What does TTIP mean?

A stronger economy
Economic activity could increase by €119 billion per year in the EU and €95 billion in the US, with the elimination of tariffs increasing business productivity by €107 billion per year in the EU and €71 billion in the US.

Less red tape
Cooperation on customs and regulations will reduce the amount of paperwork and administration needed to export products and services.

Lower prices
The elimination of tariffs, streamlining of customs procedures and aligning regulations will make it cheaper and easier to export and bring new products to the market.

Benefits for large and small companies
By making it easier to export and reducing the cost of doing business internationally, TTIP will benefit companies large and small.

Maintaining standards and consumer protections
By cooperating on standards and rules where possible, the EU and US will ensure the highest protections while making it easier to do business on both sides of the Atlantic.

More money in consumers’ pockets
The average European family could see their disposable income increase by €545 per year.
Introduction
The European Union and United States enjoy an economic relationship that is unparalleled anywhere else in the world, born of common ancestry and history, and driven by shared values and interests. Today, the transatlantic economy supports an estimated 15 million jobs on both sides of the Atlantic and generates nearly €4 trillion in total commercial sales.

The economic bond between the EU and US has endured challenges and has adapted and grown. That relationship is continually strengthened by new business developments and investment opportunities, though there are still barriers to trade and investment. However, these challenges represent an opportunity and it is the desire to realize this opportunity that has led to the beginning of talks for a Transatlantic Trade and Investment Partnership (TTIP) agreement.

Negotiations began in June 2013, and what was clear from the start was that TTIP is much more than the elimination of tariffs. These talks will focus on the many regulatory restrictions and lack of common standards and approval requirements.

TTIP would facilitate trade between the world’s largest economies, and break new ground. The potential benefits of successfully implementing the TTIP are considerable, and not limited to trade, but for investment as well.
Transatlantic Economic Council (TEC)
The Transatlantic Economic Council (TEC), set up in 2007, is an EU-US body that is tasked with finding opportunities to deepen and strengthen the transatlantic economy. TEC has worked toward reinforcing regulatory cooperation and harmonization, and has had successes in areas such as e-health cooperation and electric vehicle standards.

At the EU-US Summit in November 2011, leaders directed TEC to establish the High Level Working Group on Jobs and Growth. This group, co-chaired by Karel De Gucht, European Commissioner for Trade, and Ron Kirk, United States Trade Representative, was tasked with increasing EU-US trade and investment to support job creation, economic growth and international competitiveness. The final report of the High Level Working Group in February 2013 concluded that a comprehensive economic agreement was the best course of action.
The links between the EU and US run very deep and the transatlantic economy represents the world’s largest economic relationship.

- In 2012, the transatlantic economy accounted for 22% of global GDP, and generated nearly €4 trillion ($5 trillion) in total commercial sales per year;¹
- The US accounted for 32% of global R&D spending, while Europe made up 25%;²
- European companies employed close to 3.5 million workers in the US in 2011, while US firms in Europe employed over 4.1 million;³ and
- The total commercial relationship is estimated by the Washington-based US Chamber of Commerce to be worth over €3.8 trillion: this includes over €768 billion in trade; €230 billion in investment flows; and over €3 trillion in sales by in-country foreign affiliates.

In terms of investment, the EU and the US are each other’s largest investors and together they comprise nearly 60% of the total global inward foreign direct investment and almost 75% of outward investment. The large number of European and American companies trading in the other’s market best exemplifies this investment relationship.

Together, the EU and US account for approximately one quarter of world exports and close to one third of global imports. Such close ties mean that the economic health of one region is closely tied to the other. The successful conclusion of TTIP would not only strengthen these relations but also ensure sustained economic growth for the world’s largest economic partnership.

¹ Daniel Hamilton & Joseph P. Quinlan (2013), The Transatlantic Economy 2013, Center for Transatlantic Relations.
³ Daniel Hamilton & Joseph P. Quinlan (2013), The Transatlantic Economy 2013, Center for Transatlantic Relations.
Trade Promotion Authority (TPA)
Trade Promotion Authority (TPA) is the authority given to the President of the United States to negotiate trade agreements for which Congress can approve or not approve implementing legislation, but cannot amend. It first applied from 1975 to 1994 and then from 2002 to 2007. Without the TPA, Congressional implementation of trade agreements could be delayed and subject to political forces.

In early 2014, the Bipartisan Congressional Trade Priorities Act was introduced, which would reinstate the TPA, as well as other priorities and requirements for trade agreements. However, US legislators have questioned granting the TPA due to the impact that both TTIP and the Transpacific Partnership could have on American labor, safety and environmental regulations.
Tariffs on intra-firm trade

An automobile manufacturer may produce mufflers for their cars in the United States and ship them to assembly facilities around the world. These mufflers that are being sent to the manufacturer’s own assembly plants in Europe could be subject to import tariffs. This adds significantly to the cost of the final products and harms competitiveness.

Barriers to transatlantic trade can be broadly grouped into three categories. The first group is tariffs, which are the taxes imposed on imported goods. The second two, regulatory and investment barriers, can pose even bigger stumbling blocks. These are the obstacles resulting from divergences between EU and US regulations, standards and procedures.

**Tariff barriers**

Tariffs are not the primary barrier to transatlantic trade and investment, however their removal would have a positive impact on EU-US trade.

Currently, the levels of tariffs on imports into the EU are low, averaging 4%. Despite that low figure, the economic impact is real. The European Commission has estimated that eliminating tariffs between the EU and the US could boost business production by €107 billion in the EU and up to €71 billion in the US.

More importantly, tariffs act as a *de facto* tax on production. A large percentage of transatlantic trade is intra-firm, that is to say, the trade in parts and components within a particular firm. By eliminating these additional costs, goods could be cheaper to produce, leading to lower prices for consumers on both sides of the Atlantic. We fully support the elimination of tariffs on all goods without exception. The total elimination of tariffs on parts and components in intra-firm trade and intermediate goods (semi-finished products) will remove unnecessary costs and administrative burden for firms.

Though there are extensive transatlantic economic links and a high presence of European and American companies active in both markets, there are still opportunities to strengthen these links and further increase transatlantic trade.
Regulatory barriers

Regulatory barriers take many forms but are primarily rules that can bring additional costs or restrictions for exporters. Examples include:

- Product standards;
- Rules and standards for specific sectors;
- Environmental regulations; and
- Health and safety regulations.

Regulations are important to ensure consumer safety and protection, and both the EU and US have similar regulatory standards. That said, differences in the approach to regulation and adapting products has a significant impact on exports and what consumers pay.

Many regulatory barriers exist for exporters from the EU and the US. Improving the compatibility of standards and regulations and greater mutual recognition of standards would eliminate many of these barriers. By cooperating, both the EU and US would be able achieve legitimate policy objectives, like protecting the environment and public health, while avoiding the duplication that makes goods and services more expensive.

Bringing EU and US regulations and standards closer together is a long-term priority and mutual recognition could be explored as an interim solution. It is an easy first step to enhance market access, and the 2012 EU-US agreement on organic products is a successful example of this. Though differences can be difficult to harmonize, the economic benefits and efficiency from mutual recognition are huge and both sides should make an effort to include it in the final agreement.

TTIP is a joint effort to tap into the combined potential and vitality of the two economies. The final agreement is a long way off and no one knows what form regulatory convergence will take. However, a country’s right to regulate will certainly remain. TTIP does not aim to lower standards or supplant the EU or US’s ability to create new regulations, but it will ensure that both will cooperate on creating the best rules possible, while using the agreement as a vehicle for global rules and standards.

Food exports

A European food producer that exports to the US must conform to American standards on the type of additives that can be used. Though European and American standards are equivalent and aim for the highest health protections, differences in acceptable additives could make imports difficult. As a result, European food exporters could be forced to reformulate their products specifically for the American market. This drastically increases cost and could discourage companies from exporting altogether.
Investment barriers

The EU and US are each other’s main investment partners, with investments in other regions dwarfed by the transatlantic economy. Despite large-scale investment between the EU and the US, there are still considerable barriers that constrain potential growth. Regulatory stability is one of the key factors that impact foreign investment in a region. US companies sometimes find it difficult to predict what the EU regulatory framework (in conjunction with national regulation) will look like over the short to medium term. The resulting legal uncertainty can be a deterrent to foreign investment in the EU.

Investment protection regulation is an important area that has yet to be addressed. Investment agreements were concluded between individual EU Member States and third countries until 2009, when this power was transferred to the EU. There is now a myriad of investment provisions that are bound by different sets of rules in the treaties that created them.

Examples of problem areas include the definition of ‘fair and equitable treatment’, which is not entirely consistent from one treaty to the next, leaving significant room for interpretation.

The result is that there is a lack of clarity about which rules apply in which circumstances, making investors very wary. Furthermore, dispute settlement mechanisms vary depending on the treaty and are often non-transparent.

Mutual recognition of organic products

In February 2012, EU and US authorities announced a mutual recognition deal for organic products. Under this agreement, goods certified as organic in the EU or US could be labeled and recognized as such in both regions. This agreement contains exceptions, but it serves as a model of how reducing red tape and cost can be achieved by recognizing broadly similar standards, and can be applied to many more sectors.
## How will TTIP be approved?

<table>
<thead>
<tr>
<th>EU</th>
<th>US</th>
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<td>The Council of the EU and the European Parliament are provided with the text as soon as it is initialed.</td>
<td>Once TTIP is signed, the legislation necessary to implement the agreement will be sent to Congress by the President of the United States.</td>
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<td>The Council is responsible for approving the signature of trade agreements following a proposal from the European Commission, which can be accompanied by proposals for implementing legislation that must be approved as well. If the agreement touches on Member State jurisdiction, all Member States must sign too. The Council then authorizes formal signature by a designated person, usually the European Commissioner for Trade.</td>
<td>When the text is sent to Congress, one of two procedures can apply. If Trade Promotion Authority (TPA) is in effect, Congress will either approve or reject the proposed implementing legislation without amendment.</td>
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<td>The agreement is then passed to the European Parliament for its consent. Again, if the agreement covers areas under Member State control, all national governments must ratify the agreement according the their own procedures.</td>
<td>If the TPA is not in effect, the legislation that would implement the agreement could be subject to amendment.</td>
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Expected Benefits of TTIP

TTIP is set to create economic well-being for business and citizens alike. The European Commission has estimated huge benefits:

- €119 billion in added annual economic activity in the EU and €95 billion in the US.
- Elimination of tariffs, which could increase business productivity by €107 billion annually in the EU and €71 billion in the US.
- Elimination of non-tariff barriers, which could increase the EU’s GDP by €122 billion annually by 2018.

The EU and the US would not be the only ones to gain from TTIP; global income could increase by almost €100 billion. This could produce benefits beyond the bilateral transatlantic commercial artery, strengthening the multilateral trading system by creating a model that could be used globally.

TTIP is not a traditional free trade agreement. It is a comprehensive economic pact that holds benefits for everyone, from global businesses to small and medium sized enterprises and the average consumer in Europe and the United States.

**Multinational business: strengthening the global trading system**

Global businesses that are active in both the EU and US markets stand to gain immensely from TTIP. Two of the biggest gains would be the elimination of regulatory barriers that prevent access to another market, and the facilitation of global supply chains.

Tariffs between the EU and the US remain low, about 4% on average. The European Centre for International Political Economy estimates that eliminating tariffs could boost US exports to the EU by 17% and EU exports to the US by 18% over time. Given the size of the EU-US economy, even a small increase in trade or investment would lead to a large increase in aggregate output.

Technical regulations and safety standards are hardly headline-grabbing topics but when these hurdles to doing business are stripped away, the end result is lower costs for companies, which could reduce prices for consumers.
and generate greater demand for goods and services.

Given the global nature of so many leading companies, their operations on both sides of the Atlantic have become important sources of exports and imports, sending parts and components to their own manufacturing and service centers in regions all over the world. Removing tariff barriers and streamlining regulations would make it easier for companies to reap the benefits of their global supply chains, and allow them to produce innovative products at a lower cost.

By creating an environment where larger companies have better market access, the benefits will trickle down, not only in terms of corporate growth, but also for the large number of SMEs and local contractors that supply them with components and services.

**SMEs: helping the engines of growth and jobs**

Trade barriers are a nuisance for any business, but larger companies can generally cope with the inconvenience and compliance costs and still do business globally. However, smaller companies do not always have the resources to deal with these issues and will often avoid exporting altogether.

This is a missed opportunity because SMEs employ by far the largest proportion of the workforce in almost all Western economies. According to Eurochambres, SMEs employed 86 million Europeans in 2012 and contributed €3.4 trillion to the European economy. Regulators must therefore ensure their rules do not become the main obstacle to the global economy. Simplified trade rules would deliver efficiencies and consumer choice through greater SME participation.

Multinationals depend on SMEs as suppliers, or as service providers, and both grow and produce wealth together. Like every other business, SMEs need the right environment to thrive, and TTIP will be able to do that by:

- Reducing administrative burden;
- Making the cost of doing business reasonable; and
- Facilitating the creation of new businesses.

The Internet allows small businesses to overcome obstacles that previously stood between them and their customers around the world. If TTIP creates a system of facilitated customs clearance, it will become easier, faster and cheaper for companies to ship their products and access markets that were simply too complex to tap into before.

**Online retail**

The Internet allows small retailers the world over to easily sell their products, though export can be difficult. A small clothing retailer in Europe shipping to the US could have to comply with a variety of customs rates and import rules for all the different products they sell. By eliminating tariffs and streamlining customs procedures, small online retailers will be able to take advantage of the Internet and sell more internationally.
The similarities in consumer taste and expectations between the US and EU make natural markets for SMEs in each territory. By easing regulatory burdens, TTIP would allow small companies to dramatically increase the volumes they trade.

**Consumers: bringing the social benefits home**

It is not only businesses that stand to gain from TTIP. By cutting red tape and making it easier for companies to sell their products, consumers could greatly benefit from access to newer, lower cost and cutting edge products. Differing approaches and processes to regulation are used in the EU and US, and the costs associated with conforming to two sets of rules can mean that it is not economically feasible to expand into new markets. As a result, the average consumer can lose out.

In total, consumers are expected to benefit to the tune of €95 billion per year in the US, and €86 billion per year in the EU. To put it another way, the average European family will have an extra €545 in their pockets every year, with the average American family having $863.

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Together for Jobs and Growth: The Transatlantic Trade and Investment Partnership

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