



# World's biggest trade deal on track to be completed

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If my experiences in both the public and private sectors have taught me one thing, it's that trade is the most important factor in economic growth. The development of trade benefits the world by facilitating the flow of goods and services across borders, and allowing the citizens of one nation to benefit from the talents and skillsets of others. By keeping tariffs, subsidies and quotas to a minimum, and by ensuring the working of an effective regulatory environment, you can help make better the lives of millions. In my 40 year career, the most useful thing I ever did, certainly the one that benefited the most people, was to be part of the team that designed and created the European Single Market.

Last week, the second round of talks aimed at achieving a Transatlantic Trade and Investment Partnership (TTIP) between the European Union (EU) and the United States (US) were held. The EU and the US account for almost half of global GDP and almost a third of world trade. If completed, it would be the largest bilateral trade deal in history, one capable of improving and strengthening the position of both parties. The goal is to eliminate tariffs, open up services, investment opportunities, and procurement, and promote regulatory cooperation to ensure high levels of health, safety and environmental protection while cutting unnecessary costs.

## Benefits

The benefits of completing such an agreement are enormous, and it's essential that politicians and the business community do all they can to back it.

First, the deal hopes to create a free market encompassing 800 million people, potentially boosting our collective GDP by £180 billion. Take the effect we hope the TTIP will have on the UK economy alone. In the event of a successful deal, we would see our economy grow by an extra £10 billion per annum. It could lead to a rise in the number of jobs in the UK car industry of 7%. The £1 billion currently paid by British companies of all sizes to get their goods into the US could be removed altogether.

Second, this is also a value-driven endeavour. In a world scattered with powerful emerging economies, it is an

opportunity to shape the global economic system so that trading nations play by our rules. The trading partnership created by a successful TTIP agreement would be so large, that other nations would likely follow suit, thereby setting standards in everything from intellectual property rights to car safety standards well into the future.

Third, it is a good news story for the European Union. It would show that the EU can work to the benefit of its constituent nations and their citizens. It will also be a clear statement that it is committed to improving the fortunes of the 500 million souls that live within its borders. It will be the greatest indication yet of the power of the EU as an economic bloc on the world stage.

Finally, TTIP would re-energise the EU-US relationship, drawing us together in an age when our ability to project economic power on the world stage is not what it was. Whatever our differences, there is more that binds us together than separates us. This deal represents the West joining forces in advance of an uncertain 21<sup>st</sup> century.

## Challenges

However, the TTIP talks will only be successful provided the two sides can overcome a great many challenges. While most transatlantic tariffs are less than 3%, some are much higher, and removing them will mean tackling vested interests. There are also investment constraints, such as on foreign investment in US shipping.

Other more well publicised differences will also present difficulties. For example, Europe and the US have diverging views on GMOs. The French have also raised concerns about no longer having the capacity to protect and promote cultural output such as film, literature and music. How best to do this without distorting the enlarged market has already become a point of conflict.

Furthermore, in the federal United States, public procurement has been regulated at the state and local level, while EU negotiators are intent on opening it up to the market. Standardised privacy rules must also be part of any deal. The information detailing the American intelligence

community's monitoring of European data has damaged the transatlantic relationship. This cannot be allowed happen again.

Another reason TTIP will present challenges is because for once, it is a trade agreement between economic equals. Both the EU and US have signed a raft of trade deals with smaller states, and as such, have very often held the trump card. This time, the EU and US will have to compromise for the sake of an overall agreement. That could be the greatest challenge.

If one or any of the above derail the talks, the consequences could be very serious. A failure to conclude TTIP would perpetuate the jobs crisis and prevent the rebooting of our sluggish economies. If the two sides do not take advantage of this opportunity, the rest of the world will take advantage.

In light of these challenges, it has been argued in some quarters that the UK could conclude a better trade deal if it left the EU and negotiated as an independent entity. The US is, after all, the UK's second largest trade partner (the EU is number one). However, although the UK sends around £80 billion worth of its exports to the US, and a bilateral trade deal would undoubtedly be to the benefit of both sides, only about 4% of US total exports go to the UK. Britain would therefore be in a much weaker position and have much less clout in any talks (not to mention being outside the European Union).

### **Light at the end of the tunnel**

Yet there are reasons to be wholeheartedly positive about achieving a positive outcome. Although many in government circles in both Europe and America have their reservations about engaging in such a deal with the other side, the business community has no such qualms.

Airbus and Boeing, for example, once fought vociferous trade wars, drawing the European and American governments into the field of battle to snipe at each other over state aid and market access. Now however, the focus is not on each other, but emerging markets. State aid has been removed from the market and Airbus is even building a factory in Alabama.

The most important reason for hope in concluding a TTIP deal is the rise of China. Standards and regulations, if not set by the EU and US, will be set by China and other emerging economies. TTIP is about making sure Europe and the United States remain standard makers rather than standard takers. If we do not unite behind common standards it will soon become difficult to uphold our own standards.

### **Consequences for the wider global trading framework**

Therefore, if the EU and US are successful, the deal will have huge consequences for the wider global trading framework and its governing body, the World Trade Organisation (WTO). As it stands, the Doha round of trade negotiations are blocked. This is attributable to a number of factors, but the primary one is the newly acquired economic prowess of many emerging nations. While this is a positive news story, especially for those who live in those countries, it inevitably has an impact on the nature of world trade. The election

## **“TTIP is about making sure Europe and the United States remain standard makers rather than standard takers”**

of Roberto Azevêdo as Director General of the WTO is one of the most prominent indications of late that emerging economies are asserting themselves.

While the EU and US no longer have the capacity to take world trade talks by the scruff of the neck and move them forward independently, in the medium term, they can press ahead with liberalisation on a bilateral and regional basis. This has its risks, but it benefits those involved and offers a template for those outside such agreements to follow. While the purpose of the deal is not to force other jurisdictions into a particular set of standards, any deal that applies to half of the global economy is of course going to affect those not directly involved.

In fact, the TTIP will actually benefit those nations outside the agreement from the outset. This is because the deal on the table does not discriminate against those not taking part. So, if you are a European or American car manufacturer, you will of course benefit, but so too will those who export from other nations, because they too no longer have to adhere to two different sets of standards.

### **The Canadian precedent**

The TTIP will likely benefit greatly from the EU-Canada trade deal that was agreed last month. The conclusion of the Canadian deal offered hard evidence that TTIP would be possible, coming after four years of tough negotiations which dealt with many of the same difficult issues that will need to be addressed in the TTIP negotiations. Both sides demonstrated the willingness to compromise on difficult domestic issues such as GMOs and market access for beef farmers. When deadlocked during the summer, Canada granted the doubling of tariff-free quotas for European cheese, and the Europeans increased the market access for Canadian fresh meat. This involved tackling powerful vested interests which have a lot of influence in domestic politics. Much of what was accomplished can be replicated in the TTIP negotiations, such as the how the EU convinced the Canadians to give it greater access to government tenders. The deal will add £1.3bn to the UK economy, increase exports by a third and create thousands of new jobs.

The EU has also signed free trade deals with the likes of South Korea and Mexico, while talks with India and Japan about similar deals have already begun. The road to completing TTIP negotiations will be long and arduous, yet, there is every chance it will come to fruition. The hope is that it will be completed by the end of 2014. This would be a victory not only for the EU, but also for the UK. It would show that the UK's influence on the world stage is greatly amplified by being part of the EU, and also that the EU can work in our interests, focusing on issues that improve our economic wellbeing. If TTIP is successful, the UK and the other 27 nation states within the EU can be enormously proud of what they have achieved. ■