European Parliament

USA–Europe: Big deal or no deal?

THE EUROPEAN YOUTH EVENT

The EU-US negotiations towards a Transatlantic Trade and Investment Partnership (TTIP) were launched in 2013. Negotiators have so far completed 12 rounds of negotiations. Considering its economic significance and the ambitious agenda of the negotiations, tackling a number of controversial areas, TTIP has raised significant public debate.

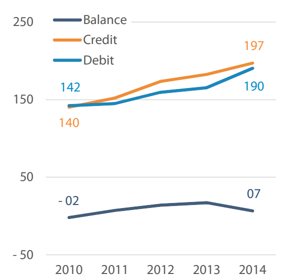
Significance of EU-US trade ties and rationale for TTIP

The US remains the EU's top trading partner and export market. Exports of goods to and imports from the US by EU-28 firms amounted respectively to €371 and €248 billion. And 88% of firms exporting to the US were reported to be small and medium-sized enterprises (SMEs). The European Commission reported that over 10 million European jobs already depend on exports to the US. For the US, TTIP would be only its third biggest market for trade in goods covered by a free trade agreement, but would still represent its largest market for services and investments. The EU and US represented, in 2014, 46% of world GDP. Both the EU and the US have substantially liberalised their trade in goods multilaterally (in 2014, the simple average applied tariffs were 5.31% for the EU and 3.51% for the US). However, some tariff peaks remain (in particular in agricultural goods), and substantial gains would be achieved by reducing duplication in regulatory procedures and requirements. Often producers have to adapt inputs in order to sell their products on the other market, and different procedures require different tests to prove a product respects domestic regulatory requirements – acting as non-tariff barriers (NTBs) and increasing the costs of exporting. Gains are also expected from further opening of services, procurement and investment markets. Several studies have shown varying results for the potential economic effect of TTIP (see table). The WTI also analysed effects on EU Member States, and found the estimated increase in income with TTIP to vary from +1.6% in Lithuania to -0.3% in Malta (the only negative result); only three countries had estimates higher than +1 (Lithuania, Ireland and Belgium). As well as economic reasons, TTIP was championed to build a new model for trade rules and for geopolitical reasons. The US has concluded a major and ambitious agreement with its Pacific partners (the Transpacific Partnership Agreement); in view of the rise in Asian trade, TTIP would also reaffirm transatlantic relations. Finding a transatlantic consensus on major trade issues was also seen as key for future debates in the World Trade Organization (WTO) and to reaffirm shared values on how trade should relate to issues such as sustainable development and high standard regulations.

	Capaldo (2014)	Ecorys (2009)	CEPR (2013)	CEPR II (2013)	GED/Bertelsmann (2013)
Estimated (annual) GDP growth due to TTIP	Minus 0.5% GDP	EU GDP +0.7% US GDP +0.3%	EU GDP +0.5% US GDP +0.4%	EU GDP +0.3% US GDP +0.3%	EU GDP +5% US GDP +13%

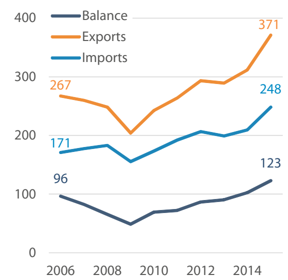
Source: WTI; see also appraisal of the European Commission's impact assessment by EPRS.

Trade in services with US (€ billion)



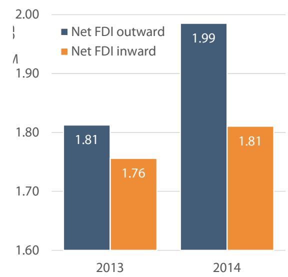
Data source: Eurostat.

Trade in goods with US (€ billion)



Data source: Eurostat.

EU direct investment stocks with US (€ trillion)



Data source: Eurostat.

This note has been prepared for the European Youth Event, taking place in Strasbourg in May 2016.

EPRS | European Parliamentary Research Service
Author: Laura Puccio, **Members' Research Service**

PE 581.953

State of play of the negotiations

TTIP negotiations cover a wide range of issues aimed at agreeing ambitious provisions going beyond WTO rules (alias WTO+) in a number of fields: market access in goods and services, regulatory provisions (SPS and TBT), intellectual property rights, and public procurement. TTIP also aims for ambitious new rules on sustainable development, competition, state-owned enterprises, SMEs, investments and regulatory cooperation in specific sectors as a way to dismantle some non-tariff barriers. The EU has also proposed an unprecedented specific chapter on energy, which would aim at tackling competition, energy efficiency and climate change issues. Currently negotiators hope to achieve substantial progress by summer 2016.

The 12th negotiation round concluded this March focused inter alia on regulatory cooperation. Sector-specific rules are envisaged in nine sectors: automobiles, pharmaceutical, medical devices, cosmetics, textiles, ICT, engineering, chemical and pesticides. Equivalence of regulatory standards is being discussed concretely for cars in respect of some specific components (brakes, lights, belts...) and for pharmaceuticals (for good manufacturing practices in inspections) and is still being assessed for the engineering sector. In other sectors, discussions tend more towards recognition of international standards. Exchange of best practice is envisaged whenever EU and US regulatory systems diverge too much (chemicals and pesticides). Remaining controversial issues include: SPS (sanitary and phytosanitary standards) measures, introduced to restrict trade of certain products in order to protect human health or bio-life, and how they are applied (in particular the scientific proof needed to introduce a measure); how to ensure respect of data protection in data flows; public procurement (where the EU would like greater concessions at state level in the US); and fields such as rules of origin and geographical indications, where EU and US systems are very different. The EU submitted a new Investment Court proposal to replace the former arbitration system to solve disputes arising between states and foreign investors.

Public opinion and official reactions on TTIP

Public opinion and criticism of TTIP

TTIP has attracted a great amount of public attention. A Eurobarometer survey in 2014 found support for TTIP to vary greatly across EU countries. Three countries were found to have a level of support lower than 50% (Germany, Austria and Luxembourg). Successive surveys on the topic focused on Germany. In a survey conducted by Pew in 2015, the US rates in favour of TTIP were equal to or slightly above 50% in 2014 and 2015, while in Germany support rates were reported to have decreased from 55 to 41% from 2014 to 2015. The study found that while US sceptics were more preoccupied about jobs, 61% of German sceptics feared instead that TTIP would lower regulatory standards. Another German survey by TNS found support for arbitration in investor-state dispute settlement (ISDS) reached 37%, and found 19% support if TTIP would reduce the state's regulatory power. Other issues raised by public opinion in the EU Member States concerned transparency of the negotiations, and the potential impact on public services, audiovisual and sensitive agricultural products.

The EU institutions' reactions

The European Parliament, which needs to give its consent to a final deal in order for the Council of the European Union to ratify the treaty, issued recommendations in July 2015 on the negotiations.

The European Parliament recommendations called for **an ambitious and comprehensive** trade and investment agreement aimed at ambitious market access in trade, services, investment and procurement, reduction of non-tariff barriers and enhanced regulatory compatibility across the Atlantic. At the same time, members called for a **balanced approach**, including a list of sensitive products subject to transitional periods, quotas or even exclusion; for a **rule-based** framework (calling for compliance with data protection, environmental, labour, consumer laws and geographical indications). They further stress that regulatory cooperation must respect the established regulatory systems and the state's right to regulate public services. Moreover they called for a new system to replace ISDS and enhanced **transparency** in the negotiations.

The European Commission has several times reiterated that it would not negotiate on the audiovisual sector as this is not covered by its negotiation mandate. It also excluded negotiation on genetically modified organisms (GMOs) and highlighted that any regulatory cooperation in TTIP would respect domestic legislative and regulatory procedures, and that equivalence and harmonisation would be envisaged only on specific aspects of regulation if it enhances or at least maintains existing levels of protection. On ISDS, the European Commission proposed the creation of a new Investor-State court. The EU and US negotiators jointly issued a statement asserting the state's right to regulate public services. The European Commission agreed to provide access to consolidated texts both to Members of the European Parliament as well as of Member States' national parliaments.