

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

**A challenging public debate**

**EDIC Annual General Meeting, 2 June 2016**

# Context – The public debate

- **Limited interest in trade agreements in the past decades – very sudden uptake of public debate**
- **Unbalanced interest / public debate in different EU MS, ranging from DE, AT (high) to PT (low)**
- **Situation slowly but constantly is getting worse**
- **Trade mixed up with globalisation and general mistrust to political elites**
- **Sometimes poor understanding of the mechanics of trade policy – ignores 50 years of tested practice**

# The policy context



*The changing nature of trade – GVC*

*Regional economic integration in the world*

*Trade as core of the EU's external economic relations*

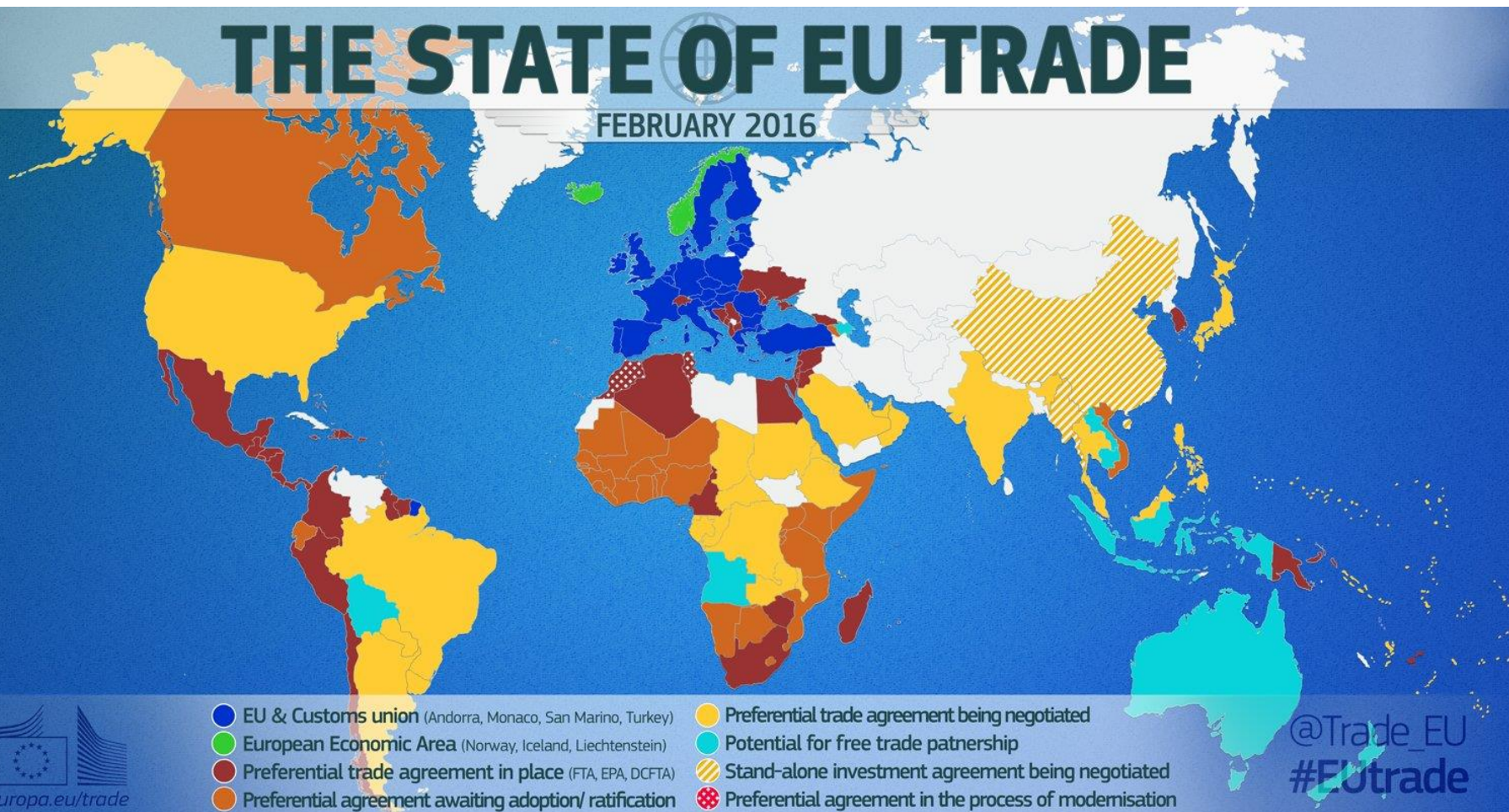
*Role of trade in Europe's GDP*

*Trade policy agenda since 2006*

*⇒ Why TTIP now? And not earlier?*

# THE STATE OF EU TRADE

FEBRUARY 2016



# The changing nature of trade: Production takes place in cross-border value chains

## iPhone 4S: where was it made?

Estimated costs of components: \$ 188



Assembly costs:

\$ 8

China

+ importance of services

+ risk of bottlenecks

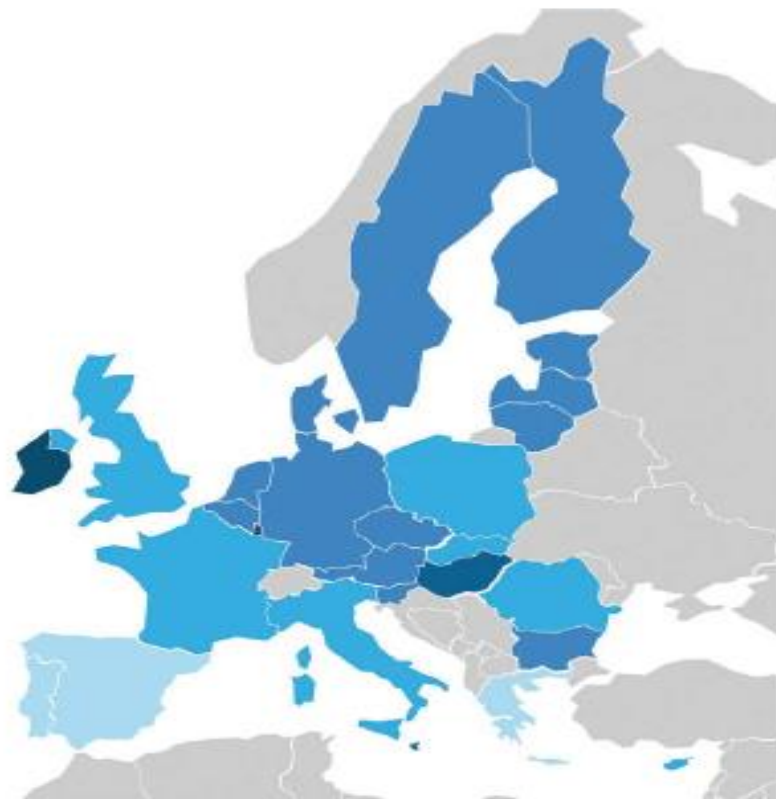
# **31m+ Jobs**

in the EU are supported by trade

That's 1 in 7 jobs!

# Over 31 million jobs depend on our exports to non-EU countries

Employment supported by EU exports as a percentage of total employment, by Member State, 2011 (%)



# Why do we trade?

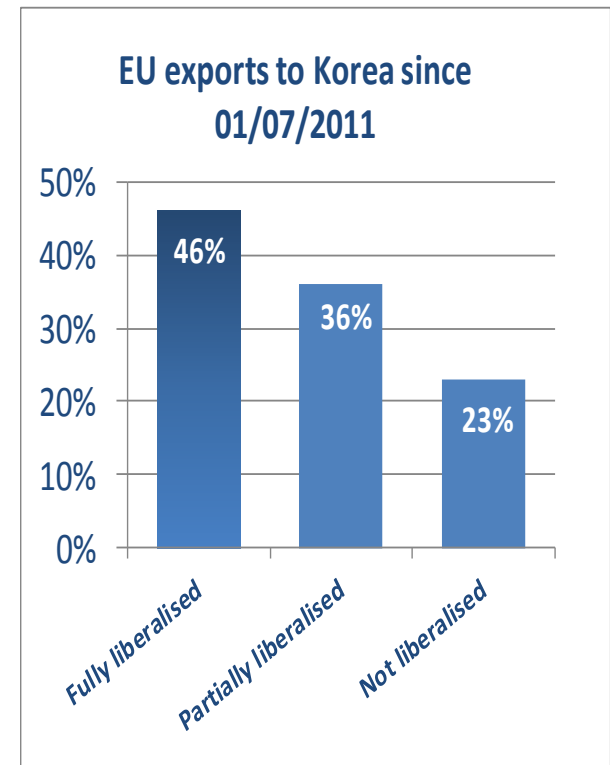
**7 – 25 – 50**

*'If Europe today accounts for just over 7 per cent of the world's population, produces around 25 per cent of global GDP and has to finance 50 per cent of global social spending, then it's obvious that it will have to work very hard to maintain its prosperity and way of life.'*

A. Merkel, 2012 (The Financial Times)

# EU trade policy – tried and tested: EU-South Korea Free Trade agreement

- ✓ **€1.6bn** in customs duties saved per year
- ✓ Access for **service suppliers**
- ✓ Tackling **non-tariff barriers**
- ✓ Better access to **government procurement**
- ✓ Protection of **intellectual property**
- ✓ Strong **competition** rules
- ✓ Commitment to **sustainable development**



# EU & US – top trading partners

- World's largest trade relationship
  - Almost half of world GDP and one third of world trade
  - Almost a trillion Euros of goods and services



# The EU28 in world trade

10 major EU28 **export** partners in 2014 (source: Comext regime 4)

Rank.	EU Exports to	M euro	% world
	<b>Extra EU-28</b>	<b>1,702,854</b>	
<b>1</b>	<b>USA</b>	<b>310.861</b>	<b>18.3</b>
2	China	164.731	9.7
3	Switzerland	140.349	8.2
4	Russia	103.291	6.1
5	Turkey	74.632	4,4
6	Japan	53.303	3,1
7	Norway	50.180	2.9
8	South Korea	43.138	2.5
9	United Arab Emirates	42.772	2,5
10	Brazil	36.928	2,2

# The EU28 in world trade

10 major EU28 **import** partners 2014 (sources: Comext regime 4)

Rank.	EU Imports from	M euro	% world
	Extra EU-28	<b>1.680.542</b>	
1	China	302.504	<b>18,0</b>
<b>2</b>	<b>USA</b>	<b>204.866</b>	<b>12,2</b>
3	Russia	181.805	<b>10,8</b>
4	Switzerland	96.557	<b>5,7</b>
5	Norway	83.964	<b>5,0</b>
6	Japan	54.569	<b>3,2</b>
7	Turkey	54.270	<b>3,2</b>
8	India	39.045	<b>2,3</b>
9	South Korea	37.047	<b>2,2</b>
10	Brazil	31.128	<b>1,9</b>

# EU & US – top trading partners

- 15 million jobs depend on transatlantic trade
- 10 million of these are in the EU

# EU & US – top trading partners

- Deepest investment relationship in the world
- More than half the world's foreign direct investment is transatlantic i.e. between the EU & the US

# EU's investments in the world, 2013

Rank	Country	Million euro
<b>1</b>	<b>USA</b>	<b>225.201</b>
2	Brazil	37.829
3	Switzerland	28.472

# TTIP – a negotiation is born

*Summit 2011: "Working Group on  
Jobs and Growth"*

*Options for strengthening the trade  
and investment relationship*

*High Level Working Group report  
Mandate*

*Start of negotiations*

*Public and political debate....*

# EU Trade and Investment Policy

## How we negotiate

*Civil Society and Public Consultations*

### **The Commission negotiates**

- On behalf of the 28 Member States
- Regular reporting to the Council and the European Parliament

### **The Council co-decides**

- Directives for negotiations
- Follows the negotiation process
- Council approve the results of the negotiation (generally by qualified majority)

### **The Parliament co-decides**

- EP co-decides with the Council on trade legislations (except negotiating directives)
- EP gives consent on agreements

# Why TTIP?

1. Both regions need growth post 2008-9
  - TTIP – an economic stimulus at **no cost to taxpayers**
  - EU and US can help each other compete better with the emerging economies

# Why TTIP?

## 2. TTIP can reinvigorate the transatlantic relationship

- About more than trade and investment. Important foreign policy tool.
- TTIP can complement EU and US 'pivots' to Asia

# Why TTIP?

3. EU and US can exercise leadership in global standard setting through TTIP

## ***TTIP*** - What is in it?

### *High Level Working Group for Jobs and Growth report*

#### ***Market access***

*Classic element of trade negotiations*

- Industrial tariffs, agricultural tariffs*
- Services + investment*
- Public procurement*

#### ***Regulatory coherence***

*Focus on 'behind the border barriers' (NTB's)*

*More regulatory coherence without lowering standards*

#### ***Rules***

*Further development of WTO rules*

*New areas (energy & raw materials)*



# TTIP: The most contested trade negotiation since the 1990s

*Large-scale, mostly online campaigns; media interest; largely negative coverage*

- **Strongly in DE, AT, BE, LU, FR, ES**
- **Second tier led by UK, where campaign growing**

*Core issues / criticism:*

- *Risk to current/future right to regulate*
- *Regulatory cooperation*
- **ISDS or ICS**
- *Public services, culture*
- *Underlying issue: Perception of secret negotiations*



“ The current network of investment agreements in place is not fit-for-purpose in the 21st century. We want the rule of law, not the rule of lawyers. If we're to continue with investment protection and international arbitration, it'll need to be a very different animal. ”

**Cecilia Malmström**  
European Trade Commissioner

The European Parliament  
Brussels, 18 March 2015

European Commission  
Commission européenne

“The question about investment in TTIP is not whether we should do it, but how we can do it right. Can we design a new form of investment arbitration that keeps the benefits but avoids the negatives? I believe we can.”

**Cecilia Malmström**  
European Trade Commissioner

The European Parliament  
Brussels, 18 March 2015



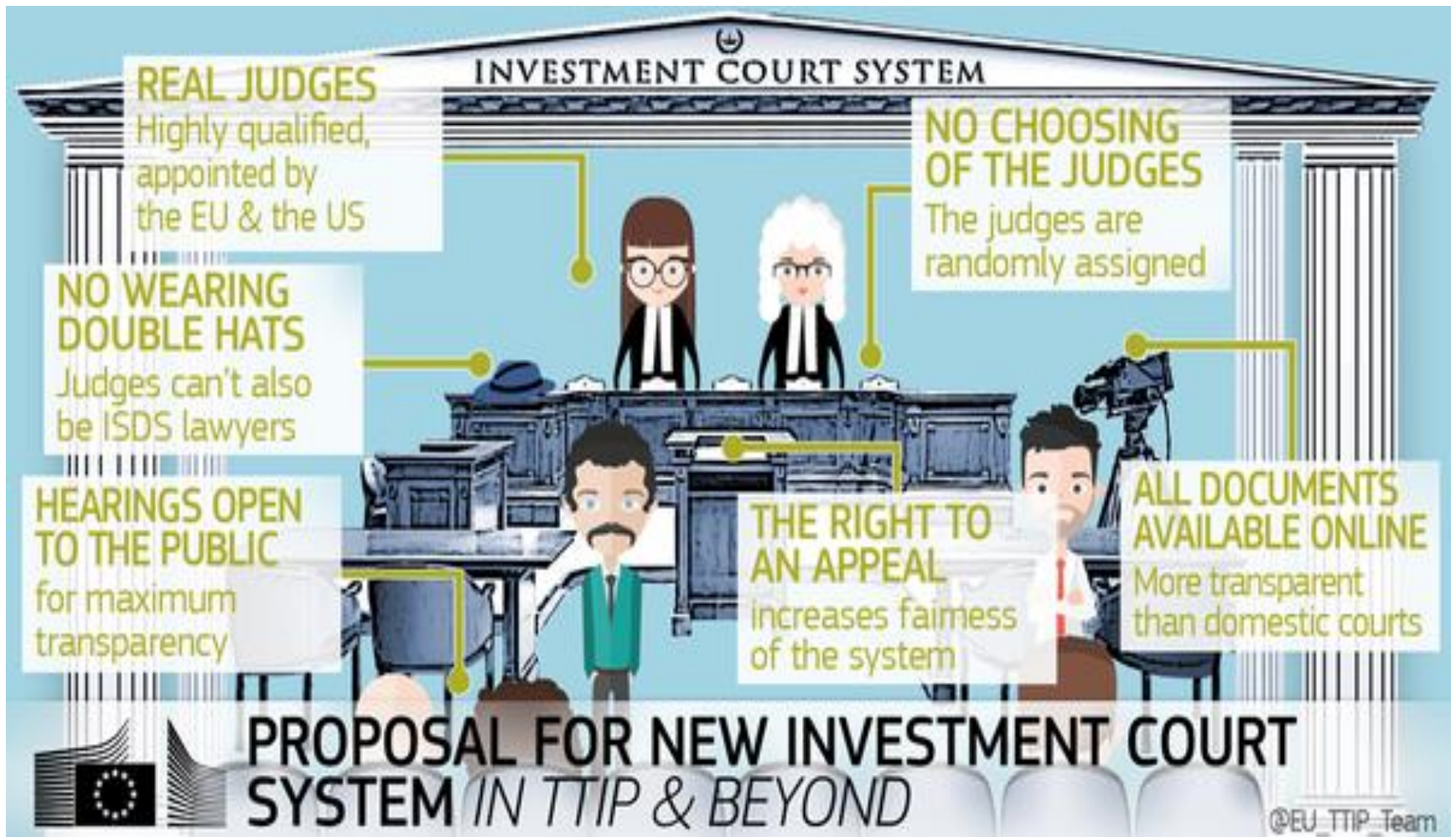
European Commission

## 3. Rules

- Investment Court System
- **First instance Tribunal and an Appeal Tribunal** similar to WTO Appellate Body
- Publicly appointed **judges with high qualifications** like those in the ECJ and WTO Appellate Body
- **Cases precisely defined** and limited to targeted discrimination on the base of gender, race or religion, or nationality, expropriation without compensation, or denial of justice
- **governments' right to regulate** enshrined



European  
Commission



# Commission Response

## *Aims*

- **Explain the basics**
- **Address the criticism**

## *Strategy:*

- **Decentralise, third-party endorsers**
- **But: resources, MS role, support by 3<sup>rd</sup> parties**

## *Actions:*

- **Cross-Commission coordination**
- **Engage in national debates**
- **Increase transparency & consultation**
- **Join online conversation**

# Transparency: EU Position Papers & Legal texts



**Towards an EU-US trade deal**  
Making trade work for you

The Transatlantic Trade and  
Investment Partnership (TTIP)  
Regulatory Issues

**EU position on chemicals**



**Towards an EU-US trade deal**  
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**EU position on pharmaceutical products**



**Towards an EU-US trade deal**  
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The Transatlantic Trade and  
Investment Partnership (TTIP)  
Regulatory Issues

**EU position on motor vehicles**



**Towards an EU-US trade deal**  
Making trade work for you

The Transatlantic Trade and  
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Regulatory Issues

**EU position on pharmaceutical products**

# Transparency: Guides/examples/explanations



UNITED STATES Brussels, 4 July 2014

## Protecting public services in TTIP and other EU trade agreements



In the EU, public services such as healthcare and education are amongst the best in the world. They play a special role which Europeans value, and which EU law recognises.

For that reason the EU, and individual EU countries, are required to protect public services in any new laws or policies they adopt - including EU-wide trade agreements with countries outside Europe.

So all EU trade deals provide three important guarantees for public services – on regulation, monopolies and so-called 'national treatment'. These ensure that EU governments remain entirely free to manage public services as they wish.

1. **Monopolies** – if they wish, EU governments can organise public services so that just one supplier provides the service. This is what economists call a 'monopoly'. The single supplier can be:
  - publicly owned – in other words, a 'public monopoly'
  - a private firm with the exclusive right to offer a particular service.

And it can operate at any level – nationally, regionally or locally.

2. **'National treatment' and 'market access'** – for publicly-funded healthcare and social services, education or water services, EU governments don't have to treat companies or individuals from outside the EU the same as those from within Europe and do not have to provide access to their markets. Instead, governments can:



## TTIP AND CULTURE

ion (EU) started negotiations for a free trade and Investment Partnership or TTIP in the world. The EU and US are key

rest in gaining access to markets for audiovisual services. The EU, part in culture and so should be tre



## EU - US TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP)

### Cooperation on financial services regulation

The EU aims at establishing a framework for regulatory cooperation on financial services in the TTIP. The goal is not to define the substance of international standards, which shall be discussed in the respective fora outside the TTIP negotiations. The goal is to create an institutional framework of EU and US regulators to make sure the EU and US rules work together, which shall contribute towards preventing future crisis.

# Transparency: Consultation

EU TTIP Team @EU\_TTIP\_team · Jul 16

More than 300 participants registered for #TTIP Chief Negotiators' debriefing for stakeholders now underway



EU TTIP Team @EU\_TTIP\_team · Jun 3

STARTING NOW! EU Lead Negotiators for #TTIP meeting 190 reps of EU business bodies, NGOs to review 5th round of talks



EU TTIP Team @EU\_TTIP\_team · Jul 16

Melinda St Louis from @Public\_Citizen: 'proposed changes to #ISDS in #TTIP don't address system's fundamental flaws'



EU TTIP Team @EU\_TTIP\_team · Jul 16

@fsb\_hq (small companies) tell us, the EU should help them to provide info on trade opportunities. #TTIP



Transatlantic Trade & Investment Partnership Advisory Group

*Meeting report, 24 July 2014*

Online public consultation on investment protection and investor-to-state dispute settlement (ISDS) in the Transatlantic Trade and Investment Partnership Agreement (TTIP)

- Policy field: Investment
- Target group: All stakeholders
- Closing Date: **Completed - 13/07/2014**



# Online: Webpage


**In focus**


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## THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP


Making trade work for you



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### Latest news

#### Two new experts join TTIP Advisory Group

Felix Neugart, of the German Chambers of Commerce & Industry, will represent small business interests. Emma Woodford, of the European Public Health Alliance, will represent public health interests.

■ [More](#)

#### Now online - updated state of play in talks




The EU has just updated its document summarising the latest state of play in the TTIP negotiations.

■ [More](#)

#### New report on investment protection consultation

The EU has published a five-page report on our recent public consultation, which sought views on our proposals for investment protection and investor-state dispute settlement in TTIP.

■ [Read the report](#) 

# Continuing challenges

- **Credibility/trust: Transparency**
- **National government support: Make-or-break**
- **Third party endorses mobilisation**
- **Need to show concrete benefits but negotiations ongoing: examples and stories**