Transatlantic Trade and Investment Partnership - what EU business is looking for

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The transatlantic economy is already the largest marketplace in the world and the most integrated one both in terms of trade as well as investment. The dominant size and wealth of the transatlantic economy implies that the relationship between the EU and the US also shapes the global economy as a whole.

The EU and US economies account for more than 50% of the world GDP in value, 41% of GDP in purchasing power and one third of world trade flows. Also: the US and Europe are, by far, each other's primary source and destination for foreign direct investment.

Trade ties are also important. The EU is the destination of 17% of US exports, making it the second most important trade partner behind Canada, while the US receives 17.3% of the EU exports, making it also the first export market. In 2012, the EU ran a surplus with the US in merchandise trade of €86.5 billion and of €13.9 billion in services.

The Transatlantic Trade and Investment Partnership (TTIP) is an unparalleled trade and investment deal that will bring the two biggest and most integrated economies in the world even closer to each other. Of course, this can only materialise if we have a deep and comprehensive agreement with no carve-outs, addressing both tariff as well as non-tariff barriers.

Major areas of interest for the EU business

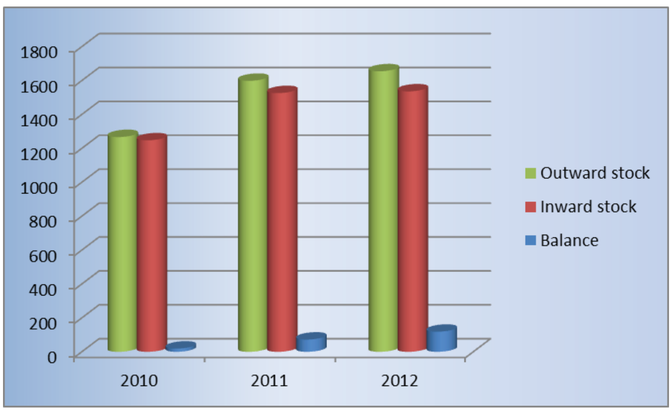
In terms of tariffs: in spite of the low average tariffs, the huge volumes of exchanged goods and services will allow for considerable gains from tariff dismantling. However, in certain sectors EU exporters are still confronted with very high duties - textiles and processed food[1]. So we are looking forward to an ambitious roadmap with significant front-loading and relatively short periods for phase out in the most sensitive products. This will allow consumers on both sides of the Atlantic a wider choice of goods at more competitive prices.

In regulatory cooperation different technical regulations and specifications, standards and conformity assessment procedures represent important market barriers. In many cases companies, in particular SMEs, have to manufacture two families of products or undergo similar testing procedures twice. Apart from increasing costs this may also delay market entry of innovative products. The agenda is complex and ambitious, and will require critical decisions on both sides. Both horizontal rules, as well as specific commitments in sectors, are important.

The objective is not to lower standards in the EU or limit the right of the EU or member states to regulate. **Horizontally** the objective is to set a framework that favours progressive convergence by encouraging cooperation and information exchange between EU and US regulators and increases transparency. At **sectoral level** the objective is to encourage sectors to come up with concrete proposals of legislative convergence whenever the differences are not of a substantive nature. These proposals should afterwards be taken up by the regulators.

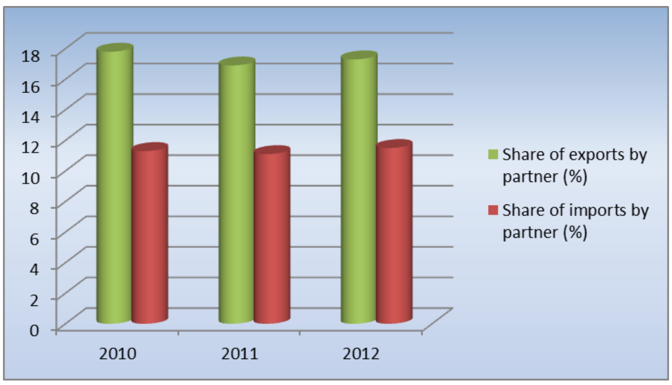
After the EU the US has the world's second largest **public procurement** market. TTIP is a unique opportunity to obtain

EU direct investment with the US (stocks, billion euro)



Source: Eurostat

Trade with US, share in EU trade



Source: Eurostat

additional public market opening - going further than the WTO Government Procurement Agreement that both EU and US are members of. TTIP should also effectively address all measures that promote positive discrimination towards national bidders. In the US public tenders often include 'buy-American' clauses that give preference to domestic companies over foreign ones. These clauses have increased significantly after the 2009 financial/economic crisis. A frequent restriction is represented by local content requirements, which make it compulsory for bidding companies to use American-made goods. TTIP should address these issues giving EU companies the same treatment as US ones.

In terms of investment TTIP should aim at ensuring that EU companies will be able to invest in the US without being discriminated *vis à vis* US companies (eg. by foreseeing in the agreement key principles like 'national treatment' and 'fair and equitable treatment'). Moreover it should grant security to investors by including an investor-to-state dispute settlement (ISDS) mechanism. ISDS allows for protection and adequate compensation of foreign companies' investments in cases of expropriation for example, or when there is absence of 'fair and equitable treatment'.

Investors will be able to launch legal action on 'neutral ground' and without politically sensitive considerations, in case the state breeches the rules established in the agreement. The aim is not to favour frivolous or unfounded claims against the states or prevent the states from regulating. ISDS should be a last resource mechanism and for this reason we look positively at ways to improve it.

That being said ISDS is common practice both in free trade agreements (FTAs) as well as bilateral investment treaties (BITs) worldwide. EU member states have been including ISDS provisions in their BITs and that is why it should be included in TTIP as well. The fact that the US is an OECD country in itself does not guarantee adequate protection for foreign investors.

The EU and the US cover more than 45% of world trade in **services**. The general rule in the agreement should be that full market access and national treatment should be granted for the provision of all services in all modes of supply, with very limited exceptions to this commitment explicitly spelled out ('negative list' approach) at a narrowly defined level. As many sectors as possible should be covered by the agreement, including financial services, banking, insurance and telecommunications.

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To ensure an effective improvement in market access conditions we should be looking at commitments both at central/federal level but also at state/sub-federal level.

Energy has become even more important area with the recent developments in Ukraine and Russia. The EU urgently needs to diversify its sources of supply. Of course we need to do our job internally and also find new energy sources within Europe. However, we also need to look for alternative sources elsewhere; this means looking at new suppliers that can provide reliable and long term solutions. The US is certainly a possibility and we believe that TTIP could be the right framework to establish a long-lasting partnership between the EU and the US in this area.

For this reason we defend the inclusion of a chapter or specific energy provisions in the agreement addressing all existing measures that limit or set conditions to energy exports.

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However the gains of this agreement are also potentially bigger not only for the two partners directly involved but also for the rest of the world. If the EU and the US can manage to conclude an ambitious and forward looking agreement effectively the spillover effect will set golden standards in a number of areas that can be taken up both at bilateral and multilateral level.

European businesses remain strongly convinced that TTIP is a unique opportunity to further integrate the EU and US economies, reducing unnecessary costs and generating new business opportunities that will be translated into concrete welfare gains for companies both big and small, as well as for workers and consumers. ■

1. 32% applied to T-Shirts of Man-Made Fibres or 19.7% to Women Cotton Knitted Shirts and 35% Canned Tuna Oil.