



EUROPEAN COMMISSION

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President of the European Commission

Speech by President Barroso: The rule of law and open economies - two sides of the same coin

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Ladies and gentlemen,

Dear students and alumni,

Mr Pascal Cardonnel,

First of all, my sincere thanks, not only for your invitation but also for your extremely kind words of welcome. I was really impressed by the research you have done. You could even find a book of mine that was not exactly a bestseller, my Master thesis in Geneva.

But in fact it is interesting what you said, because the first time I came to Brussels it was in 1978, the year I was concluding my law studies in Lisbon.

It was in 1978, one year before Portugal asked to become a member - Portugal finally became a member in 1986, the same day as Spain - and I came here precisely to ask for funding to create the first European University Association for European studies. It was created by a group of professors and teaching assistants - I became teaching assistant after my graduation - so that was my first connection with the European Commission. It was already in the Berlaymont building, but before it was renovated.

So for those of you who believe in serendipity - and in my life I have come to believe in many serendipity events. I believe it is an instinct experience, as was my experience at Georgetown that you so kindly reminded me of. Not only did I spend great years there, in fact not only the beginning, when I had to interrupt my studies, my research. I went to Georgetown with a scholarship of the Swiss government, because I became afterwards an assistant in the University of Geneva.

But then, when there was the appeal of politics - that's why I am an accidental politician - the person who was going to become Prime Minister at that time told me: "José Manuel, you can't come, because it will only last 1-3 years." It lasted now 30. But those first years were interesting because, in fact, the government only lasted one year and a half, but afterwards there were elections and they got an absolute majority and a mandate for two consecutive terms of five years.

Whenever I could I came to Georgetown and that is why afterwards, when I left the government after 10 years there, including as Foreign Minister, the school of foreign policy, but also department of government offered me a position there as visiting professor and I was teaching there for two consecutive years, so four semesters. I went there with my wife and my three kids and we spent a great time in Georgetown and in the United States.

So enough of presentation, thank you for your kind words. So my point is that I'm really pleased to be here. Usually I cannot make this because of my tight agenda, but I could certainly not respond negatively to a call of Georgetown University.

As you know, the European Commission is a community of law, rule of law. So that is why I think it is important to share with you, very informally after the presentation, some of my thoughts on law and politics, and law and economy of the European Union, which is certainly a very unique experience, a very exciting experience the experience of the EU, putting together today 28 countries, sharing a common legal framework.

It is I believe the most interesting experience ever, in legal terms, in terms of transnational cooperation. I believe that the experience of European integration is indeed unparalleled in human history. And also what it can bring to law and how it has benefitted from being a community based on law.

In fact the theme of your conference also suits me, as it combines the economic issues that have proved to be so important especially during my second mandate as President of the European Commission, and the rule of law approach that I personally strongly believe in and that is so important in Europe and the European process.

The fact that the two – the economy and the rule of law – are so intrinsically and logically related is often underrated and misunderstood.

Europe's external action is explicitly, even constitutionally based on the same principles as its internal organisation, as described in the Lisbon Treaty (art. 10A):

"The Union's action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement, and which it seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law."

It is in fact an important commitment at the level of our treaties to the rule of law, including in international relations. So these principles are not just for internal consumption: they run through our external relations action, from neighbourhood policy to development, from climate action to traditional diplomacy, and of course to the policy of enlargement and to trade.

Enlargement is probably the most notable, and the most successful example of this approach in action.

Earlier this month we have celebrated the tenth anniversary of the largest wave of countries acceding to the European Union – when in 2004 ten countries from Southern, Central and Eastern Europe joined the EU. The effect this has had on these countries is tremendous: from economic growth to administrative reform, from democratic consolidation to, indeed, the promotion of the rule of law. No one would have thought this transition possible even after the fall of the Iron Curtain, and it is only through the transformative power of the European Union that it was possible.

Think a little bit about this: in 2004, in the beginning of my mandate, we were 15 countries. Now we are 28, so we almost doubled. And for those countries that became members of the EU, for most of them the accession to the EU was a transformation for democracy. They were under totalitarian, communist systems before. Some of them were not even independent, like the Baltic States. This explains why this issue of the rule of law and the accession to the EU are so much connected and in fact with the process of democratisation and consolidation. By the way that was the topic of one of my seminars at Georgetown University: comparative politics in terms of democratisation, comparing the South of Europe with Latin America and also some other experience.

That the rule of law has a major part to play in trade policy is often less appreciated. What some people fail to see is that, not only do we liberalise trade through trade agreements, we also regulate it. So liberalising and regulating – this is our business.

And we know why:

Cicero already said that "we are all servants of the law, in order that we may be free" – that is a very free translation of what I can tell you sounds much better in Latin. And this goes for today's freedom for citizens, companies and economies in a global economic context as well. There is no freedom, and no free trade, if the rules are unclear and their application uncertain or uneven. That has become even more true in an age where state capitalism is a significant factor behind a number of emerging economies across the world. To keep markets and opportunities open for all, we need to sharpen the tools and the rules of trade policy.

So in our trade agreements – much as we do in our internal market and competition rules within Europe – we attempt to clarify the rules, set the standards and make sure they are applicable and applied by all, including the bigger companies and the stronger countries. No discrimination – no protectionism. This is to the benefit of both small and large economies, gives a competitive edge to all companies and ultimately guarantees better quality at better prices for citizens and consumers.

As you know, we have a highly ambitious bilateral agenda: our agreements with South Korea, Colombia/Peru and Central America are in force, and Georgia, Moldova and Ukraine, that are now extremely controversial, will soon follow. We have almost concluded sweeping agreements – in fact they are already politically approved and we are now in the final scrubbing of the texts – with Singapore and Canada, the first European agreements that include investment protection, because, as you may know, prior to the Lisbon Treaty, most of our Member States concluded such agreements bilaterally with third states. Now investment protection is a new competence for the European Union. We have started negotiations with China on investment and with many ASEAN countries. And of course there is the famous TTIP to which I will come back in a minute.

The obligations in such trade agreements are also closely monitored and enforced, by using the dispute settlement mechanisms available in a judicious but firm manner.

Enforcement is the bedrock of obligations – diplomacy is not enough. The biggest success story of international trade negotiations is the WTO Dispute Settlement Mechanism that provides a relatively quick and effective way to settle disputes over our international trade obligations.

Ladies and gentlemen,

Free trade and fair rules go together – that is certainly something the US and the EU agree on. This is one more reason why the Transatlantic Trade and Investment partnership is of such vital importance.

Together Europe and the United States are the backbone of the world economy with nearly half of world GDP, 40% of the purchase power and a third of world trade. So if we are both committed to open economies and open trade worldwide, it is simple good common sense if we start by making trade freer between ourselves.

Moreover TTIP will be a trade deal among equals because our economies are equal in size and, more importantly, our societies are equal in values.

TTIP should become the economic pillar of the EU and US alliance. It should be our joint attempt to shape a fast changing world and to set the standards and the rules of the

future. It should act as a platform to project shared EU-U.S. values worldwide with regard to open markets and rule of law.

The EU objective is to ensure a high level of ambition across the three TTIP pillars - market access, regulatory cluster and rules. The regulatory cluster is the TTIP pillar which should deliver the bulk of the benefits and cost savings. It will not be about replacing our rules and adopting the American ones or the opposite. But it is about making both compatible and recognising both our systems.

And besides the bilateral gains, I want to stress once more the political and economic impact that a successful and ambitious outcome would have beyond the immediate interests of the two parties. It could add 100 billion euros to the GDP of the rest of the world and give a boost to the multilateral process to which we remain attached.

Trade liberalisation needs political engagement on a global scale, and with this effort both the European Union and the United States have given a clear and constructive signal: we believe free trade has a future, and we are willing to invest in it. But also that free trade goes hand in hand with a set of rules and principles.

Because only open markets based on an international rule of law can resist trade becoming caught in a zero-sum logic. And ultimately what we are seeking is to have rules based international system, where competition and confrontation are replaced by cooperation and convergence.

This is indeed one of the main points of the European logic. And let me conclude on this political note.

100 years ago, not far from Brussels, we had this terrible First World War, which started as you know as a real European war. Millions of young people were killing each other here and in other parts of Europe.

Now in Europe, people are going to vote. I believe this is much better that all our people solve their differences through votes rather than by wars. That is why I cannot be pessimistic about the European Union and the European project.

60 years ago, most of our continent was not living in democracy. My country Portugal or the other Southern European countries like Spain or Greece, were not were not yet members of the community, because they were not democracies. And more recently we have this wave of Central and Eastern European countries, including the Baltic countries, that joined, because they have acceded to democracy.

So democracy and the European Union were very closely linked. And today we are not just the European community of the six founding members, or when Portugal joined, 12 members. We are the EU of 28 members and we have a truly continental scale.

And it is true, as you said, that during this crisis we have shown the resilience of the EU. I was in all those meetings of the G7, the G8 – now it is again G7 – the G20, and I remember when many of our partners were asking: "Are you going to survive? When is the Greek exit going to happen? What is going to happen to the euro?" It was not only our external partners, but in Europe as well the question was being asked.

Not only was there not a break-up of the euro, we have now more members in the euro. Not only was there no disintegration of the Europe, we have now more members in the EU. And this shows not only the external resilience. At the same time that we were trying to extinguish some fires, the financial crisis – it was the financial crisis, the sovereign debt crisis, what in fact people usually call the euro-crisis, when it was certainly not a euro-crisis, because the euro has remained a strong, stable and credible currency – we were not only able to be the fire-fighters, but also the architects, to lay the foundations of a stronger governance at European level.

And this is the point that I believe is more important for you as students, professors or practitioners of law, always with the logic of the rule of law. Of course not all Member States have the same influence. There are huge differences in demographic, historic and economic terms. But the fact that we work in a community of law make our Union, in spite of all shortcomings, something that is based on an idea of fairness, predictability, the idea that we should stand by our agreements – "Pacta sunt servanda", as we say in Latin.

So this is why I believe the law and the commitment to the rule of law was so critical in the most acute moments, where the trend was, and you have to understand that politically the temptation was to put in question the law: "It's a time of emergency, let's forget about the law; let's not observe the competition rules, the state aid rules or the stability and growth pact rules." But the Commission and the European Court of Justice were there to say that we are Union based on law. And we have to keep these fundamental principles.

And this is something, not only as a former student of law, but someone who believes in all those principles, myself I am very proud that the European Union has shown its resilience but has not abandoned in the most acute of times since the beginning of the European integration process this commitment to the rule of law, because we know that without the rule of law there is no real freedom in our society.

I thank you for your attention, and I am happy to hear your comments and questions. Thank you.