

TTIP: Consequences for EU & US

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Importance of trade



- Is trade just a sectoral issue?
- Trade & tariffs were major cause of tensions leading to American Revolution
 - Tea Act 1773: reduce massive surplus of tea held by financially troubled British East India Company and to undercut the price of illegal tea, smuggled into Britain's North American colonies => Boston Tea Party (December 16, 1773)
 - Townshend Acts of 1767 placed (import) duties on a number of essential goods including paper, glass & tea; established a Board of Customs in Boston to more rigorously execute trade regulations
 - ‘No taxation without representation’ (Colonies believed that, as they were not directly represented in the distant British Parliament, any laws it passed affecting the colonists - such as the Sugar Act and the Stamp Act) were illegal under the Bill of Rights 1689)

US trade in 20th century



- **Smoot-Hawley Tariff Act** 1930 contributed to depth & length of Great Depression
 - ⇒ led to retaliatory tariffs by major U.S. trade partners, which severely restricted trade & contributed to deep & prolonged effects of depression
- **Reciprocal Trade Agreements Act** 1934 authorized President to enter into reciprocal trade agreements that reduced tariffs within pre-approved levels
 - ⇒ 1st version of trade negotiating authority: 19 tariff-cutting trade deals between 1934 and 1939 (UK, Czechoslovakia, Canada)
 - ⇒ strong growth in U.S. exports complemented the New Deal's domestic programs, helping US climb out of Great Depression and into position of global leadership

Trade Promotion Authority



- Since Roosevelt all presidents (except Nixon) obtained TPA
- Bilateral agreements 1934 - 1939
- Multilateral agreements GATT 1947, WTO 1995
 - **Reciprocity** - one country offers to reduce a barrier to trade and a second country “reciprocates” by offering to reduce one of its own trade barriers.
 - **Nondiscrimination** (equal treatment) if one GATT member offers a benefit or a tariff concession to another GATT member, for example, a reduction in its import tariff for bicycles, it must offer the same tariff reduction to all GATT members.
- Bilateral agreements from mid-1980s

TPA



Trade Promotion Authority (TPA)

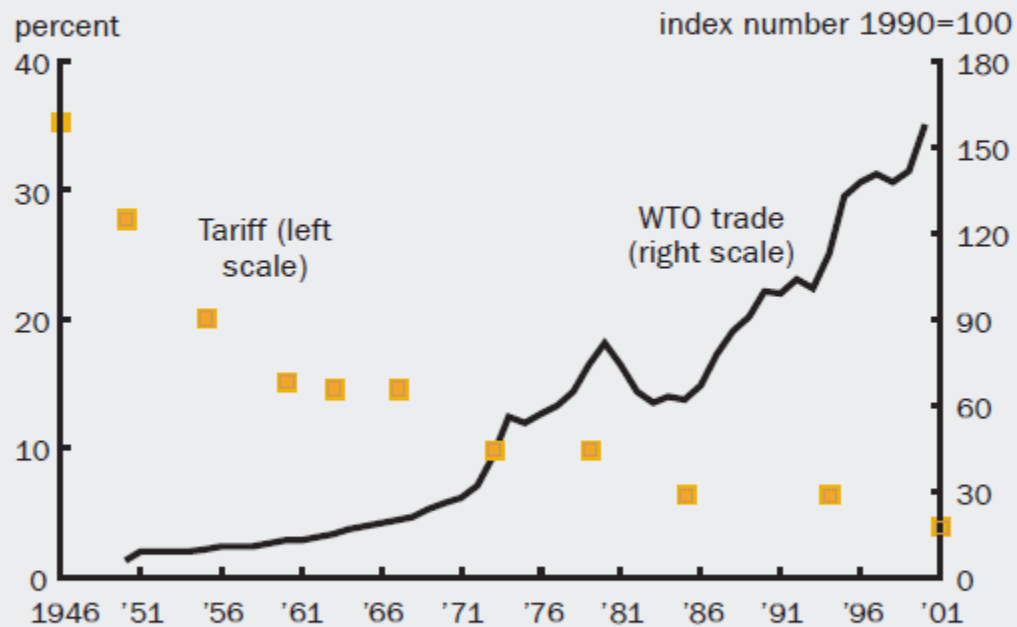
- Bipartisan Congressional Trade Priorities and Accountability Act of 2015
- Approved by Congress (House, 219-211 and Senate, 67-32), signed by the President
- Lays down negotiating objectives & procedural requirements for implementing bills
- If the conditions are met, Congress will consider implementing legislation under fast track with no amendments – yes/no vote
- Concerns TPP & TTIP (all agreements reached before 1 July 2018/ ext. 2021)

Tariffs and world trade



FIGURE 1

Growth of trade among WTO members and the decline of tariffs, 1946–2001



Sources: Tariff rates— Hoekman and Kostecki (1995); WTO trade— World Trade Organization (2001).

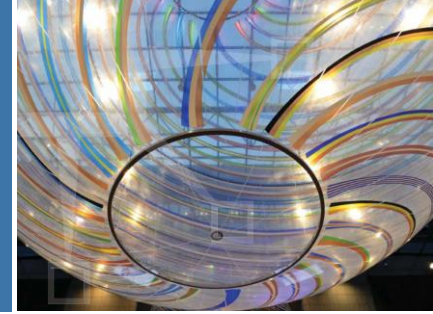
EU Commercial Policy



- Commission Communication: GLOBAL EUROPE: COMPETING IN THE WORLD, October 4, 2006
- ‘...Europe remains committed to the WTO and is working hard to resume negotiations as soon as circumstances in other countries allow.’
- ‘Free Trade Agreements (FTAs), if approached with care, can build on WTO and other international rules by going further and faster in promoting openness and integration, by tackling issues which are not ready for multilateral discussion.’
- Transatlantic Trade and Competitiveness
 - ‘The **economic gains** from tackling non-traditional, behind-the-border barriers **are potentially significant** in the EU and US. We have been seeking to do so for some time ...a further injection of momentum is necessary.’

EU Commercial Policy

EP role



‘Parliaments have to think about the consequences of international events on their work.

*Because the borders between what is decided nationally and internationally are blurring. Whether they are about **trade, data exchanges** or strategic partnerships – many international treaties have consequences on national policies and practices. They **should therefore be a concern for parliaments from the moment negotiations start until their final conclusion and implementation.**’*

Martin Schulz

President of the European Parliament

Rome, 21 April 2015

TTIP - start



- **February 2013**
 - U.S.-EU High Level Working Group on Jobs and Growth recommended the launching of negotiations for a wide-ranging free-trade agreement
 - SOTU - President Barack Obama called in his annual State of the Union address for such an agreement
 - Day after, EU Commission President Jose Manuel Barroso announced that talks would take place to negotiate the agreement
- **June 2013 G8 summit**
- **Objective**
 - expand trade and investment across the Atlantic,
 - contribute to the development of **global rules** that can strengthen the multilateral trading system
- **Negotiations – 12 rounds**
 - 11th round – Miami, October 2015

TTIP

development of global rules



- Alternative trade models
 - E.g. China's trade agreements –
 - no labor or environmental protections
 - allow state-owned enterprises to benefit from generous subsidies and other advantages that undercut the competitiveness
 - = do not reflect EU/US interests and our values.
- TTIP (but also TPP)
 - leading role in writing the rules
 - set the highest standards of any trade agreement to date, putting environmental and labor issues on equal footing with all other concerns

TTIP

progress not easy



- 2013 – PRISM - surveillance program under which the NSA collects internet communications from at least nine major US internet companies
- October 2013 - it was reported that the NSA monitored Merkel's cell phone. Merkel called President Obama and told him that spying on friends was "never acceptable, no matter in what situation.
- February 2014 – conflict with Ukraine
- 2015 migration crisis
- TPP
- US presidential elections
- Brexit

EU - US comparison



- 2 positions
- Council controls negotiations
- EP controls conclusion
- Public scrutiny via EP (limited)
- Efficiency of consultations?
- Access to documents (strict conditions)
- No implementing legislation

- 1 position
- Congress keeps full control over the whole process
- Public scrutiny via Congress
- Efficiency of consultations?
- Access to documents (strict conditions)
- Additional possibility to follow own priorities via implementing legislation

Elements of TTIP



- Market access
- Regulatory cooperation
- Rules

TTIP Risks vs. Benefits



Weaknesses & Threats (Cons)

- Hormone-treated meat/Gene-manipulated food
- threatening EU consumer and data protection laws
- Intellectual property rights
- ISDS (investor-to-state dispute settlement)
- Fear

Strengths & Opportunities (Pro)

- Increased legal security
- Joint fight against climate change, public health challenges
- Economic powerhouse (global competition)

TTIP Opportunities exceed Risks



- More than 200,000 jobs and economic impulses of up to \$200 billion expected to be created by TTIP
 - Tariff abolishment
 - Transfer of technology in automobile & communication industry
- ⇒ Cost advantages created by common service management
- ⇒ Fixed exchange rate for Euro and Dollar

Common Economic and Fiscal Union in the Dollar-Euro Area



- Production/Investments are already connected (MNCs: Apple, Google, Microsoft, BMW etc.)
 - High appreciation of universities and research institutions
 - => technology & knowledge/exchange transfer
 - Business startups network founder scene
 - Guidance function of US market with lower energy prices and with re-industrialization initiated by President Obama sets impulse for EU with strong de-industrialization in UK, Spain, Greece, Portugal and Ireland
 - EU sets impulses for US to strengthen re-industrialization by introducing SAP-software based on success factors
 - US is ranked 3rd after China and Japan in the mutual exchange of goods (import/export) for EU enterprises/ EU is ranked 2nd after China
- ⇒ currently, exchange of goods still obstructed by different trade standards (custom duties, non-tariff barriers, certification requirements, terms of payment, safety standards, technical defaults, subsidies, immigration regulations etc.
- ⇒ Years of negotiation & implementation vs. Growth spurt in mutual goods traffic expected on long-term basis by formation of EU-US trade zone

Agenda suggestions for joint Climate & Energy Policy



- Dramatic increase of CO₂ since 1965 leads to enormous entropy in atmosphere
 - ⇒ According to laws of thermodynamics, energy is not evaporated on earth, but is converted into heat instead
 - ⇒ Increasing amount of floods, tornadoes, hurricanes, heat waves, increase of deserts on earth, melting of poles etc.
 - ⇒ Entire regions such as Bangladesh no longer habitable (sea level rise)
- EU 2020 goals: energy efficiency & fight of climate change
- Photovoltaic & solar thermal energy, wind energy, wood pellets & briquettes for heating instead of gas & oil
- Common research effort (smart technology)
 - ⇒ Creation of prosperity & growth
 - ⇒ Smart mobility (traffic drive systems), smart cities (electric vehicles, access restrictions), sustainability awareness (reversal of coastal building, oil)

Common Health Policy



- R&D network pharmaceutical supply, public education (consumer protection)
 - Minimum invasive surgeries/technology
 - Prevention (drugs/alcohol/nicotine, obesity, chronic diseases, ethics & nutrition vs. fast food)
- ⇒ Avoid cost explosion by implementing joint legal framework (compliance – no sugar etc.)
- ⇒ Opportunities for entrepreneurs & business start-ups

Foundation, Development & Integration



- Foundation of EU & US
 - Role of Institutions
 - Prevention of Future Economic & Financial Crisis
- ⇒ Stability Mechanism, Accountability
- ⇒ ECB controlled by EP

Conclusion, Evaluation and Proposal for Solutions



- Trade liberalization, control of competition
- Aging societies requiring more health supplies and investment
- Fate for future generations, role model for BRICS to change consumption habits

Q&A



Questions or Feedback?

Market access - goods



- Trade in goods
 - Objective:
 - remove customs duties – already low (2% in average)
 - EU cars → US 2.5 %
 - US cars → EU 10 %
 - US duty on raw tobacco - 350% and over 130% for peanuts
 - Remove other barriers to trade (long administrative procedures)

Market access - services



- Services – 60 % of EU economy, 23% of EU services exported to US
 - Access – telecommunications (limits on how much an EU shareholder can own of a US company)
 - Mobility – recognition of qualifications (architects)
 - Licensing and approval – for auditing/legal advice
 - New rules on telecommunications, e-commerce, financial services, postal services, maritime transports
 - Protection for sensitive sectors
 - TV, radio, film
 - Public health
 - Social services
 - Water distribution
- Any government cannot be forced to privatise and decide who delivers public service
= right to regulate maintained

Market access - services



- Financial services – derivatives, insurance, bank, audit
 - Commonly agreed international standards implemented differently due to different market structure
- EU wants them included, US reluctant
- Objective: consistent implementation of international standards = legislative cooperation

Market access



- Public procurement
 - EU&US largest public procurement markets in the world
 - Objective: remove remaining obstacles and ensure that EU and US firms can bid for public tenders on equal terms
- Rules of origin
 - Rules determining which product is produced in EU/US and thus benefit from TTIP

Regulatory cooperation



- In order to export, firms must comply with numerous regulations → costly in particular for small companies
- Objective
 - work together when new rules are developed = legislative dialogue
 - work together internationally
 - create institutions – regulatory cooperation body

Regulatory cooperation



- Technical barriers to trade (TBTs)
 - Technical regulations (binding)
 - Standards (non-binding)
 - Introduced to protect human health and safety, animal and plant life and health, the environment, consumers from deceptive practices.
 - » E.g. safety of toys, safety and energy efficiency of domestic appliances
 - Require conformity assessment procedure
- Objective
 - eliminate/reduce unnecessarily duplicative or burdensome procedures
 - use international standards (ISO) to make it easier to export

Regulatory cooperation



Food safety and animal and plant health

- EU precautionary principle v. US scientific risk assessment
- High potential of mobilising public (GMOs, chlorinated chicken..)
- Protectionism or protecting interests of consumers?
- Objective:
 - cut the time it takes the US to approve food imports from the EU
 - help EU and US regulators work together in future on issues like animal welfare
 - uphold the EU's strict food safety standards

Regulatory cooperation specific industries



- Chemicals – rules differ significantly
- Cosmetics – alternatives to animal testing, labeling
- Engineering – fridge, plug, GSM, pleasure boats – big differences in technical regulations and procedures checking compliance
- Medical devices - scanners, x-ray - rules overlap (the same thing tested twice) → faster access to life saving devices
- Pharmaceuticals – harmonisation of rules on 1. inspection of manufacturing companies and 2. approval of pharmaceuticals
- Motor vehicles – recognition of standards, e.g. seat belts
- Textiles and clothing – labeling (e.g. care instructions symbols), product safety, standards & testing methods

Rules



- Create new rules to make it easier and fairer to export, import and invest
- Sustainable development
 - Support core international standards and conventions for labor and environment
 - Ensure that increased trade doesn't come at the expense of workers protection
- Energy and raw materials
 - EU increasingly depends on natural resources outside the EU → facilitate access to energy and raw materials
 - Sensitive issues – fracking, absence of renewable energy in TTIP

Rules



- Customs and trade facilitation – transparent customs procedures
- SMEs – create a free US online helpdesk for SMEs on customs, taxes, procedures
- Competition – ensure that state owned enterprises with monopoly don't discriminate others

Rules



- Intellectual property rights and geographical indications
 - Innovation and creativity drive economic growth help give consumers more choice, create jobs, reward individuals and firms who innovate
 - Objective:
- Agree on a list of international IPR agreements which the EU and US have signed
- Agree on binding commitments on geographical indications
 - Many food and drink products from the EU are produced, processed or prepared in specific regions – Grappa, Beaufort
 - EU protects them as GIs and not trade marks like the US

Rules



- ISDS (investor-to-state dispute settlement)
 - Issues: legitimacy, transparency, right to regulate
- EU proposes
 - A new Investment Court System
 - 5/5/5 judges – rules for nomination, ethics (cannot act as legal counsels when appointed as judges)
 - Appellate body - 2/2/2 judges
 - Transparent procedures
 - Right to regulate will be maintained
 - Mechanism contained in the renegotiated agreement EU-Canada (CETA) and Singapore

Sources



- [Joint Statement by Barack Obama, Herman Van Rompuy, José Manuel Barroso](#)
- [Getting Trade Right](#)
- [Trade Promotion Authority \(TPA\) and the Role of Congress in Trade Policy](#)
- [GLOBAL EUROPE: COMPETING IN THE WORLD](#)
- <https://ustr.gov/>
- <http://ec.europa.eu/trade/policy/in-focus/ttip/>