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in view of preparing the draft report on Parliament's recommendations to the Commission on the negotiations for the Transatlantic Trade and Investment Partnership (TTIP)

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Rapporteur: Bernd Lange

INTRODUCTION

When the EU negotiates an international agreement, such as TTIP, the European Parliament is entitled to express its position on the agreement, by means of a report, at any stage of the negotiations, based on Rule 108 of the Rules of Procedure. Your rapporteur would like to use this opportunity to assess the main results of the negotiations after approximately 1,5 years of discussions and to express the EP's views on the main issues of a potential TTIP agreement. The EP's report should contribute to a fresh start of the negotiations, now that the new Commission is in place and after the midterm elections in the US.

This report will be a follow-up of resolutions adopted in the previous parliamentary term on trade and investment negotiations with the United States in October 2012 and May 2013.

1. TTIP AS A POTENTIAL INSTRUMENT FOR SUSTAINABLE GROWTH AND A STEPPING-STONE FOR RULES AT THE MULTILATERAL LEVEL

There is no doubt about the fact that we live in a globalised world which is moving ever closer together. The growing interconnectedness of global markets is undeniable. This is clearly illustrated by the fact that up to 40 % of European industrial products are manufactured from imported upstream products. With more and more goods and services being traded across borders and investments made abroad, it is crucial that policy makers shape the way markets interact and give structure to these complex processes and interactions that take place every day. The EU's trade policy can play an important role in supporting sustainable economic growth in the EU and beyond and the creation of good and stable jobs, but the perimeters must be set right. Proper trade rules are fundamental to added value in Europe, since Industrial production takes place in global value added chains.

A potential agreement with the United States could support the reindustrialisation of Europe and help increase the 2020 target for EU GDP generated by industry from 15 % to 20 %. It has the potential to create opportunities especially for small and medium sized businesses, who suffer more from non-tariff barriers than larger companies. An agreement between the two biggest economic blocks in the world also has the potential to create standards, norms and rules which will be adopted on a global level. This is even an advantage for third countries. However, it is also clear that the TTIP will not be key in resolving economic problems in the EU and no false hopes and expectations should be raised in that respect. The economic crisis will only be resolved and sustainable growth achieved in the EU with a different EU macroeconomic policy.

It must also be made clear that bilateral trade agreements such as a potential TTIP can only ever be a second-best option to agreements on the multilateral level. Especially given the recent positive developments in the WTO, we must ensure that an agreement with the US will serve as a stepping-stone for broader trade negotiations and will not be seen as an alternative to the WTO-process.

2. ON THE RIGHT SIDE OF GLOBALISATION

We are faced with an unregulated picture of globalization. Globalization is mismanaged. Unregulated globalization is an uncontrolled race to the bottom. Just cutting tariffs and eliminating non-tariff barriers and regulations is going in the wrong direction. But a good trade agreement could be an answer for being on the right side of globalization. We have to stimulate sustainable growth but at the same time we have to protect workers, consumers and

the environment. We could create a regulatory framework by strengthening regulations to the highest standards on a global level, so that social and environment dumping is excluded. First and foremost, it must be ensured that trade policy serves the interests of citizens, consumers and workers. The well-being of ordinary citizens has to be the benchmark for a trade agreement. TTIP has to be a model for a good trade agreement responding these requirements. And when negotiations on TTIP are secret, there is no way that the democratic process can exert the checks and balances to guarantee the expected outcome.

3. TRANSPARENCY AND CIVIL SOCIETY INVOLVEMENT

The many critical voices in the public debate have shown the need for the TTIP negotiations to be conducted in a more transparent and inclusive manner, taking into account the concerns voiced by European citizens. The EP fully supports the decision of the Council to declassify the negotiating directives and the European Commission's transparency initiative which will now have to be translated into meaningful practical results. Equally important is Member States' involvement to ensure a broad, fact-based public debate on TTIP in Europe. Such a debate is fundamental in order to explore the real chances and concerns surrounding the agreement. The EP also encourages the Commission's on-going efforts to increase transparency in the negotiations by making more negotiation proposals available to the general public and hopes that even more documents will be made public after different negotiation rounds.

The European Parliament will continue to closely monitor the negotiating process and will engage with the Commission, Member States, the US Congress and administration as well as stakeholders on both sides of the Atlantic in order to ensure an outcome which will benefit citizens in the EU, the US and beyond.

The European Parliament will have to give its consent to an agreement, without which it cannot enter into force. The European Commission is therefore well advised to take the positions into account.

4. SCOPE OF A POSSIBLE AGREEMENT

The TTIP negotiations consist of negotiations on 3 main areas: market access (for goods, services and procurement), non-tariff barriers and regulatory cooperation and rules. All these areas are equally important to include in a comprehensive package that should be the aim of both negotiating parties. A fresh start to the TTIP talks, taking account of the progress achieved thus far, is needed to introduce a new dynamic into the negotiations.

4.1. MARKET ACCESS

In spite of the very low levels of tariffs on both sides of the Atlantic, the market access component of TTIP is very important, given the large volume of trade between the EU and US and the limited amount of high tariffs that continue to exist. The goal of the negotiations should be the elimination of all duty tariffs, while respecting sensitive products that could be subject to longer time frames for elimination of tariff duties or tariff rate quotas. Market access for industrial goods, agricultural products, services and public procurement are equally important and there should be a balance between the different proposals for these areas. We need to ensure that the market access offers on the different topics are equally ambitious and

reflect both parties' expectations.

Concerning services, it is important to note that the EU and the US have chosen to use a "hybrid approach", similar to what has been used in the framework of the negotiations on the Plurilateral Agreement on Services. This is not the traditional approach of the EU concerning the liberalization of services in bilateral free trade agreements.

Services are an important part of the EU's economy and many jobs are dependent on the export and import of services, therefore there is no doubt that there are important offensive interests for the EU in the services sector, for instance in the area of engineering, transport or telecommunication services. On the other hand, it is very important to ensure an adequate carve-out of sensitive services such as public services and public utilities, allowing national and local authorities enough room for manoeuvre to legislate in the public interest. A joint declaration reflecting negotiators' clear commitment to exclude these sectors from the negotiations would be very helpful in this regard.

Market access negotiations on financial services should be combined with convergence in financial regulation, in order to support on-going cooperation efforts in other international forums, such as the Basel Committee on Banking Supervision.

Rules of origin are an essential part of all market access negotiations. Negotiations on rules of origin should aim at reconciling the EU and US approaches to rules of origin. The CETA agreement can serve as a good precedent in this regard. Given the conclusion of the CETA agreement and the potential upgrade of the EU-Mexico free trade agreement, the possibility and scope of cumulation will need to be considered.

4.1.1. PUBLIC PROCUREMENT

Public procurement is an essential part of economic activity both in Europe and in the US. The EU's public procurement market is one of the most open world-wide, ensuring that companies from third countries can bid for European contracts. Rather than putting up new barriers to protect the EU market, TTIP could serve as a vehicle to achieve a blueprint for far-reaching liberalisation of the transatlantic public procurement markets.

The TTIP must therefore ensure that account is taken of the huge interest on the part of European companies in obtaining access to public contracts, for example for construction services, traffic infrastructure and goods and services. This will unquestionably be a decisive part of a comprehensive agreement.

In this regard it will be of the utmost importance to ensure that federal states are included in the negotiation process to achieve meaningful results in opening up US public procurement contracts to EU companies. It is therefore regretful that so far, no real progress seems to have been achieved in this area of the negotiations.

The results achieved in EU FTAs, such as CETA, give a good example of the scope and depth of a comprehensive public procurement chapter.

4.1.2. AGRICULTURE

The agricultural sectors in the EU and US differ considerably in many areas, such as consumer health aspects, GMOs and hormone-treated meat. Any negotiating result must respect and uphold the sensitivities and fundamental values of either side, such as the EU's precautionary principle. The outcome of the CETA negotiations shows that a balanced and

mutually beneficial outcome in this field of negotiations between countries with differing approaches to food safety standards is possible.

4.1.3. ENERGY AND RAW MATERIALS

A future TTIP agreement should abolish any existing export restrictions on energy existing between the two trading partners, thereby supporting a diversification of energy sources. A partnership as stable as the transatlantic one offers both partners the potential for a dependable source of energy.

The right of either partner to govern the exploration and exploitation of energy sources shall remain untouched by an agreement, but non-discrimination applied once exploitation is decided. The access to raw materials as well as energy should also be granted on a non-discriminatory basis for companies from either the EU or the US.

TTIP should also support the use and promotion of green goods and services, thereby tapping into the considerable potential for environmental and economic gains the transatlantic economy offers.

A TTIP could serve as a forum for the development of common energy production standards, always taking to account and adhering to existing standards on both sides.

4.2. REGULATORY COOPERATION AND NON TARIFF BARRIERS

Regulatory cooperation and the elimination of non-tariff barriers is the area of negotiations where most gains can be made in terms of increasing trade flows. But regulatory cooperation should in no way touch upon the existing levels of protection of health and safety, consumer, labour, environmental legislation and cultural diversity that exists with the EU, as reiterated in the Political Guidelines of President Juncker. Negotiators on both sides need to identify and be clear about which regulations are fundamental and cannot be compromised on and which regulations can be subject of reducing red tape. There have to be clear commitments where harmonization, where mutual recognition and where just information is possible. It seems, that for instance in the car sector there is a large potential of unlocking new trading opportunities, but this should be handled with care and might not be possible for all sectors and technical measures. We have to take into account the results of the actual negotiation rounds. One result for example is, that in the chemical sector no mutual recognition or harmonization is possible.

Both on TBT and SPS measures, negotiations should be built on the key principles of the multilateral SPS and TBT-agreements. Negotiations on SPS should recognize the right of both parties to manage risk in accordance with the level it deems to be appropriate in order to protect human, animal or plant life or health. The EU's precautionary principle should not be compromised.

Negotiations on both chapters should aim at increasing transparency and openness, strengthening cooperation between regulators and strengthening cooperation in international standards setting bodies, in the case of TBT.

Next to the TBT and SPS-negotiations, negotiations on regulatory issues will also focus on a range of cross - cutting disciplines on regulatory coherence and transparency, including early consultations, the use of impact assessments, and good regulatory practice. Regulatory coherence is part of the Commission's own agenda on better law making and synergies could be created between the TTIP negotiations and on-going reflection at the EU-level on 'better regulation'. In this respect it is very important to fully respect the European Parliament's role

within the EU's decision making process and its democratic scrutiny over EU regulatory processes. At the same time one needs to be vigilant about a balanced involvement of stakeholders within these regulatory processes.

These same concerns will need to be addressed when dealing with the so-called "built-in" agenda of TTIP aimed at having an institutional basis for future cooperation.

The sectorial initiatives on regulatory cooperation, on chemicals, pharmaceuticals and cosmetics can provide for important additional opportunities for removing unnecessary non-tariff barriers and creating new market access opportunities. However, also in these areas regulatory cooperation should be dealt with great care in order not to affect each party's sovereign right to regulate (e.g. in the area of clinical trials, food safety, labelling of chemicals).

4.3. RULES

4.3.1. INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are a corner stone of both the EU and the US knowledge economy and therefore it is important that TTIP includes an ambitious IPR chapter.

Given both the EU's and the US high level of protection for patents (data exclusivity, patent term restoration), the IPR chapter in TTIP should reflect the EU's and the US most ambitious FTA provisions in this area, while continuing confirming the existing flexibilities in the TRIPS, notably in the area of public health.

The EU's IPR chapter should not include provisions (such as criminal sanctions) which were previously rejected by the European Parliament.

An ambitious chapter on intellectual property rights should also provide for enhanced protection and recognition of European Geographical Indications. The CETA-agreement can serve as a good example in this regard.

4.3.2. INVESTMENT LIBERALIZATION AND INVESTMENT PROTECTION

A future TTIP agreement should contain a comprehensive chapter on investment containing both provisions on investment liberalization and investment protection. The investment liberalization chapter should aim at granting non-discriminatory treatment for the establishment of European and American companies in each other's territories and eliminating as much as possible existing restrictions that have this effect, while taking account of the sensitive nature of some specific sectors.

Investment protection provisions should be limited to post-establishment provisions and should among others focus on non-discrimination, fair and equitable treatment and compensation for (in)direct expropriation.

Given the EU's and the US developed legal systems, a state-to-state dispute settlement system and the use of national courts are the most appropriate tools to address investment disputes.

Should ISDS provisions be included in the TTIP, it seems to be clear, that further reforms to the current model, are critical to avoid the problems that have arisen under the provisions in existing FTAs and BITs. Now that the results of the public consultation are available, a reflection processes is needed within and between the three European institutions on the needed reforms. Investors abroad have to be treated in a non-discriminatory fashion and

should have a fair opportunity to seek and achieve redress of grievances. This can be attained in TTIP without the inclusion of ISDS provisions.

4.3.3. TRADE AND SUSTAINABLE DEVELOPMENT

The different topics of negotiations on the table reveal a very ambitious economic agenda. TTIP should be equally ambitious when it comes to sustainable development. The sustainable development chapter should aim at full and effective ratification and implementation of the 8 Core ILO Conventions and the core international environmental agreements. Provisions should be aimed at improving levels of protection of labour and environmental standards. An ambitious trade and sustainable development chapter should also include rules on corporate social responsibility and a clear structured civil society involvement.

Labour and environmental standards should not be limited to the trade and sustainable development chapter but equally be included in other areas of the agreement such as investment, trade in services, regulatory cooperation and public procurement.

Labour and environmental standards should be made further enforceable, by building on the good experience of the EU-Korea FTA and good and effective practices in the US' free trade agreements and national legislation.

The economic, social and environmental impact of TTIP should be examined by a thorough sustainable impact assessment with clear involvement of civil society.

4.4. NON-NEGOTIABLE ISSUES

For the European Parliament some areas of regulations are not negotiable. The EU has a specific tradition to safeguard the Union's and its Member States' cultural and linguistic diversity. Existing and future provisions and policies in support of the cultural sector in particular in the digital world are out of the scope of the negotiations.

And the EU has a specific tradition in organizing public services. There is no room for manoeuvre in the negotiation on this. Anything that prevents governmental authorities from being able to regulate in the public interest or to provide services are not acceptable. We want to guarantee the protection of our Services of General Interest.

5. DEMOCRATIC CONSCIENCE

The European Parliament has the last word in the ratification of trade agreements between the EU and third countries: An agreement may enter into force only with the consent of the EP. The rejection of ACTA has proven (protection of intellectual property in the digital domain) that the European Parliament takes its role in trade policy very seriously.

Given the many critical voices from the European public and given the weak public acceptance of the agreement under negotiation, the European Parliament will continue to push for the highest possible level of transparency and will guarantee that only a good agreement will pass, an agreement which respects European values, stimulates sustainable growth and contributes to the well-being of all citizens.