2013/0007(NTT) - EU - US trade agreement

Introduction: the Transatlantic Trade and Investment Partnership (TTIP) is the name of an agreement currently under negotiation between the EU and the US. It seeks to go beyond the classic approach, which involves the abolition of customs duties and the opening of markets, to cover investment, services and public procurement.

The decision to negotiate a comprehensive agreement on trade and investment results from the recommendations of a High Level Working Group on Jobs and Growth, established following an EU-US Summit held in Washington DC in November 2011. Co-chaired by EU Trade Commissioner, Karel de Gucht, and the United States Trade Representative, Mr Ron Kirk, the Group published its final report in February 2013. The report concludes that a comprehensive agreement, covering a broad range of bilateral commercial and investment issues, would yield strongly positive results by opening up trade thus boosting economic growth and job creation on both sides of the Atlantic.

Since the entry into force, in 2009, of the Lisbon Treaty, the European Parliament has a key role to play in determining the European Union?s commercial policy, which relates to questions concerning the international trade of goods and services, as well as the trade aspects of intellectual property and foreign direct investment.

In accordance with the Treaty on the Functioning of the European Union (Article 207(3) and Article 218 of the TFEU), the final agreement will only be concluded by the Council and the Member States if the European Parliament gives its consent. The Commission shall negotiate on behalf of the EU and its Member States, ensuring that it keeps the European Parliament regularly informed on the progress of the negotiations.

In this context, it should be recalled that Parliament, by means of its legislative resolution of 4 July 2012, refused to give its consent to the conclusion of the Anti-Counterfeiting Trade Agreement (ACTA) between the European Union and its Member States, Australia, Canada, Korea, the United States, Japan, Morocco, Mexico, New Zealand, Singapore and Switzerland. For the first time, Parliament exercised its power, conferred on it by the Lisbon Treaty, to reject an international trade agreement.

Importance of the EU-US TTIP:

1. Commercial exchanges EU and the US: the US and the EU together represent roughly half of world GDP. Every day, the two Parties trade goods and services worth EUR 2 billion. The US is the EU?s largest export market: in 2012, they purchased EUR 264 billion worth of European products, representing 17% of the EU?s total exports. Moreover, transatlantic trade in services amounts to around EUR 260 billion per year. Total US investment in the EU is three times higher than in all of Asia, and EU investment in the US is around eight times the amount of EU investment in India and China together. Overall, the transatlantic economy supports some 15 million jobs on both sides.

2. Expected benefits for each Party from the Agreement: estimates in an impact assessment that was initiated by the Commission prior to the launch of the negotiations indicate that a comprehensive and ambitious agreement between the EU and the US could bring overall annual gains of between 0.5% and 1% in GDP for the EU. This would be equivalent to at least EUR 86 billion of added annual income for the EU economy. The same study suggests that the Agreement could add between 0.27% and 0.48% to the EU?s GDP.

In other words, by reducing red tape and lowering consumer prices, a future trade deal with the United States would put almost an additional EUR 545 per year on average in the pockets of a European family (i.e. EUR 199 billion per year across the Union). It also indicates that the US economy could gain by as much as EUR 95 billion per year, i.e. some EUR 655 per US household.

The EU-US TTIP is also expected to raise total world income by EUR 238 billion, of which EUR 86 billion are expected to materialise in third countries.

The elimination of customs duties and unnecessary rules or administrative barriers that make it difficult to buy and sell across the Atlantic would represent extremely important economic benefits stemming from an eventual TTIP. Moreover, the Agreement would boost trade by increasing demand without increasing public expenditure or borrowing.

Key areas covered by the negotiations: the Commission has prepared a series of initial position papers each of which corresponds to a key area covered by the negotiations:

1. Cross-cutting and institutional provisions on regulatory issues: this area covers two aspects:

- the cross-cutting disciplines on regulatory coherence and transparency for the development and implementation of efficient, cost-effective and more compatible regulations for goods and services, including early consultations on significant regulations, use of impact assessments, periodic review of existing regulatory measures, and application of good regulatory practices, and

- a framework for identifying opportunities for and guiding future regulatory cooperation, including provisions that provide an institutional basis for future progress.

2. Technical barriers to trade (TBT): the objectives of the TBT-plus chapter would be to yield greater openness, transparency, and convergence in regulatory approaches and requirements and related standards development processes, as well as, inter alia, to reduce redundant and burdensome testing and certification requirements, promote confidence between the EU and the US in their respective conformity assessment bodies, and enhance cooperation on conformity assessment and standardisation issues globally.

3. Sanitary and Phytosanitary measures (i.e. barriers to trade in food and agricultural products): this chapter would seek to build upon the key principles of the World Trade Organization (WTO) SPS Agreement, including: the requirements that each side?s SPS measures be based on science and on international standards, where these exist, while recognising the right of each Party to appraise and manage risk in accordance with the level of protection it deems appropriate, in particular, when relevant scientific evidence is insufficient; and with the objective of minimising negative trade effects.

4. Public Procurement (PP): this part of the negotiation would present an important opportunity for the Parties to develop together some useful ?GPA-plus? elements to complement the revised GPA disciplines, with a view to improving bilaterally the regulatory disciplines.

5. Raw materials and energy: raw materials and energy and their subsequent trade across borders have not yet been fully covered by international trade and investment rules. The EU believes that the multilateral trade system would benefit from a stronger set of rules in this sector. The TTIP could therefore make an important contribution to the development of that process, within limits agreed by both Parties. It could provide a basis to take the issues forward in a more comprehensive manner by providing an open, stable, predictable, sustainable, transparent and non-discriminatory framework for traders and investors in raw materials and energy.

6. Trade and sustainable development: sustainable development is an overarching policy objective of the international community and aims to generate economic prosperity through and with a high level of environmental protection and social equity and cohesion. In addition to the recognition of sustainable development as a principle that should underlie the TTIP in all areas, an integrated chapter specifically devoted to aspects of sustainable development of importance in a trade context and, more specifically, on labour and environmental, including climate change aspects, as well as their inter-linkages is envisaged.

The negotiation process ? state of play: in June 2013, the Council approved a negotiating mandate for the TTIP. This comprises three key components: (i) market access; (ii) regulatory issues and non-tariff barriers (NTBs); and (iii) rules (intellectual property rights; social and environmental standards, etc.).

A key element of the negotiations will be what will happen in regard to audiovisual services. France, along with Belgium, Hungary and Greece, and with the support of the European Parliament, insisted that the audiovisual sector be excluded from the negotiating mandate and from the future free trade agreement. The United States, on the other hand, wishes to include them, as does the European Commission.

Finally, the Council specifically excluded audiovisual services from the negotiating mandate. However, depending on developments in the discussions with the United States, the Commission will have the opportunity to make recommendations on additional negotiating mandates in this and other fields. Any changes to the negotiating mandate would require the unanimous agreement of the Member States.

Defence procurement is also excluded from the negotiating mandate.

The first round of negotiations took place from 8 to 12 July in Washington. These first exploratory talks covered:

- market access for agricultural and industrial goods,
- government procurement,
- investment,
- energy and raw materials,
- technical and regulatory barriers,
- sanitary and phytosanitary measures,
- services,
- intellectual property rights,
- sustainable development,
- small- and medium-sized enterprises,
- dispute settlement,
- competition,
- customs/trade facilitation, and
- state-owned enterprises.

According to the Commission, negotiators identified certain areas of convergence across various components of the negotiation and - in areas of divergence ? began to explore possibilities to bridge the gaps.

The talks were based on a thorough review of the stakeholders? views expressed to date. The negotiators met with approximately 350 stakeholders from academia, trade unions, the private sector, and non-governmental organisations to listen to formal presentations and answer questions related to the proposed agreement.

The next round of TTIP negotiations will take place during the week of 7 October 2013 in Brussels.

As to the negotiating process, at various key points, the Council and the European Parliament are simultaneously informed about the state of play. Discussion takes place regularly with Parliament and with the Council at working level, but it may also be raised periodically in plenary debates or at ministerial level.

Possible stumbling blocks during the negotiation procedure might include:

- agriculture and the question of prohibitions on the import of agricultural products containing GMOs;
- the opening to competition of public procurement in the federal states of the US; in particular, the Union will try to obtain exemptions from the rules under the ?Buy American Act?.

Other issues also risk slowing down the negotiation process. These include consumer health and safety in the food sector, environmental protection, intellectual property rights and competition aspects.

Role of the European Parliament:

Support of the European Parliament for the transatlantic trade agreement:

1. Parliament already supported the development of the transatlantic initiative for growth and employment in its resolution of 27 September 2011 on a New Trade Policy for Europe under the Europe 2020 Strategy.

2. On the basis of an initiative report by Vital MOREIRA (S&D, PT) tabled by the Committee on International Trade, on 23 October 2012, Parliament adopted by a large majority - 586 votes to 94, with 7 abstentions ? a non-legislative resolution calling for negotiations on an EU-US trade partnership to be launched in the first half of 2013.

While underlining the importance of strengthening transatlantic economic relations, Parliament stresses the need to find a balance in protecting the sensitive interests and sectors of each of the two Parties and to promote the interests of the Union in areas such as environmental, health and animal welfare standards, food safety, cultural diversity, employment rights, consumer rights, financial services, public services and geographical indications, among other things.

3. In its non-legislative resolution of 23 May 2013, tabled on the initiative of the Committee on International Trade, Parliament, by a large majority (460 votes to 105, with 28 abstentions) Parliament backed the opening of negotiations with a view to concluding the TTIP with the US. This resolution constitutes Parliament?s contribution to the EU?s negotiating mandate.

Parliament?s contribution to the negotiating mandate: Parliament is of the opinion that a comprehensive agreement between the European Union and the United States on trade and investment, as well as their increased integration would result in considerable benefits for the two economies.

Members call for the Agreement to result in lasting genuine market openness on a reciprocal basis with a view to: (i) creating high-quality jobs for European workers; (ii) opening up new opportunities to European businesses, especially SMEs; (iii) guaranteeing full access to US public procurement markets and to improving EU investment possibilities in the US.

In view of the current customs duties, which are generally low, the resolution underlines that the dismantling of non-tariff barriers (e.g. customs procedures, technical standards and internal regulatory restrictions) will be a vital element to optimise the potential of the transatlantic relationship.

Parliament insists, however, that the Agreement should guarantee respect for the European Union?s standards and values. This is why the negotiations should:

- cover the precautionary principle in the agricultural sector, where consumers? perceptions of genetically modified organisms (GMOs), cloning and public health tend to diverge between the United States and the Union;
- make provision for the strong protection of intellectual property rights, including geographical indications;
- guarantee a high level of protection of personal data;
- make provision for measures to address the current restrictions on maritime and air transport services owned by European businesses;
- strengthen the development and application of legislation and policies in regard to work and the environment, the common goal being to ensure that there is no diminution of environmental ambitions;
- cover financial services with a view to agreeing on a common financial framework that accords particular attention to equivalence, mutual recognition, convergence and extraterritoriality.

In a separate vote, Parliament decided to exclude cultural and audiovisual services, including online services, from the negotiating mandate, in order to protect the cultural and linguistic diversity of the EU?s Member States (381 votes in favour, 191 against and 17 abstentions).

In light of recent revelations whereby the American authorities were able to access on a wide scale, by means of programmes, such as Prism, the personal data of Union citizens when they made use of online services provided by American service providers, Parliament adopted on 4 July 2013, a resolution inviting the Commission to ensure that the Union?s standards in regard to personal data protection would not be jeopardised by the Transatlantic Trade and Investment Partnership that will be concluded with the US.

Involvement of the European Parliament: in accordance with the Treaty on the Functioning of the European Union, an agreement cannot come into force without Parliament?s consent. In this context, Parliament reminds the Commission of its obligation to keep it immediately and fully informed at all stages of the negotiations (before and after the negotiation rounds). It also calls for Parliament?s position to be taken into account at each of these stages.

Parliament is also committed to:

- addressing the legislative and regulatory issues that may arise in the context of the negotiations and the future agreement
- working closely with the Council, the Commission, the US Congress, the US Administration and the stakeholders to achieve the full economic, social and environmental potential of the transatlantic economic relationship and strengthen EU and US leadership in the liberalisation and regulation of trade and foreign investment.

Involvement of stakeholders: the Commission is invited to regularly consult and inform, throughout the negotiation process, a wide range of stakeholders, including business, environmental, agricultural, consumer, labour and other representatives in order to obtain proportionate input from various sides and to foster public support by taking stakeholders' concerns into consideration.