

Commissioner Phil Hogan

Intro Remarks at Amcham “Virtual Town Hall”

29th April 2020

- **CHECK AGAINST DELIVERY**

Intro

- Good afternoon ladies and gentlemen, I hope you are all coping with your lockdown, wherever you may be.
- Let me start by thanking Susan and her colleagues at Amcham for taking this initiative. I was an elected politician for over 30 years so I have spoken at many Town Hall meetings, but this virtual Town Hall is certainly a new experience for me.

- It is very timely to have this event, because of course there is a hugely important transatlantic dimension to the Covid-19 crisis, both in terms of dealing with the immediate pandemic and in relation to our post-pandemic economic recovery.
- As you know, I am in regular contact with Washington to make a strong case for greater transatlantic cooperation, and I am convinced that the Coronavirus situation has only amplified the need for this cooperation.

Role of Amcham

- We are very grateful for the role played by Amcham EU in this regard. Your events, publications and general outreach help to keep the wheels of transatlantic cooperation turning.
- Your annual Transatlantic Economy Study was published in March, and as always it makes for very useful reading on both sides of the pond. We value enormously the state-by-state breakdown of trade with the EU, and this year's edition has an outstanding section on the digital economy.

- The study provides comprehensive data to highlight a fact we already know well, namely that the EU-US trade and investment relationship remains the central artery of the world economy.
- Transatlantic trade in goods and services is worth over 3 billion dollars per day. American services alone amounted to \$256 billion in exports to the EU in 2018, with a surplus of \$60 billion, all of it strongly supporting jobs in the US.
- Mutual investment remains strong: in the last decade alone, the EU attracted over 58% of total US foreign investment. US companies freely choose to invest more in the EU than in all other markets combined.
- This is a highly profitable enterprise for American companies, who have an investment stock of \$3.6 trillion in Europe.
- Transatlantic supply chains allow companies in the EU and US to operate more efficiently, and secure millions of jobs on both sides of the Atlantic: 16 million at last count.

- Collaboration between the world's two largest market economies is therefore clearly essential for the stability of trade flows and the multilateral trading system itself. This was true before Covid-19, and it is even truer today.
- So it is in the mutual interest of business, workers and the economies on both sides of the Atlantic to stand together and stand for greater cooperation.

Covid-19 Health & Economic Impact

- We are facing a global crisis – potentially the biggest of our generation. The COVID-19 pandemic presents a profound public health and economic challenge.
- On the public health front, exceptional state support is legitimate and necessary in responding to the immediate crisis.
- We need to ensure the production of critical goods, we need to maintain employment and we need to keep businesses of all sizes afloat.

- But over time the state support measures must be rolled back - if not, they risk perpetuating imbalances that existed before the crisis.
- Within Europe, we are looking at different options to increase the availability of essential medical supplies. The objective is to prevent a critical situation for public health through a diversified and secured supply.
- Bearing this in mind, I would like to say a brief word on the EU's export licensing requirement on personal protective equipment.
- We adopted this measure to protect the health of our citizens at a time when Europe was at the epicentre of the pandemic.
- Our goal is very simple: we want to keep people alive, and help to “flatten the curve” in Europe.
- Our measure is targeted, proportionate, transparent and – above all – temporary. However, we can see that it has caused some misconceptions in third-countries. We have increased our transparency efforts on this, to make it abundantly clear that this is not an export ban.

- It is a measure that helps monitor the production and movement of essential medical supplies within the EU and our neighbourhood, and to establish the gaps in demand and supply within the EU.
- In relation to the global economic picture, preliminary estimates from the International Monetary Fund show that a global recession for 2020 is already here, with a significant contraction of global trade.
- It is important to say that while some have compared this situation to the financial crisis of 2008, the underlying causes are completely different. This is a public health crisis, unrelated to the fundamentals of the global economy, which thankfully remain in relatively good health.
- This crisis affects all countries and all people rather than a select group of countries in particular regions.

Keeping Global Trade Open

- The Covid-19 virus has proven beyond any doubt that we rely on the global arteries of trade to deliver vital goods like medicine and food to where they are needed.
- No country has been able to secure supply on its own: for example, the production and distribution of ventilators and Covid testing kits relies on highly integrated supply chains. A standard ventilator can contain as many as 900 pieces sourced from all over the world!
- Furthermore, the vast majority of countries depend on imports of these products. Solidarity between trading partners is therefore the optimal route to exit - and ultimately recover from – this severe shock to our personal and economic health.
- Yet in spite of this interdependence, the instinctive reaction in some quarters has been to ask: “after Corona, how can we find ways to go it alone?”
- In my view, this is the wrong way to go.

- Of course, some things should be different post-Coronavirus: the weaknesses apparent in global value chains need to be addressed. Building strategic stockpiles of vital medical and protective equipment will make regions better prepared for future pandemics.
- Diversifying and solidifying supply chains will make our economies less exposed to power politics in trade policy. Beefing up toolboxes to protect against unfair practices by others will keep the playing field level and protect our economies.
- As President von der Leyen and President Michel indicated in the Roadmap for recovery, we should reduce trade dependencies that make us vulnerable. We should invest in strategic value chains, and build more resilient infrastructure.
- However, none of these sensible steps should come at the cost of closing down supply chains or limiting trade. On the contrary, an open trade policy will be an important driver for a successful economic recovery plan. For our companies to reap the benefits of trade in the recovery phase, stability and predictability will be needed in the trading environment.

- There is a strong risk that, unless we all make a big effort to steer events in the right direction, we will see an acceleration of the negative pre-crisis trends: the erosion of the multilateral system, protectionism, calls for de-globalisation and de-coupling. The Commission will continue to take a leadership role in defending the rules-based multilateral trading system.
- And I would also say to Amcham members that the support and voice of businesses is important in this. Businesses need to counter protectionist narratives that will ultimately harm everyone.
- The European Union is making this case forcefully at international level, most recently in the meeting of G20 trade ministers.

EU-US Relations

- And we will continue to engage bilaterally with the US in this regard.
- There needs to be transatlantic cooperation in the fight against Covid-19. Our two markets are closely inter-twined – for example, EU and US pharmaceutical and medical equipment companies have investments and manufacturing plants on both sides of the Atlantic.
- We need good, reliable channels of communication on the measures we are each taking in the face of the crisis.
- Beyond Covid-19, the EU and US are now making preparations to reopen our economies and manage the post-crisis environment, so we have a strong mutual interest to do this in a coordinated manner that gets trade and investment flowing again.
- Following the Davos meeting of Presidents von der Leyen and Trump, we have been exploring possibilities for a positive trade package that would put the partnership back on track.

- This includes a number of issues such as resolving the two long-running WTO disputes on supports to **Airbus and Boeing**, or exploring tariff commitments.
- We would also like to **find a solution to the trade dispute on steel and aluminium.**

WTO Dispute Settlement

- Of course, if we are serious about a coordinated global response to economic recovery, we cannot ignore the pressing need for stronger rules at international level.
- The rules-based international trading system with a functioning WTO at its core will be more important than ever to create a predictable and stable economic environment.
- Let me therefore update you on the steps we are taking to protect dispute settlement in the WTO.

- Working with like-minded WTO members since the effective collapse of the Appellate Body last December, the EU has developed the Multi Party Interim Arbitration Arrangement as a stop-gap to maintain an independent dispute settlement function.
- There are 15 co-signatories alongside the EU, including some of the biggest users of the system, such as Brazil and China. I have also extended a broad invite to the entire membership to join, underlining the inclusive nature of the arrangement.
- Furthermore, digital trade and the digital economy have played a critical role in this time of lockdowns and restrictions. The development of international rules, through the WTO, cannot wait any longer. We will redouble our efforts to bring plurilateral negotiations on e-commerce to a successful conclusion.
- We should promote greater competition and the removal of unjustified barriers. I will continue along with President von der Leyen and other colleagues to make this case to our American counterparts.

Conclusion

- I will conclude here, ladies and gentlemen. I hope I have provided you with some useful insights and updates. So given that this is a town hall meeting, I will now step down off my soapbox and take some questions from the floor. Thank you.