short attention span because it will come racing by you – and I think this is a big question here, is whether that opposition is that of a vocal and active minority or whether it is bigger than that.

There's an interesting argument here; often we hear from the commission on ISDS, for example, moving and responding to agitation from a minority and yet at the same time I hear from some of your colleagues in the commission after the parliamentary election that, oh, but those new members who are trade skeptics in the European parliament are just the minority there. So you're listening to a minority on one hand and responding to it and at the same time thinking differently about it. But, Luisa, you want to...?

**LUISA SANTOS:** No, just a quick reaction. I touched on that in my initial intervention. I touched on that problem. The fact that we do have an increasing public opinion in certain countries, because it's not spread equally over Europe, it's true that in Germany it's high and it's a negative opinion and we cannot avoid reacting to it, so we need to be conscious that that is a reality. We should avoid ACTA again because ACTA was also, well, we can say it was a minority, but it was a loud minority and it made some parliamentarians and some governments change their mind. Now, it is a good example and we have it in mind.

Now, I think that, as I said, this is a complex negotiation. I know that some people are very stressed already about this. I think we have to manage this reality, but we cannot think, okay, it's today that we're going to vote TTIP. No, it's not today. It's going to be in two, three years so we will see what will be the debate at that time. But we have to bear in mind that we need to master the public debate and politically as well, so that's why the views of the European parliament are very important.

**SHAWN DONNAN:** Now, I'm conscious of the time here as well. I'm sure the match is over and I'm sure you've lost your financial services regulation [unclear], but there are some more questions on the floor so I propose that we extend for a little bit here.

**ROBERTO BENDINI:** Maybe just one comment. I'm also working for the European parliament and a trade analyst. I think that ACTA was rejected for the wrong reasons, but in the end it was shown how easy it is to put down together a coalition of people against something that was potentially in the interest of the European Union as such, and TTIP unfortunately is going to be the same. So there is really a need to do something because otherwise I think we are going to stop any kind of agreement.

Now we started with TISA again. There are already some WikiLeaks and stuff saying this is against the civil liberties. So if this is the point, we are not going to talk about TTIP. We are going to talk about

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something much smaller and maybe in ten years or 15 years, so this means we lose the momentum and that China rules. So that is unfortunately the situation and I have no responses for that, but it's pretty clear that there is a problem.

For me, the problem is that the questions that are being discussed now [unclear] are completely silly. There are other issues. For instance, at one point you were saying why Turkey shouldn't have a role in the definition of the TTIP priorities. Why member states, because it's not just about tariff removals. Why should France lose or get fewer advantages than Germany and the UK? Are we going to think about the creation of a single market? Is the transatlantic single market beneficial to the creation of European integration? These are the real questions and unfortunately in Europe these aren't going to be discussed.

I think that the United States were much more vocal in saying that we have a strategy, we want to rebalance our trade deficit, we want to be more proactive, to make more jobs. It's more serious in a way and this is certainly something that should have been discussed better and, again, maybe before starting the negotiations in this way it was better to prepare the ground to talk to the people and this wasn't done enough. I'm sorry about that.

**SHAWN DONNAN:** I think what you're describing there, we can come back to the panel, but what you're describing there in terms of the opposition is that there's clearly an organized opposition and you shouldn't think it's purely a European opposition. There are people talking about ISDS in America and they are talking about it in the context of TPP. There are people talking about ISDS in Australia and they're talking about it in the context of TPP. They've identified an issue that Philip Morris has made very easy for them to identify that you can mobilize around and they're doing the same thing with TISA.

If you look at it, it's around some of the issue like data flows and privacy and so on, and you know how that will intersect with the rest of the conversations. That's a question of communications and the sales pitch and the job that you guys have at the commission and so on. If there are no more questions from the floor... there's one more here. We'll do that. I'd just ask you to keep it quick and then we can maybe just do a very quick wrap-up on the panel here.

**THOMAS NÄCKE:** Thank you. Thomas Näcke I'm working in the European External Action Service on Mercosur countries which is another interested group of countries. It's a difficult love affair. We have been dating for over a decade and no wedding date still.

**SHAWN DONNAN:** Is it coming soon, or is it...?

**THOMAS NÄCKE:** I can't tell you. I want to throw in a thought and seeing how at the beginning you painted the various scenarios – open platform, vetting other countries, open accession clause and so on – could we imagine a completely different scenario altogether that this stays bilateral as it is, EU-US? But in terms of rule-making and regulatory convergence it developed such gravity and momentum that other countries will simply start to follow and adjust their national legislation without any negotiations. We have seen this in the context EU-Switzerland. There is something which in German is called there the *autonomer nachvollzug* [?]. In English I don't know how to translate it. It's like cut and paste. You look at what the EU is doing, adjust it in your legislation to follow, to make it easy for your business. Is that something we could see as an alternative?

**SHAWN DONNAN:** Sinan, do you want to talk about that?

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**SINAN ÜLGEN:** Sure, but why would you want that? In the sense that ideally, given that you already have these regional trade agreements, trying to embed them in TTIP gives you a better position not only in terms of rule-making, but also in terms of all the other disciplines. It gives you the ability to export those disciplines, those new disciplines, whether it's public procurement, whether it's environment, labor codes and so on. So if you fail in doing all of that, yes, by default you may end up in that scenario, but I don't think that should really be the objective.

**SHAWN DONNAN:** I'm just leafing through here because you did in this paper describe the critical mass on standards of rule-setting very eloquently in here and I had marked it in another copy of the paper that I had. But, Damien, do you want to jump in or should we move to concluding remarks perhaps and we can all go check out the football afterwards? Why don't we work our way...? Damien, why don't you kick things off? Just any closing thoughts?

**DAMIEN LEVIE:** Well, I think TTIP is an extremely complex and challenging negotiation in itself and the public opinion in Europe doesn't help and I think the people who I listen to in public debates, i.e. not commission officials, should step up their efforts significantly. We've had discussions with Luisa. It's a message I've been passing to business. Also, in the times of the ACTA thing [unclear] reach out to MEPs much more than they're doing today and explain and I think we've seen very organized minorities convincing majorities in the European parliament that a negotiation is bad for the majority and the majority had no clue. You've had these votes and you can have more of them in the future and I think the first vote on the transatlantic, north transatlantic will be SITA

**LUISA SANTOS:** Yes.

**DAMIEN LEVIE:** It will be SITA. SITA will not hit parliament formally before I think a year and a half, two years.

**SHAWN DONNAN:** Really?

**DAMIEN LEVIE:** Yes, because we work in 22 languages, maybe 23, and all these processes, when you add them up, that takes that long. I'm happy to work it out for you. But the real risk will be non-binding resolutions of the parliament and I think, the last point, is I think we need to think about the global trade strategy, what we do multilaterally, the mega [?] regional blocks, and for TTIP we need to start thinking about its place, be it an open platform or not, but I think we will not be spending much effort on this in the coming months.

**SHAWN DONNAN:** Luisa, closing comments?

**LUISA SANTOS:** Closing thoughts? As I said in the beginning, I think we need to continue to have high expectations. We need to manage these expectations on TTIP because it's not going to be something we'll do in two years, and at the same time we'll need to address the critics. You are right, business maybe should do more. Yes, it's true. We are trying to do as much as we can and I know in Germany my colleagues from BDI are trying to do as much as possible to address the critics, but they are very well organized and of course it's much easier to put something there that's not right, that's not correct, that's not factual, but it appeals to your feelings and to fear. People today, when they hear something, oh, this is bad for you or this is dangerous, they react. They immediately think it's right. That's an issue.

As Roberto was saying, it's an issue that we probably have to see overall in our trade agenda. I know that in the US people are discussing a lot about promoting trade and less about promoting specific

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agreements, and maybe in Europe we also have to change a little bit and start to think about promoting trade as a way to increase our competitiveness, as a way to create growth, as a way to create jobs. I think this is going to be one of the challenges for the new parliament and it's going to be definitely one of the challenges both for business, as well as for politicians.

On the issue of third countries, we are open and I said that in the beginning and from the beginning we've been saying that when we start negotiating with a third country, in particular in the case of Turkey, we are inviting and we are stimulating our business colleagues to start negotiations with Turkey as well. We know how important this negotiation is with the US and we need to see a voice being to a parallel negotiation or possibly afterwards to include them in the agreement. But bringing them already now to this agreement, to the current state of negotiations, I don't think it will help neither the negotiations nor their aspirations as well, because what they want basically is to become a member of a successful and ambitious agreement and we're still not there. We're still in the beginning of the negotiations.

**SHAWN DONNAN:** Thank you. Sinan, we are gathered here today to celebrate your paper, so the final word is yours.

**SINAN ÜLGEN:** Parting thoughts, if I may. There is obviously a need for the major stakeholders in all of this to convince, both in the US but particularly in Europe in the capitals, about the benefit of TTIP. That's very clear, especially with the incoming parliament. Now, my parting thought is as much as this is obvious, I think for the countries that are interested in joining this, they also have to make the case of why TTIP's enlargement is good for Europe. That case has not been made. I tend to think it's good for Europe and I gave you some examples why it would be good for Europe, so I think that case also needs to be made, and those would be my parting thoughts.

**SHAWN DONNAN:** Thank you very much, and thank you to all of you for some provocative interventions from the floor.