

Introduction

Still under negotiation, the Transatlantic Trade and Investment Partnership (TTIP) is a comprehensive agreement between the EU and the US which aims to reduce the cost of trading goods and services by removing tariffs and non-tariff barriers such as regulatory measures. Given that mutual tariffs are already low, the main objective of TTIP is to harmonise regulations that are similar in aim and level of protection but different in method. This would reduce unnecessary costs for both EU and US firms. TTIP is increasingly subject to criticism.

History

TTIP negotiations started in July 2013 following an EU expert group paper emphasising the need for a free trade area between the two major blocs. Ten rounds of negotiations have taken place since this recommendation was picked up by US President Barack Obama and former EU Commission President José Manuel Barroso.

The EU's initial enthusiasm was tempered by the Snowden revelations about the NSA's surveillance programme soon after negotiations started. As the talks have progressed and more sensitive issues are being discussed, the stances of both the EU and the US have become more defensive. These controversial issues include the import and cultivation of genetically modified organisms (GMOs), privacy and data protection, food safety standards and labour standards. In addition, public resistance against TTIP has been increasing in both Europe and the US, limiting the room for negotiation.

It is still unclear whether the EU considers TTIP as a mixed agreement or an EU agreement. In the former case, the agreement must be ratified by the 28 member states as well as the Commission. In the latter case, only the Commission, Parliament and Council of Ministers would have to ratify the agreement. On the American side, TTIP requires ratification by both houses of the US Congress.

How does TTIP work?

Even though the negotiations are still on-going, it has been confirmed that the final agreement will consist of three parts. The first part focuses on improving mutual market access and includes topics such as public procurement and customs duties. The objective of the second part – regulatory cooperation – is to reduce costs by cutting red tape, to harmonise regulations in areas such as food safety and to set up institutions aimed at increasing cooperation between EU and US regulators when developing and reviewing regulations. The third part concerns the creation of new rules that promote trade and investment and discusses issues such as energy, sustainable development, dispute settlement provisions and intellectual property.

Opponents fear that the harmonisation of regulations will lower environmental, labour, food and public health standards, despite affirmations from both Obama and Commission President Jean-Claude Juncker that this will not be the case. In addition, the negotiations are generally considered undemocratic. National governments and even MEPs are excluded from the process and can only accept or reject TTIP as a whole once the negotiations are finished. In response to this criticism, the Commission published the negotiating texts online. A particularly controversial issue, especially in Europe, is the investor-state dispute settlement (ISDS) – a mechanism to protect investors against legislation that harms or even potentially harms their profits, thereby giving multinationals considerable leverage over public policy. The objective of ISDS is to protect investors in states with a feeble rule of law where they can be targeted by arbitrary administrative decisions. Given that this is the case neither in the EU nor in the US, it is argued by many that ISDS just serves big business interests at the expense of the democratic right of governments to act in their citizens' interests. France even announced that it will not to sign the agreement if ISDS is included.

In the UK, the inclusion of an ISDS in the agreement could lead to increased privatisation of the NHS. As a consequence, the NHS' focus on patient care could shift to the creation of a level playing field for all healthcare providers. Considering that parts of the NHS are currently delivered by private companies, TTIP would give US firms the chance of competing in this 'market'. Increased privatisation of the NHS can only be prevented if the service is explicitly excluded from TTIP, which as yet has not happened.

Arguments

For

- ❖ TTIP is expected to create growth, new jobs, lower prices, higher wages and yearly economic gains as much as €119bn in the EU and €95bn in the US.
- ❖ Small and medium sized enterprises are expected to benefit most from regulatory harmonisation as these businesses find it hardest to meet the different European and American regulatory requirements.
- ❖ Trade liberalisation without converging regulations may lead to increased costs for EU producers, especially in agriculture, as they would have to comply with stricter EU regulations than their US counterparts. Regulatory harmonisation also provides the EU with an opportunity to increase labour and environmental standards in the US.
- ❖ General EU-US relations are expected to improve, which may enhance their global influence. If it comes into force, TTIP will be the largest free trade zone worldwide.
- ❖ Considering the relatively high level of trade with the US in comparison with other European countries, the UK is expected to be among the main beneficiaries of TTIP if the agreement succeeds in harmonising regulations.
- ❖ It is estimated that TTIP would increase our national income by as much as £4-10bn per year.

Against

- ❖ The scale of the economies concerned and the large number of non-tariff barriers under discussion makes it extremely difficult for economists to calculate and predict the economic gains of TTIP.
- ❖ Given the diverging economies of EU member states, the impact of TTIP will vary greatly between them. This may further impede European integration.
- ❖ Some argue that TTIP's focus on regulations makes it a regulatory rather than a free trade agreement.
- ❖ It is estimated that increased transport between Europe and the US due to TTIP will produce an extra 11m extra tonnes of carbon dioxide.
- ❖ TTIP may make it easier for the US to export shale gas, thereby increasing European reliance on fossil fuels.

Technical Terms

- ❖ **Free trade area:** A arrangement between a number of countries whereby most tariffs and non-tariff barriers are abolished.
- ❖ **Mixed agreement:** An agreement at the European level that also affects competences of EU member states, in contrast to an EU agreement that only concerns EU competences.
- ❖ **Public procurement:** Public sector organisations buying services and goods from third parties.

Links

- ❖ <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1230>