
INTRODUCTION

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The Transatlantic Trade and Investment Partnership (TTIP), under negotiation between the European Union (EU) and the United States (US), is a comprehensive though controversial trade agreement. It aims to expand trade and investment between the US and EU through tariff reduction (particularly on agricultural products) and to achieve outcomes in three broad areas: a) market access; b) regulatory issues and non-tariff barriers; and c) rules, principles, and new modes of cooperation to address shared global trade challenges and opportunities. The ambitious trade agreement is driven by the goals of aligning regulations and standards, improving protection for overseas investors, increasing access to services and government procurement markets by foreign providers, and generating a set of global economic governance standards beyond the realm of the World Trade Organization (WTO). The ongoing negotiations have attracted significant public interest. At first, they were greeted with widespread enthusiasm, but this has increasingly been replaced by scepticism about their scope and depth as well as about the possibility of reaching a timely conclusion to a far-reaching agreement.

The US and EU have held ten rounds of negotiations since TTIP negotiations commenced in July 2013. While both sides had initially aimed to conclude the negotiations in two years (by the end of 2015), the complexity of the scope and breadth of issues covered under the proposed agreement has impacted the progress of ongoing talks. A firm conclusion date for the agreement is nowhere in sight even after the most recent round of talks was held in Washington DC in July 2015. After the conclusion of the negotiating round in July, the negotiators candidly acknowledged the political imperative of concluding the trade initiative. Despite the open acknowledgment of the need to speed up negotiations, the US and EU remain deadlocked in many areas. Issues which remain unresolved at the end of the July round include: protection for foreign investors; investor-state dispute settlement (ISDS) procedure; harmonisation of product regulations and standards cooperation; participation of small and medium-sized enterprises (SMEs) in trade; provisions on intellectual property to protect business interests; and public procurement, among others. Areas of progress include market access in agriculture,

services, rules of origin, competition, state-owned enterprises, subsidies and SMEs. Significant and positive developments to report from the July round are, firstly, the exchange of services offers, with the EU tabling its services text proposal. Secondly, progress has been made on regulatory issues, such as regulatory cooperation/coherence, technical barriers to trade and sanitary and phytosanitary issues. Finally, progress has also been reported on the regulatory pillar, though more work remains to be done. Issues on which discussions are pending (after the July 2015 round) are: (a) sustainable development/labour and the environment; (b) investment protection and dispute resolution; (c) public procurement.

Until recently the negotiating mandate was a restricted document. Though public consultations on the TTIP have been ongoing there is a lack of clarity among businesses and consumers as to what the proposed trade agreement would mean for them. Ongoing negotiations have sparked objections not only from businesses but also SMEs and consumer and environmental groups on both sides of the Atlantic, which makes it pertinent to debate the areas of common concern. The concerns of various groups emanate from possible negative economic consequences of the TTIP and the ideas and ideology that drive the overall negotiations. Three things distinguish the TTIP from other trade agreements. First, the proposed agreement has the potential to be largest free trade agreement (FTA¹) ever negotiated by the US and EU, in terms of combined economic size, population and investment. Second, the TTIP is a 'strategic' agreement in that the negotiators are aiming for the EU and the US to take the lead in setting 21st century global standards. In particular, the proposed agreement aims to assemble a mega-agreement which includes new and expanded commitments on regulatory coherence as well as '21st century' issues, which include state-owned enterprises (SOEs) and other subjects that have either not been discussed or only modestly discussed within the FTA setting. Third, the TTIP could have direct implications for the multilateral trading system. Although the US and EU are, to date, not negotiating the TTIP as an "open" or "living" agreement it is likely that other trading partners could join (unlike the Trans-Pacific Partnership), given that other trading partners outside the agreement have expressed an interest in using the TTIP to present common approaches for the development of globally-relevant rules and standards in future multilateral trade negotiations.²

Why TTIP?

The economic rationale for the agreement stems from current trade statistics – the EU and US economies account for nearly half of global gross domestic product (GDP) and almost a third of world trade (WTO, 2013). The US continues to be the EU's most important trade partner, accounting for almost 20% of extra-EU exports in goods and services and more than 15% of imports in 2012, even though bilateral EU-US trade as a share of world trade has lost some importance lately. In addition, the level of Foreign Direct Investment (FDI) between the EU and the US is high, with investments of more than \$3.7 trillion in each other's economies (Cooper, 2013). Trade data shows that bilateral FDI stock stood at €2.4trillion in 2011 (European Commission, 2013) and annual FDI inflows from the US to the EU amounted to roughly €80 billion in the same year (Raza et al., 2014).

1. FTAs eliminate tariffs and quotas including non-tariff barriers on all trade, allowing goods and services to move freely across signatories' borders.
2. Officials and other stakeholders of certain countries (e.g. Canada, Mexico and Turkey) have expressed an interest in their countries participating in the TTIP negotiations.

Studies reporting on the economic impact of the TTIP agreement suggest gains and mutual economic benefits from trade liberalisation for both the US and EU – though the extent is small.³ Estimates on the change from the TTIP within the 10 to 20-year time period find GDP and real wage increases, ranging from 0.3% to 1.3%. The European Commission (2013) estimates the potential economic stimulus from the TTIP at €120 billion to the EU economy, €90 billion to the US economy and €100 billion to the rest of the world. Other studies also comment on the opportunity to boost transatlantic economic growth and jobs by eliminating or reducing costly tariff and non-tariff barriers. A CEPR study (2013) finds that an “ambitious and comprehensive” trade and investment agreement could bring aggregate economic gains of €119bn per year to the EU (0.9% GDP) and €95bn (0.8% GDP) to the US. In terms of real GDP, this amounts to an additional increase of almost 0.5% and 0.4% by 2027 for the EU and US, respectively. The study by the Ifo (2013) also estimates growth and employment effects on both sides of the Atlantic. It reports an additional increase in real GDP of almost 5% for the EU and a higher gain for the US of 13.4% over the next 20 years (Ifo Institute, 2004). A study by the UK Department of Business, Innovation and Skills (2014) estimates annual gains for the UK at between £4 billion and £10 billion (0.14% to 0.35% of GDP) by 2027. However, the employment effects of the proposed partnership are rather modest. CGE modelling studies report that unemployment in the EU will either remain unchanged, or will be reduced by up to 0.42%, i.e. roughly 1.3 million jobs, again over a 10 to 20-year period. This amounts to an annual reduction of between 65,000 and 130,000 unemployed people. The projected gains when interpreted over the 20-year time horizon do not translate into staggering benefits. For the EU, a positive growth effect of only 0.5% is predicted, which translates into average growth of 0.04% per annum by 2027. What is more, adjustment costs are mostly neglected or downplayed in most models. These costs are the macroeconomic adjustment costs, which can come in the form of: (i) changes to the current account balance; (ii) losses to public revenues; and (iii) changes to the level of unemployment.

The methodology adopted by Ecorys, CEPR and CEPII for computing the effects of the TTIP has been widely critiqued. Raza et al., (2014) opine that even 25-50% “actionable” (i.e. reducible NTMs in Ecorys’s estimates (as assumed by Ecorys and CEPR)) are too high to be realistically achievable. Second, all studies employ CGE modelling techniques with standard neoclassical models of production and trade. The key assumptions of the models include: (i) full employment of factors, including labour; (ii) price clearing markets; and (iii) a constant government deficit. These assumptions are unrealistic and do not address specific key macroeconomic variables of interest. Third, the estimates are for a 10to20-year time frame, which cannot account for any changes in the short and medium term. Finally, price elasticities are high and these drive the gains from trade for the EU and US such that higher assumed elasticity values lead to higher estimated gains in exports, output and income. Thus, existing studies have been criticised for their choice of assumptions and for the likely modelling bias in their estimates of gains from the TTIP, which makes the economic results questionable.

This explains why the underlying rationale for the partnership often alluded to by both the EU and US authorities goes beyond conventional economic gains. In essence, it is a combination of economic, strategic

3. See Ecorys (2009), CEPR (2013), CEPII (2013, Bertelsmann/Ifo (2013), ÖFSE report.

and geopolitical aims that are encapsulated in an agreement. In pure economic terms, the TTIP agreement is an attempt by the EU and US to create the world's largest and richest free trade and investment area, which should be understood in the context of the failure of the Doha Round and in general to herald regulatory convergence among WTO members. The geopolitical aspect is an important consideration for both the EU and US and the emphasis of the partnership is to broadly counter: (a) the relative decline of the EU and the US in world's affairs in recent years, and (b) the rise of new economic actors, particularly in Asia-Pacific, by establishing new ground rules on trade for the world economy.

What matters in the ongoing negotiations

This book contains eight interdisciplinary chapters that provide first-hand information and useful insights into the TTIP written by practitioners and academics, which explains why the book has been structured in two parts: (a) policy perspectives; and (b) academic analysis. The rationale for the interdisciplinary focus of this compilation is that there is a gamut of issues within trade negotiations which focus on economics, politics, law and international relations. Recent works suggest that an informative analysis draws on a variety of disciplines and straddles an interdisciplinary domain. But, often, trade negotiations and agreements are analysed in isolation within the main disciplines, and as a result the inter-linkages between them are seldom unpacked for a comprehensive understanding of the issues. The essays that follow unbundle complex issues and dispel myths to enable a holistic understanding of the TTIP agreement. In all likelihood some critics will claim that a compilation of essays on the TTIP is 'just another academic contribution', but we strongly believe readers should appreciate that to understand the agreement we need to look beyond the economic rationale and comprehend issues across disciplinary boundaries to understand the functioning of the new and evolving '21st century' world order as well as to visualise interconnections between various disciplines in this chapter and the remaining chapters of the book.

The TTIP is clearly *much more than just a trade agreement*, which warrants an interdisciplinary analysis through a practitioner's lens. These essays provide information on the main issues being negotiated under the TTIP, what it means for firms and consumers in EU member states and in Spain, and how the proposed partnership could possibly reconfigure the matrix of economic governance at global level. The book contains essays that form the backbone for reading the rest of the volume and provides a comprehensive and state-of-the-art analysis of topical issues in the ongoing TTIP negotiations. We are aware that the mega-regional TTIP agreement is a fashionable area for research, and given the interdisciplinary nature of this edited volume we envisage this book as an important contribution to the existing literature. The studies made thus far have not shed the light on the policy implications of the TTIP from a practical perspective that the chapters that follow achieve. We endeavour to offer a holistic understanding of the question of how the TTIP could potentially impact businesses, consumers and the policy space in the EU, and enable the reader to assemble the enormity of the *TTIP puzzle* from a practical perspective. Part I of this book launches an investigation into the TTIP from a practitioner's perspective. The remaining chapters highlight these issues, including, of course, the thorny issues that hamper the wrapping up of ongoing negotiations.

“Assessing the Potential Economic Impact of the TTIP” (Chapter 1, Lars Nilsson and Nuno Sousa) reviews the impact of the TTIP estimated by a CEPII study (2013) commissioned by the European Commission. This study, which is the basis for the EU’s position, discusses modelling issues in ongoing negotiations, ranging from tariff and non-tariff barrier (NTB) reductions to a moderate degree of regulatory harmonisation, using CGE modelling techniques. The essay confirms that if the TTIP were to be concluded and fully implemented, this could raise GDP in the EU and the US by about 0.5% and 0.4%, respectively, which would increase bilateral exports by 30%-35%.

“The TTIP as the engine of growth: Truths and Myths” (Álvaro Schweinfurth, Chapter 2) explores the impact of the TTIP on business competitiveness. The essay *explains why the TTIP talks matter for Spanish business and, in doing so, presents the viewpoint of the Confederation of Employers and Industries of Spain. The confederation supports an ambitious trade agreement between the EU and the US, putting forward its view that an agreement focusing on tariffs is insufficient and that only a deep integration agreement can benefit Spanish businesses.*

“TTIP or Europe” (Ricard Bellera, Chapter 3) attempts to demystify the myths around the mammoth trade partnership. The author discusses the global dimension of the proposed agreement and offers a practitioner’s insight into the effects of the TTIP on the Spanish and Catalan economies. The essay opines that the TTIP is not likely to be a magic cure for the economic problems that the EU currently faces.

Part II has five chapters that provide a well-researched commentary on the topical and controversial issues in the TTIP. For instance, “Investment protection and Investor-State Dispute Settlement in the TTIP” (Christian Tietje, Chapter 4) provides an exhaustive commentary on ISDS, which is the most controversial of all the issues in the ongoing negotiations. In fact, this aspect of the TTIP has attracted fierce criticism on both sides of the Atlantic, so much so that the EU Trade Commissioner Cecilia Malmström has made ISDS a top priority in ongoing negotiations. The chapter includes a historical and systemic review of ISDS as well as relevant issues for the EU, which relate to: (i) the protection of the right to regulate; (ii) the establishment and functioning of arbitral tribunals; (iii) the relationship between domestic judicial systems and ISDS; (iv) the review of ISDS decisions through an appellate mechanism; and (v) commentary on why the inclusion of ISDS makes sense with regard to trade and investment relations with Canada and the US.

“The public procurement chapter of TTIP: The potential for further market access” (Richard Craven, Chapter 5) discusses a politically sensitive issue, public procurement, and its size, magnitude and the significance of public contracts markets in the EU and the US, highlighting the growing use of public procurement as a policy tool. The chapter provides an overview of the starting point for procurement liberalisation within the context of ongoing negotiations and lists the regulatory system for public procurement in both the EU and US. It points out how the complex procurement systems are underpinned by the different objectives and limited openness of the negotiating partners. The essay also elaborates on the negotiating positions of the EU and the US, comments on offensive and defensive interests, and concludes with why reaching an agreement on procurement might prove difficult. An important contribution made

by this essay is how the TTIP might aim to go a step beyond the WTO Government Procurement Agreement (GPA) in terms of scope, e.g. the potential for the inclusion of provisions on framework agreements and public-private partnerships, and coverage of the levels of government and entities subject to market access requirements.

“Security and Privacy Implications of e-Procurement in TTIP” (Gregory Voss, Chapter 6) touches one-procurement within the overall framework of the Digital Agenda for Europe. In line with earlier work by Khorana et al., (2014), the essay acknowledges security and privacy concerns associated with e-procurement. The essay highlights the WTO GPA 2012 which recognises the importance of e-procurement, includes detailed provisions and calls for the use of “interoperable” software, “including authentication and encryption” (Art. IV. 3 (a)), and for ensuring mechanisms to establish “prevention of inappropriate access to systems” (Art. IV.3 (b)). But, sadly, none of these issues are mentioned in the procurement liberalisation issues currently under debate in the TTIP. A strength of this chapter is its contribution to the debate on sensitive issues relating to the protection of security, privacy and confidentiality in e-procurement and suggestions for establishing common rules on security, confidentiality and privacy, interoperability, approved platforms or requirements for e-procurement platforms, and a bold vision of a common e-procurement platform.

“EU’s approach to social standards and the TTIP” (Lorand Bartels, Chapter 7) considers the extent to which the TTIP provisions on labour and environmental standards are likely to be similar to the EU-Cariforum Economic Partnership Agreement. The contribution considers the extent to which, legally, these two sets of provisions give the EU the means of implementing its obligations to ensure that its external activities respect human rights and pursue the objective of promoting sustainable development. It also considers the desirability of these differences in the EU’s approach to human rights and democratic principles, on the one hand, and labour and environmental standards on the other.

“Economics of Labour Standards in Free Trade Agreements: prospects for the TTIP” (Inmaculada Martínez-Zarzoso, Chapter 8) identifies yet another controversial issue that merits inclusion in the TTIP. It highlights how labour markets are a topical issue within the trade agreement setting from an economics perspective. Based on a comparative analysis of bilateral and/or regional FTAs recently signed by the US, the EU and third-party OECD countries with labour provisions, the chapter identifies whether changes in labour conditions (minimum wage, severance pay and strictness of labour regulations) can be attributed to inclusion of labour provisions in trade agreements. The essay employs econometric analysis and comments on trends in labour conditions in the participating countries.

Conclusion

The book explores issues that impact the progress of ongoing TTIP negotiations and analyses the mega-regional deal discourse from the practitioner and academic perspectives. It highlights the complexity of ongoing negotiations always keeping in view the interests of stakeholders, i.e. consumers, policymakers, civil society and businesses. The main strength of the essays in the book is their first-hand informative analysis

of what the proposed agreement will mean for different groups that are likely to be impacted by the TTIP agreement. The book is topical in that it comments on how the TTIP is an important and ground breaking agreement in an era of anaemic growth. It justifies the underlying rationale for the TTIP as an answer to the virtual halt of trade liberalisation following the Doha talks as a factor that propelled the EU and the US to negotiate the proposed mega-FTA. The essays also shed light on issues which, until now, have not been debated and include novel issues such as e-procurement. The compilation of essays thus marks the beginning of our journey in analysing the paradigms of evolving trade partnership negotiations between the EU and the US in the international domain.

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