What does TTIP mean for your company?

Six questions and answers

1. What is TTIP?

The Transatlantic Trade and Investment Partnership (TTIP) is a potential trade agreement between the United States and the European Union currently under negotiation. It has the potential to become the largest bilateral trade agreement in the world: 43% of world trade occurs between the US and the EU and these regions account for 46% of world production.

TTIP's ultimate goal is to increase prosperity on both sides of the Atlantic by promoting investments and allowing consumers and producers to benefit from lower costs and increased variety in goods and services.

Although trade flows between the two regions are already very large, significant trade barriers remain in place, including high import tariffs for specific products, product standards, double testing, and bureaucracy.

Reducing these barriers will produce winners and losers as European firms experience increased competition from America and vice versa.

2. What are the biggest bilateral trade barriers?

Import tariffs

While average tariffs have come down steeply during recent decades and are now just under 2%, import tariffs differ and are still high for some product groups. For example, the European textile and shoe industry faces especially high US import tariffs, as do tobacco and alcohol. Even within product groups with relatively low average import tariffs, some products are burdened with very high specific tariffs. While the broad category of livestock products carries a relatively low average tariff of 2.1%, dairy products carry tariffs of up to 78%. Other examples of high product-specific tariffs are peanuts (130%), gym shoes (up to 48%), tuna (35%), and clothing (up to 32%). Beef (26%) and motor vehicles (23%) also carry high import tariffs.

The reverse is also true: EU tariffs are high on some specific product groups. Indeed, the abolition of high European tariffs on livestock (13.2%) will most likely lead to extra competition from the US. Other sectors and products with relatively high import tariffs are meat (26%), preserved fish (25%), vegetables and fruit (33.6%), bicycles (15%) and shoes (17%).

Visit http://madb.europa.eu/madb/indexPubli.htm to see which import tariffs are relevant for your business.

Non-tariff measures

Non-tariff measures are an important obstacle to trade. They include all non-price and non-quantity restrictions on trade in goods, services and investment. They encompass barriers at the border as well as behind-the border measures stemming from laws, regulations and practices.

Economic research agency Ecorys has surveyed entrepreneurs and business owners about perceived non-tariff barriers to trade. Despite the low tariffs for most products, these barriers to trade are seen as large on both sides of the Atlantic. Reduction of non-tariff barriers is one of the core focuses of negotiation in TTIP. According to Ecorys, the abolition of all non-tariff measures by the EU and US could push up EU GDP by €51.7bn (0.4% of GDP) and US GDP by €18.3bn (0.1% of GDP) in the long run.

3. What is being negotiated?

A further lowering of tariffs for some product groups is on the agenda, but the EU and the US are primarily interested in simplifying trade procedures and bringing down other non-tariff barriers by accepting each other's product controls, speeding up customs procedures, avoiding double testing, and removing as many other administrative barriers as possible. Furthermore, opening up markets for public procurement and establishing an investor protection mechanism are included in the negotiations.

The investor protection mechanism, formerly known as the Investor-State Dispute Settlement (ISDS) and now called the Investment Court System, is facing strong opposition from NGOs. This is partly caused by a misunderstanding: ISDS tribunals do not have the power to block government policies or to confine their right to regulate. The aim is to guarantee that foreign companies are not discriminated against on the basis of nationality, and that they have a legal route when faced with expropriation, unlawfully withdrawn permits, or other breaches of the rules of good government as laid out in the paragraphs of many ISDS treaties that both the US and EU countries already have with other countries.

4. Will the EU adopt US product standards and vice-versa?

Harmonising standards is not a priority. Negotiations are focused on mutual recognition of control mechanisms and procedures rather than standards. In line with this, the European Commission's mandate is limited by the strict condition that levels of protection relating to health, the environment and consumers may not be given up or diluted.

5. What will TTIP do for the economy?

Economic research company Ecorys has calculated the effects of a comprehensive trade agreement between the EU and US. It is assumed that all import tariffs are removed and that half of all non-tariff measures are abolished. The EU is expected to increase its GDP by €117.4bn (0.9% of GDP) in the long run, while the US stands to benefit by €40.8bn (0.3% of GDP).

6. When will TTIP take effect?

Negotiations are ongoing. The parties are aiming to conclude negotiations before President Obama leaves the White House at the end of 2016, but this seems overly optimistic. As soon as negotiations are concluded, the legal drafting process will commence, after which the US Congress, the European Council and the European Parliament will have to pass the agreement. In addition, there is a high likelihood that the individual EU member states will have to give assent to TTIP. Therefore it may take years for TTIP to be implemented on both sides of the Atlantic.

More information

European Commission on TTIP:
http://ec.europa.eu/trade/policy/in-focus/ttip

Office of the US Trade Representative on TTIP:
https://ustr.gov/ttip

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