



## **The Transatlantic Trade and Investment Partnership (TTIP)**

### **TTIP explained**

#### **1. Overview**

The transatlantic trade and investment partnership (TTIP) is a free trade agreement currently being negotiated between the European Union and the United States. The aim of the agreement is to create growth and jobs on both sides of the Atlantic by removing trade barriers. Removing trade barriers would boost and facilitate the buying and selling of goods and services, as well as investment in each of the economies.

The agreement has three main elements:

- Market access: removing customs duties on goods and restrictions on services, gaining better access to public markets, and making it easier to invest
- Improved regulatory coherence and cooperation by dismantling unnecessary regulatory barriers such as bureaucratic duplication of effort
- Improved cooperation when it comes to setting international standards

#### ***Customs Duties***

Customs duties at the US border are relatively low, but given the massive trade flows – some €2 bn daily – even small reductions in customs duties can have enormous economic leverage. Furthermore, in the US there are customs duties for areas in which EU firms are particularly competitive, such as textiles, ceramics and processed agricultural products.

#### ***Standards and Regulations***

The trade agreement could have its biggest effect on growth in the area of standards and regulations. In the EU and the US regulatory bodies usually have the same aims: they want to protect people from risks to health, ensure safety at work, protect the environment, and guarantee the financial stability of firms. Yet, in spite of these

common goals, on either side of the Atlantic we often have different regulatory structures and traditions. The result is different regulations that sometimes make it much more difficult for firms to enter the other market. According to estimates, these bureaucratic hurdles alone are equivalent to customs duties of 10-20 percent. This particularly affects small and medium-sized companies (SMEs), which are unable to bear the extra costs.

The EU is only discussing standards and regulations with the US on one strict condition: that we neither give up nor dilute the levels of protection we have in Europe. That goes for health and the environment as well as for consumer protection. Hormone-treated beef is not allowed in the EU, for example, and the planned trade agreement will not change that. Regulatory alignment and mutual recognition will only be possible if real convergence on the required safety and environmental standards is guaranteed.

### ***Other issues:***

Apart from customs duties and standards, we will also use the negotiations to push for better access to public procurement markets, such as by making regulations on them more transparent. For example, it would be very important for many EU firms to be able to take part in calls for tender in the US. Protection of investments also plays an important role in the negotiations. Here, TTIP represents an important chance to create equality of opportunity.

## **2. The advantages**

The EU will reap many advantages from the planned trade agreement with the US. The US is already an important trading partner and export market for Europe, but there is considerable scope for expansion. Making trade easier and removing barriers to trade through the planned agreement could result in a significant boost to growth for the EU.

### **Some facts about the potential economic effects of the planned agreement**

- The EU economy could grow by €119 billion per year, equivalent to about €500 for an average household. The TTIP could be seen as a sort of growth package without using tax payers' money.
- European companies are particularly efficient in the areas of services. Better access to the US market, for example in the area of management consultancy or environmental services, would be good news for them. That is why the EU's

negotiators are using the trade talks to try to open up the US services market to EU firms.

- EU countries are major investors in the US. Their combined investments in the US top €1.6 trillion, making the EU the biggest investor in the US. So EU countries have a major interest in ensuring that their investments abroad receive the best possible protection – as is the aim in the TTIP.
- The planned trade agreement will not just benefit big firms: it will bring many advantages for small and medium-sized companies too. The EU and US have already agreed to include specific measures in the agreement so that smaller firms will be able to benefit from it in the same way as larger ones.

The advantages will not just be limited to Europe. The planned agreement will also have effects on the global economy. Increased trade between the EU and the US will raise demand for raw materials, components and inputs produced in other countries. In total, the global economy is forecast to grow by an extra €100 bn as a result of the increase in transatlantic trade. The harmonising of standards between the EU and the US could provide the basis for global standards. This would mean companies would only have to produce goods to a single global standard thereby making trade easier and cheaper.

### **3. How the negotiations are carried out**

In the area of trade policy the European Commission negotiates on behalf of the EU and its 28 Member States. It is more effective to speak with one voice for 500m people than if each Member States tried to negotiate separately. The planned trade agreement is no exception and so in the TTIP negotiations the EU is represented at the negotiating table by the European Commission. The Commission works according to guidelines agreed by the EU's Member States. This negotiating mandate is agreed unanimously by all EU Member States. The Commission's trade department (Directorate General for Trade) takes the lead in the negotiations while working closely with other Commission departments. The US is represented by the United States Trade Representative (USTR).

Since the first round of talks in June 2013, the negotiations have continued every few weeks. The TTIP was also an important point on the agenda of the 2014 EU-US summit in Brussels which brought together the president of the European Commission Jose Manuel Barroso, the president of the European Council Herman van Rompuy and the president of the US Barack Obama.

Within the EU, apart from the European Commission, the Council (where representatives of the Member States' governments sit) and the European Parliament are also regularly involved in the negotiating process.

The Commission has a legal obligation to consult the Council on all aspects of the TTIP-negotiations. This occurs in various formats and at different levels. Since the start of the TTIP process the Commission has had more than 45 meetings with the EU's Member States, including at ministerial level. On top of this there are numerous bilateral and other meetings.

The European Parliament is similarly consulted and informed. In addition to the European Parliament's Trade Committee, a specially set up Monitoring Group and a group of high-ranking MEPs around the Parliament's president also work on the TTIP. Since the beginning of the talks, representatives of the Commission have appeared in the 15 meetings of the European Parliament and many more informal meetings to brief MEPs and answer their questions. So far, the Commission has sent more than 65 important TTIP documents to the European Parliament and answered over 80 parliamentary questions. The Parliament has welcomed this openness and transparency on several occasions.

#### **4. Important elements in the ongoing TTIP negotiations**

##### ***Regulation***

Differing norms and standards are often used on both markets – for example, for the approval of cars as "safe" – although these achieve a similarly high level of safety. Regulatory alignment of these regulations could cut the costs imposed on EU car exports to the US by as much as 25 percent without safety standards being in any way lowered.

At the first stocktaking in February 2014 EU Trade Commissioner Karel De Gucht raised a number of important points in the area of regulation where the EU would like to see progress in the negotiations:

- boosting trade whilst at the same time maintaining regulations on social and environmental protection (sustainable development)
- the possibility for EU firms to import energy and raw materials from the US
- the guarantee that particular foodstuffs or beverages from a specific place in Europe are the only products allowed to be sold in the US under their respective names (geographical indications or 'GI's')

- the guarantee that the state will treat 'public companies' (firms in which the state has a majority share) in the same way as other companies

Alongside the economic advantages of the agreement we need to ensure that our high standards in the areas of the environment, health and safety, protection of privacy as well as workers' and consumer rights are maintained. Our high levels of protection are not, therefore, negotiable. Progress in improving conditions for trade and investment will not be at the expense of our basic values.

### ***Services and public services***

The free trade agreement explicitly rules out liberalisation of public services, but it does concern the equal treatment of foreign and domestic private service providers. In the area of services the TTIP pursues aims no different to those set out in other trade agreements concluded in recent years and decades and which have long been in force in the EU. An important limitation is that which concerns the provision of public services: in the WTO's Agreement on Services (GATS) and all its other free trade agreements to date the EU has invoked a comprehensive horizontal (i.e. applying to all sectors) carve-out on market access in the area of public services. This very far reaching carve-out enables the EU to keep monopolies for the provision of public services at all administrative levels, including local councils, and also takes into account the issue of concessions. In the case of the trade agreement with Canada, for example, the EU inserted a carve-out in the area of water. This carve-out explicitly allows for giving preference to European service providers over their foreign counterparts in the area of public monopolies and concession.

### ***Investment protection and investor-to-state dispute settlement***

Investment is an essential element of a developed economy. In order to have a predictable environment investors need to know that they will be treated fairly and not unfairly discriminated against compared to domestic firms. Since the late 1950s, therefore, the EU's Member States have negotiated a network of investment protection agreements, all of which provide for investor-to-state dispute settlement (ISDS). Germany alone has negotiated more than 140 such agreements, all including ISDS provisions.

In the past, it has been European companies in particular which have made use of ISDS. Although this system has generally worked, in recent years there have been repeated cases which have illustrated the shortcomings of existing investment protection agreements. The European Commission therefore proposes to use the ongoing negotiations in the TTIP for a root and branch improvement of the system. The

Commission wants to see the relevant rules and conditions set out more clearly so as to underline the right to regulate. The Commission is also pushing to improve procedures to make them more transparent.

### ***Public involvement and democratic oversight***

For the Commission including relevant stakeholders in the TTIP negotiation process is of paramount importance. It has, therefore, undertaken a series of initiatives to encourage the flow and exchange of information.

The Commission carries out an intensive dialogue with civil society. Events take place during and after each round of talks with several hundred representatives of civil society attending. At the last event, some 700 representatives of trade unions, federations, non-governmental organisations and consumer protection organisations took part. In addition to such dialogues, Commission has carried out three public consultations on the TTIP before the start of the negotiations and is currently conducting one on the specific issues of investment protection.

In February 2014 the Commission set up a new Advisory Group composed of 14 representatives from very diverse sectors – economics, trade unions, consumers, environment, health etc. These representatives advise the EU's chief negotiator and have access to a broad range of documents.

The Commission has posted on its website comprehensive material on all aspects of the negotiations, including on EU negotiating positions and objectives.

Democratic control of the TTIP negotiations is particularly strong at the end of the process when the text negotiated by the Commission has to be approved by the EU's Member States in the Council and ratified by the European Parliament. Depending on the policy areas covered in the final agreement the 28 national parliaments of the EU's Member States might also have to approve the deal.