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TRANSCRIPT  
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## **“Refreshing Transatlantic Trade Relations”**

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WILLIAM ALAN REINSCH:

Well, welcome, everybody. It's a pleasure to have you all with us for the first really trade event of 2020, the first of many I suspect. It looks like it's going to be another busy year in trade, which for Scott Miller, and myself, and our colleagues here, that's great news. (Laughs.) We'll see what the events and how great they end up being, but this one I'm sure is going to be a good way to start the year, and an important one, where it's a great honor for us to have the European Union's commissioner for trade with us to make public remarks on the occasion of his first visit to the United States in that capacity. He's been here many times before.

Phil Hogan took up his position as commissioner for trade on December 1 last year. So he's part of the new commissioner – he's part of the new commission. He is, however, one of the veterans, having previously served in the last commission as commissioner of agriculture and rural development from 2014 to 2019. So he knows one big chunk of trade issues very, very well from the past, and has a lot of experience here actually negotiating with Americans on one of the more difficult issues, I think, for both of us.

Commissioner Hogan grew up on a farm in rural Kilkenny in southeast Ireland. From 1989 until he became commissioner he represented his constituency in the Dáil. And he was also previously a member of the Irish Senate. Between 2011 and 2014, he was the Irish minister for the environment and local government. And in 2013 he served a term as president of the EU Council of Environment Ministers.

So he has really an extraordinary breadth of experience, all of which, I think, makes him uniquely qualified to deal with trade, because trade ends up being very much about – it depends on very much being about agriculture, among other things, at least for both of us, the EU and the United States. But also increasingly, it ends up being about the environment and about climate change, which I know is one of EU's priorities and one of the priorities of this commission. And perhaps he'll have something to say about that.

As EU trade commissioner, he is responsible for trade policy, including the negotiation of bilateral trade agreements. He also represents the EU in the World Trade Organization and other international trade fora. It's a pleasure to have him here. He's going to make remarks, and then Heather Conley, our Europe chair, and I are going to join him up here for a conversation, and then we'll conclude with questions from all of you.

Commissioner. (Applause.)

PHIL HOGAN:

Thank you very much. And ambassadors, Reverend Father,

ladies and gentlemen, thank you for your welcome. And it's a pleasure to be here at the Center for Strategic and International Studies. And I didn't expect to be the headline act for the beginning of the new decade, but I'm happy to be here this morning.

As has been said, it's the first visit to the United States as trade commissioner. It's the first of what I expect to be many visits to Washington as European trade commissioner. And, of course, as an Irishman coming to the United States, you feel very much at home. I had a very busy few days here already, and a lot of meetings scheduled today, meeting members of the administration, members of the Senate, members of the Congress, and key think tanks and people who think they're think tanks, have ideas about what's going on. And these are very important meetings in terms of outreach and dialogue and understanding each other, and where the European Union is coming from.

And the meetings that I've had remain very positive and productive. And they confirm that there are powerful and influential voices on both sides of the Atlantic calling for political leadership to refresh, to recalibrate, and generally reclaim the shared agenda on trade between the United States and the – (off mic). And if we go about this in the right way, working together, the mutual benefits can be very significant. But if we fail to do so, the damage will be significant also. Not alone for us both, but for the world we have built together. So we are entering this decade at a pivotal moment in time. And we are faced with many challenges, many of which are totally new. It is important that we make the right choices now in the direction we go. And the choice above all is this: We either cooperate and shape the response to these challenges together, or these challenges will shape, divide, and diminish us.

So, ladies and gentlemen, you are all very familiar with our rich shared history of global leadership in the trade arena, and in many other areas as well. The United States and the European Union are each other's most important partner. And we have for decades shared an international outlook and values that are rooted in our intertwined history. Together, we shaped the global trading system and the multilateral institutions that govern it. This has allowed us to build an economic partnership that has become the most significant commercial artery in the world. And together, we form the largest and wealthiest open market with overall trade in goods and services worth over 1.3 trillion (dollars) annually.

Working together, we have been the engine of sustained global prosperity for many decades. But the sands of global trade are shifting, and the last decade in particular has seen fundamental

shifts. Trade politics is no longer exclusively about trade policy. It is often a proxy for security, technology, geopolitics and more. In particular, trade has become a tool in the global struggle for technological supremacy. Other more general megatrends have accelerated at a rate of knots, such as digitalization and technological advances, the rise of China, climate change, global demographic shifts, and a recognition of the impact of international trade on workers and farmers.

The combined weight of these changes means we are now experiencing a high-pressure crisis, a high-pressure crisis moment for the international trading system. However, as we know, diamonds are made under pressure, and the EU is treating this as an opportunity to crystallize our priorities and to assert them on the world stage. I sincerely hope that the United States is taking it on the same lines.

In the European Union, we are not going to retreat into our shell at this critical moment in international relations. We're very much open for business, and we believe in the opportunity of openness. New European Commission President Ursula von der Leyen is taking a strong geopolitical approach to all of our policy work, and she's given a clear commitment that we need positive, balanced, and mutually beneficial trading in partnership with the United States. And she's given a clear commitment that we need to elaborate on how we can move a little faster in that direction.

First of all, in the interest of transparency and fair play, we need to measure our trade relationship with the right metrics. It's always good to know where the starting position is. We must call out the narrative that the United States has a trade deficit or an unfair trading relationship with the European Union.

In reality, the relationship is both balanced and highly mutually beneficial. And this cannot be stated enough. In fact, the facts are clear. Our tariffs in the United States and the European Union are very similar. On industrial tariffs, our weighed average applied tariff is 1.4 percent. The United States tariff on the EU is 1.6 percent.

The inclusion of agriculture, which many politicians are looking for in any negotiations between the European Union and the United States, changes the picture very slightly. The EU weighted average on all U.S. imports stands at 3 percent if you include agriculture, whereas the U.S. tariff on EU imports is at 2.4 percent.

So these are figures that I wanted to give you in order to show that the narrative of what has been said about this massive deficit is

actually misplaced. The modern economy thrives on goods, services and investment. And each of these creates jobs and salaries for American workers.

The U.S. is a services-led economy. In fact, the U.S. is the global services powerhouse. American services exports to the European Union amounted to \$256 billion in 2018, a surplus of \$60 billion, all of it strongly supporting jobs and wealth right here in the United States of America.

On top of that, American companies in the European Union send back \$123 billion to the United States every year. So transatlantic trade in goods and services is worth over \$3 billion a day. So it sounds like a fairly healthy relationship in trade terms to me.

Mutual investment is another pillar of the transatlantic economy. And in the last decade alone, the European Union has attracted over 58 percent of total U.S. farm investment. U.S. companies freely choose to invest more in the European Union than in any other markets combined and that in all other markets combined. This is a highly profitable enterprise for American companies, who have an investment stock in Europe of \$3.6 trillion.

Of course, this also applies in the other direction. Sixty percent of foreign investment in the United States comes from the European Union. It should be noted too that 66 percent of all EU imports require further processing and further production in the United States, which means more jobs in the United States. This is never taken into account in any of the trade narrative that I hear about.

So why, then, would you be putting tariffs on these European products that are needed for further processing and production, and for jobs in the United States to make them more expensive for your people, more expensive for your business? And this damages our planet and damages economic activity in the medium term.

So we can say beyond any doubt that the transatlantic economic relationship is a balanced one. It's a multilayered one. And above all, one that's very beneficial to both sides. These are important facts that should be fostered and strengthened.

The European Union is a free and open market offering a level playing field to U.S. companies – that's why they've there, five hundred million people. Other partners do not do so because the transatlantic supply chains allow companies in the European Union and the U.S. to operate more efficiently together and secure millions of jobs on both sides of the Atlantic – 16 million jobs at the last count.

No other market is as free and open for U.S. business as the E.U. Where else are you as welcome? I might add that I'm am coming under pressure to defend this level of openness given that our European business can be hit with unjustified tariffs and restrictions at a moment's notice, but I want to be clear that we reject the U.S. labeling the E.U. as a security risk in order to justify the imposition of tariffs. The narrative is hurtful to our European people.

The EU is absolutely committed to a strong and positive bilateral agenda, and I'm here this week to try and develop that positive agenda. The executive working group that was established by President Trump and President Jean-Claude Juncker, in July 2018, has done some good work. It has reduced tensions and encouraged cooperation on both the bilateral agenda and global challenges.

From our side, we are already delivering some results. Take, for example, our increase in imports of American soybeans, which President Trump likes, and liquefied natural gas. This increase in imports is good for U.S. farmers and exporters, but also for energy diversification and agriculture in the E.U., so it's a good example of a win-win.

But improvements in trade should not be one way, so the E.U. has been patient for many years, since 2008, to receive approval for the modest exportation of apples and pears to the United States from the European Union. And I am often asked to explain the scientific basis of why certain products are blocked from access to the European Union by the United States. I've questioned the scientific basis for blocking the approval of apples and pears, as well, into the United States after 12 years.

So Europe is a major export destination for United States farmers. Last year we imported some \$14 billion of American agricultural products. In fact, we like your products so much that agri-food imports from the United States are the fastest growing E.U. imports.

In addition, we granted the U.S. exclusive use of 35,000 tons of our import quota for hormone-free beef. We adjusted that quota, too, at the request of the United States, and we did it with a good heart. This is out of a total of 45,000 tons of beef that comes in hormone free into the European Union, and this is operational from the 1st of January, 2020.

So these are good news stories, but we are ambitious for more. And we want to finalize our negotiations on issues of United

States concern where they have put on the table issues around conformity assessment, which is a longstanding ask of the United States. We want to discuss tariffs and how we can reduce tariffs, but also reduce non-tariff barriers. We need more convergence in relation to standards, and in the regulatory field through greater cooperation. This is the best way for both of us to be rule makers instead of rule takers. Ongoing negotiations on these are important, and we don't work together on these issues, somebody else in some other country will do it.

We are keen to intensify our cooperation on technology, covering areas as semiconductors, artificial intelligence, additive manufacturing, and quantum technology. This cooperation will be massively important for our economies and for our security in the future.

And the European Union followed the U.S. example and introduced its own investment screening mechanism in recent times, and we're eager to learn from the experiences of the United States in relation to export control and investment screening, to name but a few. So we can protect our trusted transatlantic trade and investment space, and we should have discussions on a possible agreement to white list each other when it comes to investment and export controls.

But we recognize these are only the first steps. We need to cooperate much more closely on the technologies that are transforming our economies in order to protect our trusted trading space. The EU agrees on the importance of telecom network security, particularly in relation to 5G. The European Commission, in fact, published an EU-wide risk assessment in October 2019 in respect of this area. And this month the EU and the member states will present a toolbox of mitigating measures to address these risks. This work will provide a good foundation for future transatlantic cooperation, an area of great concern to this administration.

So we are laying the foundation of our – for our shared future for decades to come by openly discussing these issues with our friends in the United States. However, we must also deal with the disputes of the present day. Imposing tariffs on each other serves nobody's long-term interest. Tariffs are, in reality, just another form of taxation on businesses and consumers.

There are no winners in a trade war. You don't have to take my word for it. The Federal Reserve study released last month by the United States shows that the import tariffs imposed to protect U.S. manufacturers have had the opposite effect by raising import costs and by triggering retaliatory tariffs. This reduces economic

growth, reduces wages, and puts jobs at risk. It's hardly a sensible approach.

In this regard, I regret the choice of the United States to move ahead with tariffs in the Airbus case and the recent announcement to potentially subject additional EU products to tariffs. This leaves the European Union with no alternative but to follow through in due course with their own tariffs in relation to the Boeing case, which will be announced in May or June by the – at the WTO, where the United States has been found in breach of WTO rules.

And we have a giant responsibility to resolve this, and we have offered to do so by negotiation. We've made proposals. We haven't got, really, any response yet. But we are open to sitting down and negotiating a balanced settlement so that we can leave these disputes behind us. And the EU has shared concrete proposals, as I said, with the United States on how we can do that. We've clearly identified aircraft subsidies and on future support to our respective aircraft sectors. If we don't solve this issue, China will help to grow its business in civil aviation at the expense of the European Union and the United States. Now is the time that we can defend the position of both the United States and the EU aircraft sectors in a market with strong emerging players. If we continue to beat each other up, then the future risks being lost to the new competitors.

Finding an agreement is also essential in relation to our modern connected economies. People in America and the – and the European Union want digital companies to contribute their fair share of tax on both sides of the pond. Of course, how we do that is what we're negotiating at the OECD, and we need to find a sustainable answer to this problem if we want to prevent every country coming up with its own individual solution. So we have made it clear that we have no option but to regulate on our own if the U.S. blocks a global agreement through the OECD.

So, ladies and gentlemen, we are operating in a changing global economy, and in Europe we remain absolutely convinced and unwavering in our conviction that an open trading system with a firm and fair rulebook is the best hope for every country around the world to achieve its sustainable economic progress. Global challenges, in my view, need global rules.

Unfortunately, the current rulebook is out of date and the rules-based multilateral system has drifted away from economic and business realities. The gap in the multilateral rulebook has allowed China to provide significant subsidization that distorts markets and investment flows. By creating overcapacity in certain

sectors, China's state-owned enterprises are in a position to outbid others in government procurement or in acquisitions. This means it can exploit its role as a key investment destination to siphon off technology by forcing giant ventures or requiring disclosure of trade secrets in order to get licenses. China has been able to do all of this while maintaining closed markets that allow its own operators to grow by putting up internal barriers to foreign operators such as complex licensing requirements and discriminatory licensing conditions.

That is why the WTO reform is a top European priority. We fully agree with the United States that the organization needs to be fixed and it needs a profound overhaul, not just tweaking at the margins. Rulemaking is paralyzed and transparency is underused, and the current rulebook does not adequately address some of the most trade-distorting measures such as industrial subsidies. And this week the United States, the European Union, and Japan came together in a joint statement to reflect this reality and our concern and our ability to work together. It's probably the first time that those three entities were in a photograph together for a while, and hopefully it's the start of something new.

But we have to step up our cooperation. And we need a new balance to be found in the WTO, with clear rules and commitments that properly regulate global trade. After all, it's an organization that's 25 years old. We need to establish a level playing field that reflects the world of today, a diverse global economy more connected and technologically driven than ever before. Our objective is to return the WTO to the center of global trade where it belongs.

That is why we urgently need to fix the negotiating function of the organization. And for this it is a total no-brainer because the organization has been unable to create new rules or adapt existing ones for far too long. Therefore, I warmly welcome what we did this week to try and deal with the issues of industrial subsidies and forced technology transfer together and to deal with the distorting trade – the distorting issues that are hampering the cooperation that's necessary and the rulebook on global trade. It shows what can be done if we work together.

Rights and obligations in the system should be rebalanced. And at a minimum, I think we can probably agree that the so-called emerging countries, like China, have emerged. This means that a fresh look is needed at the question of exceptions for developing countries, which should only be available where and when needed. A broad exception for two-thirds of WTO members is not acceptable. So we are in agreement with the United States on this and we need to define the appropriate way to get there.

The WTO will need to change the way it works, negotiates, and decides. The hostage-taking and consensus-blocking attitude will not work anymore, and we need mechanisms to facilitate the integration of plurilateral approaches in the WTO framework. This would introduce a new dynamic into the organization and be crucial for several negotiations that are important in the future, such as e-commerce.

But I repeat, what will be the value of new rules without a proper enforcement mechanism? We therefore need an effective dispute-settlement system that enforces the rules as we have agreed them. Nobody can play the global game in trade without a good referee.

To our American friends, my message is very simple: Let's talk. Let's cooperate. Let's lead. We would approach any discussions on WTO reform with an open mind. And we have made proposals to address these concerns of the United States recently, and we now need clarity in relation to what the United States actually wants. The time has come to start discussions in earnest, and our strong preference is to tackle WTO reform on the basis of transatlantic cooperation. But if the United States does not wish to engage in this work, the European Union will have to strike out on its own with other partners.

So, ladies and gentlemen, let me conclude by once more wishing you a happy new year and a happy new decade. And I remain hopeful after my visit here this week that the 2020s can be an era of refreshed and resurgent transatlantic relationships. We have a strong and proactive trade agenda in the European Union. I can assure you that we will be no shrinking violets. We will robustly defend our European interests. But let us recall that our primary interest and the job we are here to do on both sides of the Atlantic is to protect the interests and well-being of our people and our economies. American and European companies are relying on open markets. And we fail to protect them in our economies, it will be our economies, our workers, and our citizens who will end up paying the price.

The European Union and the United States are sometimes described as siblings, and I have to say I agree with this observation. But as you know, siblings often bicker. They call each other names from time to time. They even get into a fight. But let's not forget that when the pressure comes, siblings are family and we always end up supporting each other. So I hope that we can get back to seeing matters eye to eye as a family, and this is the world's best hope for a peaceful and prosperous future. Thank you. (Applause.)

MR. REINSCH: Well, thank you very much for a comprehensive overview of the relationship. But now we've got you surrounded.

MR. HOGAN: I see that.

HEATHER A. CONLEY: You're in the hot seat, officially.

MR. REINSCH: And so it would be – I think we want to spend a little bit of time before we go to questions from our guests to drill down into some of the issues you talked about with a little bit more depth. I don't want to totally get into the weeds, but we'll get, you know, part way into the weeds. But let's maybe begin with a softball. This is your second, third day here, I guess, fourth day. Lots of meetings. Can you tell us a little bit who have you met with, any surprises, any disappointments?

MR. HOGAN: Well, I met Ambassador Lighthizer, obviously, as my immediate interlocutor on the United States side. And he, of course, has a very busy week because of what's happening with China. So I didn't have his full attention, I think. But I'm meeting him again this afternoon, so I think he might be more relaxed at this stage, in terms of the engagement we can have with each other. But there's no secret of the fact that we don't see eye-to-eye on all issues. What we also, I think, are exploring some of the issues where we can actually work together, and where a lot of work has already been done together. And I've explained some of them already in the course of my remarks.

I met people in the Congress and the Senate, Chairman Neal. Of course, with the help of Ambassador Lambrinidis and Ambassador Mulhall we had a very nice social occasion with many of those people during the week as well, where we were in a social environment able to explore how we can work more closely together. And we are meeting – we met Secretary Mnuchin. We're meeting with Secretary Ross, and Mr. Kudlow, and at the Atlantic Council. So there is a flavor of some of the activities we have. But I thought we got off to a reasonably good start on Tuesday morning when the Japanese minister for trade, Ambassador Lighthizer and I were able to stand together with some positive message about industrial subsidies and forced technology transfer, and how we were going to work together within the WTO format, or indeed in every other format, in order to explore how we can work together to make sure we have a more level playing field.

MR. REINSCH: I was going to come back to that, but since you brought that up let's pursue that for just a minute, and then we'll turn to the U.S.-EU cooperation issue. That was I think an important statement, the trilateral statement. And it seemed to us here that the

statement does a good job of trying to redefine subsidy in light of modern practices that are essentially unfair to normal market economies. What it clearly did not do was address the question of the definition of “public body,” which is, you know, the other side of the subsidies coin, if you will, which is, you know, what is a state-owned company and what is not. Are you going to be able to address that, or is that an irreconcilable issue?

MR. HOGAN: Well, we have to leave something for the next day. (Laughter.)

MR. REINSCH: Well, my other question was going to be is this the last chapter or is there going to be another statement.

MR. HOGAN: No, this is just the beginning. We now have to have an engagement with likeminded countries about how we want to take this forward. And our technical people will be working behind the scenes in the next few months in advance of the MC 12 meeting in Kazakhstan to try and see how we can make further progress in bringing more people on board for that statement. And then when you have a critical mass of member countries of the WTO coming together and sharing these views that we have just announced this week, we can then confront the issue with more powerful mechanisms with a lot of good cooperation from member countries behind us. So the definitions of public body and the technical work, that will continue, I'd say, into chapter two and three.

MR. REINSCH: So your hope, though, is you may have something to raise at the Ministerial Conference in June. It's on that fast a track?

MR. HOGAN: Yes. We want to – we have agreed, Ambassador Lighthizer, and Minister Kajiyama of Japan have agreed with the European Union that we need to move now rather than waiting around. Strike while the iron is hot in terms of this statement and try an enlist the support of members. And I will be, I suppose, engaging in a sales and marketing approach on the statement in Davos next week.

MR. REINSCH: (Laughs.) Well, speaking of timing, you've put a lot of issues on the table. And they're all the ones that people here are very aware of: the Boeing-Airbus dispute, the digital services tax, the WTO issue –beyond the subsidy issue—the question, the Appellate Body, and the question of how the organization is going to function, whether or not we can develop a common approach to China. These are all out there, including also, the issue of implementing the agreement between former commission President Juncker and President Trump of July 2018 on starting bilateral negotiations. What comes first for you? How do you

prioritize these things? And do you start with the hardest or do you start with the easiest?

MR. HOGAN:

Well, I suppose when President von der Leyen asked me to do this job I asked the same question. And actually her views are very interesting. She wants to reset the relationship between the European Union and the United States. And she is very keen on doing this. And that's why managing the relationship with the United States is important for me. I have, you know, invested a lot of time this week. I'll be back again next month and the month after in order to continue with the dialogue and continue with hopefully getting concrete actions in place rather than just talking about things.

If there's a political will on the part of the United States to engage with the European Union, I will be there. It's a priority for us, because if we can unlock the problems we have between us, and then it triggers a very positive agenda in relation to how we can deal with conformity assessment, regulatory cooperation, standards, e-commerce, the reform of the WTO. It triggers off so much.

MR. REINSCH:

But all those things, it seems to me, are waiting in the wings until we address the agriculture issue, which seems to be the impasse that's holding everything up, which you know more about than anybody, I imagine.

MR. HOGAN:

I always thought that Mr. Trump was a man that actually, when you agree something with him, it's a deal. He's a transactional president. A deal is a deal.

MR. REINSCH:

He is, indeed.

MR. HOGAN:

So in July 2018 he did a deal with President Juncker, which excluded agriculture. But we also excluded public procurement by America, maritime, geographic indications on our side. They were our asks. So I always thought that in a trade negotiation it takes two to tango. And it also was expected, when we do a deal, a deal is a deal.

MR. REINSCH:

Well, yeah, but that's – you know, we've written about that here. I mean, you guys got the better of him 18 months ago, and you've been gloating about it ever since. How do we get –

MR. HOGAN:

We haven't been gloating about it at all. Mr. Trump does the gloating.

MR. REINSCH:

But how do you – you know, and I think the U.S. position was

reduced to saying, well, you're right, it wasn't in the agreement, but it should have been.

MR. HOGAN: Fair enough, yes.

MR. REINSCH: And so –

MR. HOGAN: The same with the hormone-free beef quota of 2009 that was negotiated with the United States. It didn't work out exactly what we thought we would get out of the 45,000 tons. So now can you revisit it? And I did.

MR. REINSCH: You did indeed.

MR. HOGAN: Yes. We got nothing in return. I didn't get any generous reciprocity.

MR. REINSCH: (Laughs.) The thanks of a grateful nation, I'm sure.

MR. HOGAN: Exactly. Yes. Or the next life maybe. (Laughter)

MR. REINSCH: But getting back to – I want to push you a little bit. We do have, you know, this agriculture impasse. I can – I imagine you heard on the Hill – particularly if you met with Senator Grassley, I'm sure you heard on the Hill that there's no sympathy for moving forward on issues with the EU unless agriculture is addressed. How do we get – how do we get moving?

MR. HOGAN: When I met –

MR. REINSCH: The U.S. has to surrender? Is that the only answer?

MR. HOGAN: No, no, no. We wouldn't in any way think of that way. We want the United States to implement the deal that they agreed. We're asking for no more, no less. And when I met Senator Grassley, he had two packages on his desk. He had, one was soya beans and one was corn. And when I reminded him that the deal of 2018 included the commitment by the European Union companies to buy more soya beans, we have gone up 120 percent in our imports of soya beans to the European Union in the last year. We have 180 percent on the corn of the farmers of Iowa.

He didn't realize this. So we have a better job to do in terms of communicating what actually we're – how we're actually succeeding together on the deal that we made in 2018. We have revamped our quota on the beef, on hormone-free beef, to the positive agenda of the United States. Instead of 17,000 tons a year, now it's going to be, over a period of time, 35,000 out of 45,000 tons of a quota.

And I did suggest that regulatory cooperation might be a mechanism where we might get in the door to discuss non-tariff barriers on agriculture. We have a long list of non-tariff barriers, and so has the United States. So let's pick a few of those maybe on the agricultural area in order to help, to maybe unlock some of the concerns. And I've made this point to the Republican caucus on the Hill and the Democrat caucus and to Chairman Peterson and others. And I think that I found a little bit of receptiveness.

MR. REINSCH:

You did?

MR. HOGAN:

I think so.

MR. REINSCH:

Good. We've been down this road before, you know. This – you opened the door for me to talk about chickens.

MR. HOGAN:

Oh, chickens.

MR. REINSCH:

Chickens, which is my favorite subject.

MR. HOGAN:

If you want to talk about chickens, 50 states out of the United States can export poultry to the European Union. One member state of the European Union can export poultry to the United States. So what's the scientific basis for that?

MR. REINSCH:

Well, good question.

MR. HOGAN:

It is a good question. I haven't got an answer yet.

MR. REINSCH:

Well, the – all right. (Laughter.)

MS. CONLEY:

You stumped him. (Laughs.)

MR. REINSCH:

Yeah. I'll have to – I will ponder that a little bit. I'm sure there's a good answer for that.

MR. HOGAN:

Fifty states of the United States –

MR. REINSCH:

How much actually gets –

MR. HOGAN:

– of the United States are allowed to export beef under this quota.

MR. REINSCH:

Beef I know about. How much –

MR. HOGAN:

Four countries of the European Union can export beef, but I

think 100 tons was all that was exported in 2019 from one of those members countries of the European Union. It happens to be from Ireland.

MR. REINSCH:

Well –

MR. HOGAN:

One hundred tons. I think we can do better than that.

MR. REINSCH:

Just from Ireland you can do better than that?

MR. HOGAN:

I think so, if the United States will actually not put nontariff barriers in our way.

MR. REINSCH:

Ah. Well, I think that gets back to where we were going on this. I think we've all thought for a long time that an area where we could probably achieve the most would be on, in the regulatory area, through either harmonization, mutual recognition, or coordination of process, whatever we can do. I think what's been frustrating here is what, is that how we do, how do we get that started? How do we get that dialogue moving? We've had it in the past, but right now we seem to be stuck with this threshold issue.

MR. HOGAN:

We're stopped for the last six months on a number of issues: on standards, on conformity assessment, on regulatory cooperation. I'm going to be asking Mr. Secretary Ross about this today. I don't know why we're stopped because we were making a lot of progress together based on the 2018 deal on these areas and we've come close to actually reaching agreement. So we're trying to, let's see, can we unlock these issues today– later on today. But it is – these are low-hanging fruit issues that we should be cooperating more, because if we don't do it, other people will.

MR. REINSCH:

Another one that's in the same category where we can't seem to get moving is the Boeing-Airbus dispute. As near as I can tell, both sides are accusing the other of not being willing to negotiate. How do we – how do we break that loose? What's your plan on that?

MR. HOGAN:

We've offered a proposal to settle the dispute. We haven't – we haven't got a response.

MR. REINSCH:

You don't have a response yet.

MR. HOGAN:

No. I think that Mr. Lighthizer wants to want to see what the color of the money is in the Boeing settlement before he actually sits down and negotiates with us in relation to Airbus, which I think is very shortsighted. I think we should settle it now, and reduce the tensions, and help Boeing to be able to settle its commercial issues.

MR. REINSCH: You think we should – you think we should settle it now because –

MR. HOGAN: Yes, I think we –

MR. REINSCH: – because the color of your money is going to be a lot paler than the color of our money.

MR. HOGAN: No, we have – we have options. Like, I want to make this very clear, that if we do not reach a deal between now and June it puts enormous political pressure on me to come forward with various measures that would not be nice in relation to Boeing, and I don't want to do that. So it's in the – we have made a proposal to settle this case. The ball is in the court of the United States of America. And I would sit down in the morning to negotiate an outcome and give certainty and predictability to Boeing and Airbus for the future, and to be able to deal with the challenges in civil aircraft in another part of the world.

MR. REINSCH: Well, that's the reason that we should get together and solve this problem. I mean, you made that – you made that point in your speech and I think it's a very well-taken one. You know, we'll see if the United States takes the bait or not.

But you've also – I think I'll turn this over to Heather in a couple of minutes and I think she'll probably want to ask you about the tax issue, but let me turn for a moment to China, which you commented on as well in your remarks. Clearly, I think leaders on both sides of the – of the Atlantic have made the point that probably the most obvious area in the world for us to cooperate on is China because the challenge to both of us is pretty much the same and I think public opinion in both countries has been evolving in similar directions. My observation has been in conversations with, you know, officials in both places that it sounds like a great idea, but that the two sides have different ideas about how to tackle the problem. Do you think that's right? And –

MR. HOGAN: That's a fair representation of it. The United States have struck out on its own because they want the benefits of whatever they get from China for themselves. They haven't taken the global view. And they're entitled to do this, but they've stood out from the WTO process in trying to achieve these outcomes as well. And it will be interesting to see, is the deal that was announced, is it WTO-compatible? But now that the Appellate Body is frozen for the moment, maybe that's part of the tactics.

But the reality is that there are – there are major systemic issues that have been identified by the United States and the European Union. We have made this clear in our summit meeting of EU member states last March, about what our agenda is in respect of 10 concrete actions to achieve some semblance of fair play and a level playing field with China, to tackle the issues of technology, on digital trade, but also tackle the issues in relation to state-owned subsidies, forced technology transfers.

We are negotiating an investment agreement at the moment with China and these issues are on the table as well. It would be wonderful if we were working together at the WTO and enlisting the support of all members to be able to challenge these issues collectively.

MR. REINSCH: Do you think – and this goes back to some other remarks you made – do you think the WTO right now is in – is capable of doing that?

MR. HOGAN: I don't think it's capable of doing it quickly enough. And therefore, the reform of the WTO is important. And we share the analysis of the United States in this respect, and we are – we are discussing proposals about how we can do this together. But I don't detect an appetite on the part of the United States to be able to engage in this WTO reform agenda this year.

MR. REINSCH: This is something that the president's political opposition has accused him of, of not wanting to build coalitions. And this is a case where, it seems to me, the most obvious place where one might do that. But it also then raises the question that we've just been discussing, which is, if you do put this in the WTO box, if you will, if they're really capable of coming up with a solution in any reasonable timeframe.

MR. HOGAN: Well, let's look at what happened yesterday on the signature of the U.S. and China, and let's look at the detail in terms of what that has actually achieved. We still have 20 percent tariffs on both sides. This is not going to be good for competitiveness or jobs, which is a desired objective of President Trump. It won't be in the medium term. It's not going to make it competitive. Well, in the short term it might work, between now and November. This is where maybe businesses have to collectively come together in the transatlantic sense and talk to each other more often, build alliances together, and understand each other better about the implications of these decisions. So it's not just government to government, because that will be of a short-term nature this year; but in the medium term, businesses organizations, I think, have to interact in the transatlantic-sense more intensively on what they – how they respond to these things.

MR. REINSCH: Surely you're not suggesting that we've done something for crass political purposes.

MR. HOGAN: Well, I was a total of seven years a politician; I understand the way it works. (Laughter.)

MR. REINSCH: I've got more, but I'm going to turn you over to Heather. She's a lot nicer than I am. (Laughter.)

MS. CONLEY: My turn. Thank you, Bill.

Commissioner Hogan, thank you so much. This is also my first event in 2020, so happy new year, everyone. It's great to be back.

2019, for my research agenda, was absolutely dominated by Brexit. And so I thought that's my first question to you, Commissioner Hogan. Let's talk a little bit about Brexit. Also, the EU and the U.K. completed phase one, to use that term from the U.S.-China conversation, and now we're preparing for phase two, the future relationship. Michel Barnier, obviously, has the lead on that, and your very capable director general is very knowledgeable about process as well. Help us understand – and also from your own deep, deep understanding of border issues – we're a little nervous about what this U.K.-EU relationship will be. Will there be convergence? Will there be alignment? Will there be divergence? And its impact on the Good Friday Agreement. So I guess in some ways I want your thoughts as a commissioner. And give me all that good technical stuff, but I actually want your thoughts as Phil Hogan, who knows how important this issue and how monumental January the 31<sup>st</sup> is for Ireland.

MR. HOGAN: It would be very dangerous to give you the Phil Hogan view. (Laughter.)

MS. CONLEY: We only want the Phil Hogan view.

MR. HOGAN: Oh, I'll give you the commissioner's view.

MS. CONLEY: OK.

MR. HOGAN: No, we want as close as possible relationship with the EU and the – and the United Kingdom. We set out in a 36-page document on the future relationship how we're going to do that. So anybody that wants to download that document, you'll see the agenda for the negotiations for the next, you know, 10 months, 11 months.

But Prime Minister Johnson has I think unwisely decided that he wants a deadline again. He wants a timeline.

MS. CONLEY:

Very tight timeline.

MR. HOGAN:

It puts enormous pressure on the U.K. system and the – then, of course, on the EU system in order to see what we have to do to meet his timeline that he has put on the legislation. And it's not a simple thing about mending the legislation at the end of the process because the withdrawal agreement has gone through. Article 50 is no more. So it's – you know, my technical people here and the director general, who has been more – (inaudible) – about this, tell me, you know, it's not a simple business like this of just a one-line amendment in the legislation in December and we'll extend the time. That's not possible at this location. So we need to wake up to this reality that gamesmanship and brinksmanship is not going to work on this occasion.

And you know, what can you do in four months before you trigger the transition on the 1<sup>st</sup> of July? Very – you know. So we have to prioritize. And that's what President von der Leyen and Michel Barnier were in London last week deciding and discussing, what are the priorities. So the issues are on security and defense, and all of these other issues may have to wait until 2021, when the economic issues will be, of course, center stage from the word go. So you know, the type of outcome of that will be determined by the attitude of the United Kingdom regarding the level playing field. And if there's a level playing field, that aligns an enormous amount. But there's – this would be the first negotiation that the EU is involved in with a third country where we actually are diverging from each other. This is a challenge.

I mean, normally we do deals on convergence. This is the first one on divergence. Ambassador Mulhall, who was involved with the process in London from the earliest stages, you know, this is the type of understanding in the United Kingdom that sometimes is missing. You know, that it's no good news on this for anybody, but it's worse news for the United Kingdom than anyone.

And you will have imagined that the government now with an 80-seat majority was in a strong position to actually say: Well, no. We've been through the horrors of parliamentary arithmetic and all of these issues for three years. Now we have an opportunity of actually having certainty, and predictability, and confidence in the business community to invest, and that a stable arrangement was the order of the day.

And what we got instead was a little bit of mixed messages of timelines, creating uncertainty and a cliff edge again. And that's

not exactly helpful to the business community, to jobs, and to the certainty and predictability we're all trying to build.

MS. CONLEY:

For me, there's such a tension, though, in your job in protecting the single market, which is very powerful. At the same time, the more you protect the single market, in a scenario of divergence, the more frictions you're going to cause, potentially, between Northern Ireland and Ireland. How do you – how do you manage that, to do your job that could also impact the peace process itself potentially? I know that the border issue was resolved in the Ireland backstop. But there's still – and you certainly admitted it, others have admitted it, there's going to be frictions.

MR. HOGAN:

Well, I think the European Union together have done a tremendous job in protecting the Good Friday Agreement. And Prime Minister Johnson at the end of the day, he came to the table in relation to making sure that this was not going to be in any way a problem for the future in terms of the peace and the tranquility that the people of the island of Ireland, and indeed the U.K., have had over the last – since 1998. And so the other end of the economy are the Northern Ireland are, you know, in a position – they have the best of all words, if they can exploit the potential of it.

And we are – I think what people don't realize is that 50 percent of all trade from the U.K. mainland to Northern Ireland comes through Dublin. So the checks and controls to make sure that everything is in order, that you have safe products, and you have, standards are upheld, 50 percent are done by the Irish authorities. So now we are talking about the other 50 percent. And I think we're in a good position to be able to slice and dice this in terms of a pragmatic approach about making sure that there is no loopholes in the – in the single market that allows inferior products to permeate into the European Union by the backlog.

So Ireland will play its part here and has to ensure that our controls and checks are good, to be able to act on behalf of the European Union to ensure that this is protected, in this respect. So these are all technical issues that we can resolve, but the principles that have been enshrined in the withdrawal agreement, they have, I think, given a good outcome for the island of Ireland. So it's interesting that there was a better deal on the table from the point of view of the Democratic Unionist Party in 2017, but they chose to reject it. And they got an inferior deal, probably from their point of view, in 2019. But at least the all-isle economy, and there's no hard border on the island of Ireland, and the peace process is protected.

MS. CONLEY: So one more question. As the U.K. and the EU are going to go into an intense conversation, Prime Minister Johnson will be coming and visiting the White House next month, we are told. We don't have a date yet. And there's going to be a lot of focus on the U.S.-U.K. bilateral free trade agreement. How do we manage – this sort of feels like the China conversation a little bit – how do we manage this? Is there a three-way conversation that needs to happen in this – when the U.S. and the U.K. are going to be negotiating, and the U.K. and the EU are negotiating? How does that look?

MR. HOGAN: There'll be no three-way conversation.

MS. CONLEY: OK. Check that. How are you going to manage that, so we don't have competition?

MR. HOGAN: That's a matter for the United Kingdom. That's a matter for the United Kingdom and the United States. If you want to do a deal together, I wish you well. But I'm hearing messages from the various players here in this city, in this town, you know, it won't be as easy as the United Kingdom and the United States think. Certainly it won't be as easy as the United Kingdom thinks, to be able to strike a deal that actually meets the objectives of the administration here. So anyway, but it's none of my business, you know?

MS. CONLEY: OK. None of your business.

MR. HOGAN: To ensure the course on any possible – but we are concentrating exclusively on the U.K.-EU relationship and what we have to do this year. And we have to hurry up.

MS. CONLEY: One last question on this subject, I promise, then I'll pass it back to Bill. We don't know what the future relationship will be. The other part I'm concerned about is how does this go through the EU process? If this is a mixed agreement, at the end of the day, we don't know what it is, that's a lot of parliaments that that process needs to go through. Your sense is this will be an EU only, just for speed and sense of clarity?

MR. HOGAN: Well, we don't know yet, because – the end of February we'll know, because the EU member states have to agree the mandate for the negotiations for the future relationship. So what they put in –

MS. CONLEY: Do you sense any complications in that process, while I'm taking it apart?

MR. HOGAN: No. I don't think so. I don't think so. But whether it is a mixed

agreement, or an EU agreement, or whether it will depend upon the chapters that have to be negotiated, and it will depend on what the U.K. are prepared to do in the shortest possible time. They have set the timeline. You know, we didn't set it from the European Union. And regrettably, they have done so, which forces the pace of what you have to prioritize. So I don't – I think all I will say is I expect the European Union will remain very united, as it has been over the last two years, in terms of dealing with this issue.

MS. CONLEY: Excellent. I'm going reserve the right to have a couple more questions, back – but I'm going to throw it back to Bill.

MR. REINSCH: Well, I – one of the things I did to get ready for this is I looked at the letter that Commission President von der Leyen sent you, with your mandate. And a couple things I wanted to ask you about. One thing that you were charged with doing is looking into the possibility of negotiating new bilaterals. Any ideas about that? Who might you be negotiating with?

MR. HOGAN: Well, we have 72 countries we have deals with already. And we've done – while the United States was in a little bit of protectionist mode for the last few years, we were doing 16 deals around the world. And we have ongoing negotiations now with New Zealand and Australia, Indonesia is another one. So they are getting our attention now at the moment. And we are ratifying the Vietnamese deal, hopefully in the next weeks.

MS. CONLEY: Can I ask real quickly, how is the EU-Mercosur? That one's causing obviously tensions – concerns in France, Ireland, Austria most recently in the fall. That's a huge trade deal, a very long, painful process. Is there political dynamics now that may prohibit these agreements moving forward? You've been so quick, and we're envious of all the deals. Is there a political problem with the member states?

MR. HOGAN: Tension is good.

MS. CONLEY: Tension is good?

MR. HOGAN: Tension is good.

MS. CONLEY: You are so good for this job. Tensions are good. (Laughter.)

MR. HOGAN: No, we have 270 million people in the Mercosur countries. We have agreed the deal is going to reduce tariffs and duties by 5 billion euros.

MS. CONLEY: Oh, that's impressive.

MR. HOGAN:

Huge benefits for our industry and manufacturing. We have a few sensitive areas in agriculture, as we always have, like the United States. So we have put in a tariff rate quota. So we haven't opened to liberalize these sectors. We have liberalized about 96 percent of all other tariff lines and the value in the deal. So it's a massive deal, going to create a lot of jobs. And there is concern in the sense – in some member states – about these sensitive sectors, and how we actually would put in sufficient safeguards. So as we give clarification on these issues, in most cases, people are reassured. But it's not going to be ratified today or tomorrow. It'll be 2021 that we'll be on the look for when that particular deal will be done. And halfway we have to present it to the member states and the parliament.

MR. REINSCH:

Just on that, there have been two significant changes in government in South America since then. Is that going to – is that going to affect ratification on their end of this deal?

MR. HOGAN:

Well, I suppose we can only go on precedent. Brazil before the last election had a campaign where a lot of commitments were made politically, and President Bolsonaro said he was going to ensure that he would not be signing up to the Paris language agreement, similar to Mr. Trump. But lo and behold, six months after he was elected, he reversed and he's now signed up as part of the Mercosur agreement to all the commitments in the Paris climate agreement, including the issues around, of concern around deforestation. So he's committed to 12 million hectares of reforestation between now and 2020. So that's a big shift.

Now, the Argentinians have had an election and they have not come out yet fully explaining their position, but I think that they're moving towards a more positive orientation as well. They have expressed some concerns about issues, the same as anyone in the European Union is doing. So as more and more clarification and outreach with them gives that clarification and reassurances, I think that ultimately they may come on board to agree this. But, of course, if they don't, we won't have a deal.

MR. REINSCH:

Another issue in the President von der Leyen's letter was to put you, along with some others, in charge of developing an EU carbon border tax that is compliant with WTO rules. How is that coming? When can we expect to see some kind of proposal on it? And do you expect a WTO challenge regardless of what you come up with?

MR. HOGAN:

Well, it's – there it is, really, because Commissioner Gentiloni is going to be the lead, and we're involved in the process. So we're looking at all options in terms of how we would actually

implement this objective of the European Union. To deal with the issue of carbon leakage, whether it is a tax, whether it is some other ATS-extended mechanism or whatever, is a subject of impact assessment at European institutions-level at the moment, so it's early days. It'll be 2021 at the earliest.

MR. REINSCH: One of the other things, as you've obliquely said, you're far ahead of us in negotiating agreements with other countries. We just did finish one, though, with Canada and Mexico. Well, actually, they're finishing it probably this morning.

MR. HOGAN: Yes, 11:00 a.m.

MR. REINSCH: The Senate's going to vote. I expect it will pass. So Canada and Mexico are countries that, I believe, have agreements with the EU, or at least Canada does.

MR. HOGAN: Yeah.

MR. REINSCH: And so are there any implications in our agreement for you all with those two countries?

MR. HOGAN: No, we welcome the fact that the United States have reached agreement with those two countries. We reached agreement many years ago.

MR. REINSCH: So there's nothing that we've done that's going to cause you anxiety.

MR. HOGAN: Nobody has phoned me up about a problem about it yet, and I usually –

MR. REINSCH: Well, it usually takes about six months for that to happen.

MR. HOGAN: In trade, I suppose I make a general remark: the winners never speak up when it comes to trade agreements. We only hear from the losers, or the perceived losers. So I haven't got any phone calls, so there must be all winners when it comes to that one.

MR. REINSCH: Well, don't hold your breath. When I was in government, what I discovered is every time we issued a regulation, eventually somebody would come up – and it would take about six months— but they would come up and say, you know, you put me out of business. And I would say, well, where were you when we were proposing all this? And the answer was, well, I didn't know about it.

MR. HOGAN: We have a very good relationship with the deal. I can give you

the assessment of our Canada-EU deal, it has been very positive for both Canada and the EU companies. For example, in agriculture, seeing that you mentioned it earlier, our exports of cheese and dairy products to Canada, which is a big dairy interest, Canada, have gone up 25 percent in the last year.

So the Canadians are buying our products. We're buying their products as well, of course, and in other areas. But I can give you that as an example that it's a win-win scenario for both the EU and Canada, a country to – maybe what was expected by some of the European stakeholders maybe who were negotiating it.

MR. REINSCH: Well, that actually was one of the reasons for my question, because one of the consequences of the USMCA agreement is they're supposed to be buying more of our dairy products; not much more, but more.

MR. HOGAN: But they didn't put a quantity on it this time.

MR. REINSCH: It was not the most managed trade element in the agreement. That would be true. But it is a market-opening part of the agreement, actually, in a modest sense. But one question would be the extent to which it's going to affect your dairy sales. But I think that's probably unknown at this point.

OK, let me – Heather, you got something else?

MS. CONLEY: Two more questions, and then I know we'll –

MR. REINSCH: Then we'll go to the audience.

MS. CONLEY: – we'll go to our audience.

I think the most consequential element of transatlantic trade will be the digital trade agenda. And that's where we've really had some challenges. We've worked through them with data transfer, whether that's Privacy Shield, safe-harbor mechanisms, that process.

But as the EU's taken a regulatory approach to, as you mentioned in your opening remarks, this new and exciting technology, whether it's AI, Quantum, computing, you name it, if we don't get this right, we don't get the future right. And I just don't see where we are coming together. This is out of your commission's remit, but obviously the anti-monopoly, antitrust, the tax issues. I'll put the digital services tax into that bucket.

It goes to your point: when we fight each other, others win. And we're just fighting each other. And I don't see a way forward. So

I'd welcome your thoughts on that. And I'm going to give you the second question, so we can quickly move on.

As much as I appreciate President von der Leyen's view that the reset needs to be made, I keep getting more anxious and concerned when I see newspaper articles that suggest that the U.S. may have exerted enormous pressure on the U.K., Germany and France through the threat of auto tariffs if a political decision had not been reached on the Iran nuclear agreement.

I worry that the use and the weaponization of trade to get other objectives, no matter how much you wish to reset, and all the positive elements in our trade relationship, are completely overwhelmed by these, as you would note, shortsighted tactics. How do you manage through that as the EU commissioner responsible for that, where the U.S. is bilateralizing these mechanisms?

Two very easy questions that you can summarize very quickly.

MR. HOGAN:

I'll summarize. On the digital, we have – on the digital agenda, we do have a lot of agreement about the way forward, by working through the WTO process in the context of e-commerce.

MS. CONLEY:

Yeah, that's true.

MR. HOGAN:

So if we explain the full potential of this dialogue that's going on at the moment in the WTO and e-commerce, and we reach an agreement this year and take account of the trilateral process that we launched this week with Japan and the United States and the EU, we can do an enormous amount together to set the rules and disciplines for the future. And I think that's very important. And I think the United States now, I detect this week, is starting to realize this, that 164 members agreeing on something at the WTO level and this agenda would set a great framework in terms of what we have to do for the future.

The second part is that we have to have a level playing field. We don't fear competition in the European Union, but we want fair competition. And I think the United States share that view. And therefore we should be working together in exploiting the potential, again, of the trilateral process that we had this week, to achieving what we can in this, but integrating it into the e-commerce agenda and the negotiations that are ongoing at the moment.

On digital tax, we have a framework agreed in 2018 in the European Union that allows member states to strike out on their own and introducing tax. Everybody believes in public opinion

that the tech companies need to pay a bit more. But at the end of the day, we prefer to have the OECD as the process by which we can have a globalized outcome on these negotiations so that every member country or every member state of the European Union not going off on their own individual arrangements.

So this is the challenge, and this is what we're trying to convey to Secretary Mnuchin and others today and yesterday about, stick with the OECD process for as long as we can to get the global outcome rather than the individual outcome. And I know there's been tensions in recent times about what France has done and what others are thinking of doing in the European Union. But hopefully we can resolve them.

On the geopolitical issues around Iran, I can – we're not an extension of the United States of America in the European Union. We actually are the European Union. And we will make our own decisions in member states about what our policy is going to be, whether that's in trade or security or other areas. And we'll enlist the support, through the international fora that are there, through NATO or through bilateral arrangements that are there, in order to ensure that we have a safer place and a safer world.

We solemnly believe that the deal that we had together was a good deal. It wasn't perfect, but it was a very good deal in order to bring Iran in a different direction than where they were heading. The United States disagreed with this, and that's – they're entitled to do so. But don't expect the European Union, that if the United States disagree with that process, to abandon ship completely and say that we're not going to do anything because of the United States.

We are – Germany and France and the United Kingdom are working closely together as part of that process to do what we believe is the right thing in keeping the peace in the region as much as possible, deescalating tensions, helping that security process in defense and humanitarian issues as part of this particular agreement. So we'll stand together in the European Union, in defense of this agreement, and try and convince our partners to do likewise.

MR. REINSCH:

OK, we have a few minutes for questions. Peter. Please, as I should say, tell us who you are and ask a question. Don't give a speech. Peter, I know you will follow the rules precisely.

Q:

Will do. Will do, Bill. Peter Rashish, American Institute for Contemporary German Studies at Johns Hopkins University.

Mr. Commissioner, you talked about the trilateral declaration which covers some important rules issues. You also talked about the bilateral negotiations that were started with the United States in July of 2018, which cover industrial tariffs and regulatory issues. That's a really important difference compared to the Transatlantic Trade and Investment Partnership, negotiated under the previous administration, which had a robust rules chapter.

So my question is, is it the EU's preference – would it be the EU's preference to also talk about rules bilaterally? Or you want to keep those in the trilateral context, which I think you said could be extended to other countries? So in the EU's own bilateral agreements, is there room for rules, or is that really going to be reserved for the trilateral realm?

MR. HOGAN:

Well, we're doing everything possible to convince the United States to work with us in relation to revamping the rulebook of the last 25 years. After 25 years, I'm sure everybody has a look at the mirror and see what's going on. And the rulebook is not fit for purpose for the 21<sup>st</sup> century and for the new decade. And it's an opportunity to reset that agenda, that rulebook, and to have the frameworks in place in order to ensure that it's properly enforced. So we're reaching out to everybody and anybody that wants to work with us in 2020 to reform the rulebook, to reform the WTO, which is the referee that we all need in order to ensure that all of the various agreements are policed properly. If we don't have the referee, we don't – you know, it's very difficult to have an agreement that actually sticks.

I was interested in the enforcement mechanisms of the U.S.-China phase one deal. They're quite, quite different than what we – maybe sounded a little bit like pre-1995 and the GATT times. But we'll see the detail about that, how it will work in terms of, if it doesn't work at the lower level it goes up to the highest political level.

But we have a mechanism called the WTO where we have people that do all this for us. And this is what we created in 1995, and it includes 164 members that can police each other. Certainly, I don't understand how the United States is reluctant to have, you know, a global referee, you know, on all of these issues.

So we are more multilateral, of course. They are unilateral at the moment. So we'll see how it helps.

MR. REINSCH:

OK. Here in the second row.

Q:

Andrea –

MS. CONLEY:

Oh, wait for the microphone. Yeah.

Q:

Excuse me. (Comes on mic.) Hi. Andrea Shalal with Reuters.

Earlier this morning Commerce Secretary Wilbur Ross made some comments, and he said that basically the United States views that it's in a better negotiating position with you now, after having completed this U.S.-China deal and tucking away the USMCA. What do you – what do you make of that?

And on the digital tax front, there are some concerns that these – whatever tariffs that the U.S. has threatened against France could actually not make that much of a difference, for instance, in an area like wine or champagne because there are a lot of other people, you know, around the world, particularly in places like China and Brazil, that would gladly take the U.S. allotment of champagne. I'm just curious about your views on that.

MR. HOGAN:

Well, first of all, if there's a problem about wine, it's 108 members of Congress, I think have signed a letter to the president and to Mr. Lighthizer concerned about the fact that French wines are going to have additional taxes imposed on them. So it's not just a European issue.

MR. REINSCH:

Yeah. Well, I think until they have 218, I don't know if he's going to pay attention.

MR. HOGAN:

Ah, yes. Well, we'll see. But the European Union will stand together with France if they're coming under attack. And if there's a threat of tariffs, we will – we will look at all options to protect our economic interests. And that's the message I wanted to convey to everybody in the administration that I met this week as well.

So let's see how it develops. I don't know what the contexts of what Mr. Ross said. I'm meeting him later on, so he may say it face to face. Like, if he believes that bringing – that tariffs and the threat of tariffs brings people to the table, well, he's wrong when it comes to the European Union. We just don't operate that way. We want to be at the table anyway. It's the United States that has a problem coming to the table to talk to us about various issues that we can resolve together.

We don't need any threat of tariffs to resolve the Airbus-Boeing dispute. We have put negotiation, we have put proposals on the table to solve this. So if you're putting tariffs on something for the sake of it, that's political. If you want to solve the problem, we can sit down and solve it in a few days.

MR. REINSCH:

OK. Second row right here in the center. Wait for the microphone, please.

Q:

Brett Fortnam with Inside U.S. Trade.

The U.S. in Geneva has repeatedly – excuse me – in discussing Appellate Body has repeatedly said that they want to explore why the Appellate Body has engaged in overreach, and it's been interpreted as somewhat as directed toward the EU, looking for some type of concession from the EU or admission that, yes, the Appellate Body has overextended well past its mandate jurisdiction. Is there agreement on that? And what is your sense of the future of the Appellate Body?

MR. HOGAN:

I have said very clearly to Ambassador Lighthizer this week that we share the analysis of the United States in relation to the need to reform the WTO, including the Appellate Body. But we haven't heard any proposals from the United States about how they want to do so, and how they want to address their concerns, but they're the ones that actually collapsed the Appellate Body before – in December—by not appointing the various members of the Appellate Body. So you'll have to ask Ambassador Lighthizer about what his proposals are. And we are open to a discussion about how we can have a fully functioning, independent appeal mechanism. I think that's important.

You know, and if there's overreach, Ambassador Lighthizer is a trade law expert for many, many years, a very respected one. And, you know, if he has views, and he has strong views on this issue, based on his experience as well. So if he can convince me that there is a way, there is a better way of having a two-step approach that deals with these issues, and that we can engage in a reform of the WTO, including the Appellate Body, on the basis of some suggestions he wants to make to me, I haven't heard them yet. But let's hope that in 2020 we will.

MR. REINSCH:

On that, you – the EU has been advocating, essentially, an alternative process in the absence of the Appellate Body, which is more of a sort of parallel process that countries would subscribe to. Is that gaining any traction?

MR. HOGAN:

Yes. We have an interim arbitration system. But I would emphasize the word "interim," because we prefer to have the United States on board, but there's so many member countries the WTO are asking to – you know, the European Union to – you know, to demonstrate some leadership and to, you know, lead on this, we're responding to that. And we have developed some ideas with Canada and Norway, for example. And we're getting a lot of calls at the moment from various other member countries of the

WTO to engage in this process, because I don't think at the end of the day – if you don't have some sort of a system that gives a second look, an appeal mechanism that is independent, well, I think that won't be acceptable to many members. Maybe it might be acceptable to the United States, but very few others.

MR. REINSCH:

Yeah. Right here in the second row, then we'll come back over to this side.

Q:

Thank you. I'm very bright, so you can see me. Isabel Jarrett from the Pew Charitable Trusts.

Commissioner, thanks so much for making your way over here today. And wishing you best of luck for your meetings. I wanted to touch on something – a subject that kind of touches all the pieces that you have talked about. You've talked about WTO reform. You've talked about subsidies. You've talked about U.S.-EU relationship. We've also touched a little bit on China, and also on Japan. The EU is one of the largest provider of fishery subsidies – harmful fishery subsidies in the world, alongside China, and Japan, and a couple of others. And of course, one of the biggest issues – live issues at the WTO right now is members are working towards a new agreement to end harmful fisher subsidies, that I'm sure you're aware. And of course, the EU president has tasked you and your colleague, a commissioner who's heading the environment, ocean and fisheries, with working together on this.

So I just wondered, given that, of course, one of the key parts of the WTO is leveling the playing field, and given that the EU is obviously – is a large provider of these harmful subsidies, how are you planning to cooperate both with your colleague, the commissioner for the environment, but also with the U.S. and with other countries to reach an agreement by MC 12?

MR. HOGAN:

Well, we expected to have an agreement in December 2019. And it certainly wasn't our fault that that fell short. But anyway, I won't engage in any blame game. But we are certainly intensively involved, and we want to reach an agreement. And we have put very ambitious proposals on the table. And I am not going to get involved in the negotiations here, but I can assure you that we're very committed to achieving the objectives that you've outlined. And I hope we can do so by MC 12. It would be a very good fill up to the WTO process as well, if we could reach agreement on something. And fisheries, seem to me, to be an obvious one. E-commerce is another one. Maybe domestic services regulation is another one. So, but fisheries is getting closer, but there's some difficult issues. And there are some difficult countries, not the European Union, that are actually having some – they have to

maybe be more flexible in order to reach this agreement. And I hope they will.

Q: Kris Bledowski from Manufacturers Alliance for Productivity and Innovation.

You mentioned GIs, geographical indicators, in agriculture. The U.S. agreed to exclude GIs. The European Union excluded agriculture. They are different, but they are related. Different because agriculture is part of the primary sector under the NAICS classification, and virtually all of the GIs fall under the foods and services side of the manufacturing. And yet, there seems to be a relation. All of the inputs into the foods and beverages come from agriculture. So isn't it somewhat hypocritical for you to ask for exclusion of the – I'm sorry – for the – to ask for the inclusion of the GI, but excluding agriculture? Put it diplomatically, if the U.S. were to agree to put the GIs on the table, would the EU agree to put the agriculture on the table, exactly like Canada and the EU have done?

MR. HOGAN: Well, if we get public procurement and GIs and maritime on the table, we'll be certainly very anxious to look at agriculture then. We'd have no difficulty in having a look. That was the nature of the conversation that was had in July 2018. That wasn't acceptable to the United States at the time. So if they've changed their mind, let me know.

MR. REINSCH: (Laughs.) OK, Jean-François.

Q: Thank you. Jean-François Boittin with MEDEF, the French business organization, in Washington.

So, Mr. Commissioner, the two agreements that are going to come this week in this town are much more about managed trade than free trade. It's much more Comecon, the old Soviet model than Adam Smith. So the second one, on China, it seems that it could hurt pretty much the European aviation industry, Airbus, because it guarantees essentially a market share for Boeing in the annexes on the commitments of China to buy American. I wonder whether the EU should consider actually challenging that part of the agreement before the WTO, because it's absolutely contrary to free trade principles.

MR. HOGAN: Yeah. I agree with your assessment. This is a managed trade outcome. And the system of enforcement is very interesting. I think the Chinese authorities will probably be very happy with it, because it's very like their own system of enforcement. So this is an interesting development, that the United States would want to adopt similar type of enforcement mechanism. But we haven't

analyzed the document in detail. But we will. And if there's a WTO compliance issue, of course, we will – we will take a case. If it's – you know, on the basis of – we're not trigger happy about taking cases to the WTO. We don't want to create that impression. But we'll stand up for our own economic interests in the context of the U.S.-Japan deal and the U.S.-China deal. We'll look at everything carefully.

MR. REINSCH:

On that, what's – where is China on your schedule? Have you been? Are you going soon? Are there talks coming up? Or what's going on?

MR. HOGAN:

The gentleman there on GIs will know that we did an EU-China GI agreement in November, when I was still agricultural commissioner. But I feel as if I was in China as trade commissioner as well, there was a lot of trade discussions, and we are intensively involved in trying to do an investment agreement with China this year.

So we have a summit in April in Beijing to try and move this along and we have had a round of negotiations in recent weeks with the Chinese about market access. And it includes a lot of the issues that were on the agenda of the United States-China. But I noticed that in the U.S.-China phase one they make references to IP and forced technology transfers, industrial – but they seem to be still on the agenda for phase two. So I don't know what has – I don't know what's left to be discussed if they were so successful in phase one.

MR. REINSCH:

I could answer that, but I'm not going to, I think. (Laughter.)

In the back there? We've got one or – time for one or two more, then we have to stop.

Q:

Mark Duffy, Signal DC, a PR firm here in town.

Quick question for you, Commissioner. Well, I suppose all politics is local. We have a general election on February 8<sup>th</sup>. I know you were director of elections for Fine Gael in 2010/11, great success. Just want to get your thoughts about the election on February 8<sup>th</sup>. What do you see the numbers shaking out on? I know Ivan Yates, your former colleague, predicted, what, 40 or so. So just wanted to ask your perspective on that and how do you see things shaking out in the – in the Irish general election.

MS. CONLEY:

This is definitely a Phil Hogan insight for February 8<sup>th</sup>.

MR. HOGAN:

Well, very, very, very hard. Well, it's good that – it's good

that in February the 8<sup>th</sup> you'll find out the result yourself, and – or on February the 9<sup>th</sup>. You know, I'm not going to give an answer in any speculative way about what I see is going to be the outcome of the general election in Ireland. I think that it would be wise if I kept myself abreast of international issues and leave that up – domestic issues in Ireland to somebody else to comment on.

MR. REINSCH: We'll have to have a private –

MS. CONLEY: A missed opportunity. We'll have to have you back.

MR. HOGAN: With an Irish accent, I know –

MS. CONLEY: You knew that was a – that was a mischievous question.

MR. HOGAN: Well, we have Mr. Sheen here and a few more that are interested in this as well. (Laughs.)

MR. REINSCH: We should have an offline chat. One of my former interns is a member of the Dáil, and then you can maybe privately assess what his chances for reelection are.

Well, I think, actually, this is time to stop. The commissioner has to – other meetings to go to. As he mentioned, there are several more to go.

Thank you all for coming. Thank you all for your attendance. And thanks to the commissioner. It was candid. (Applause.)

(END)