# Transatlantic Trade and Investment Partnership

*GLEF 3020 presentation*
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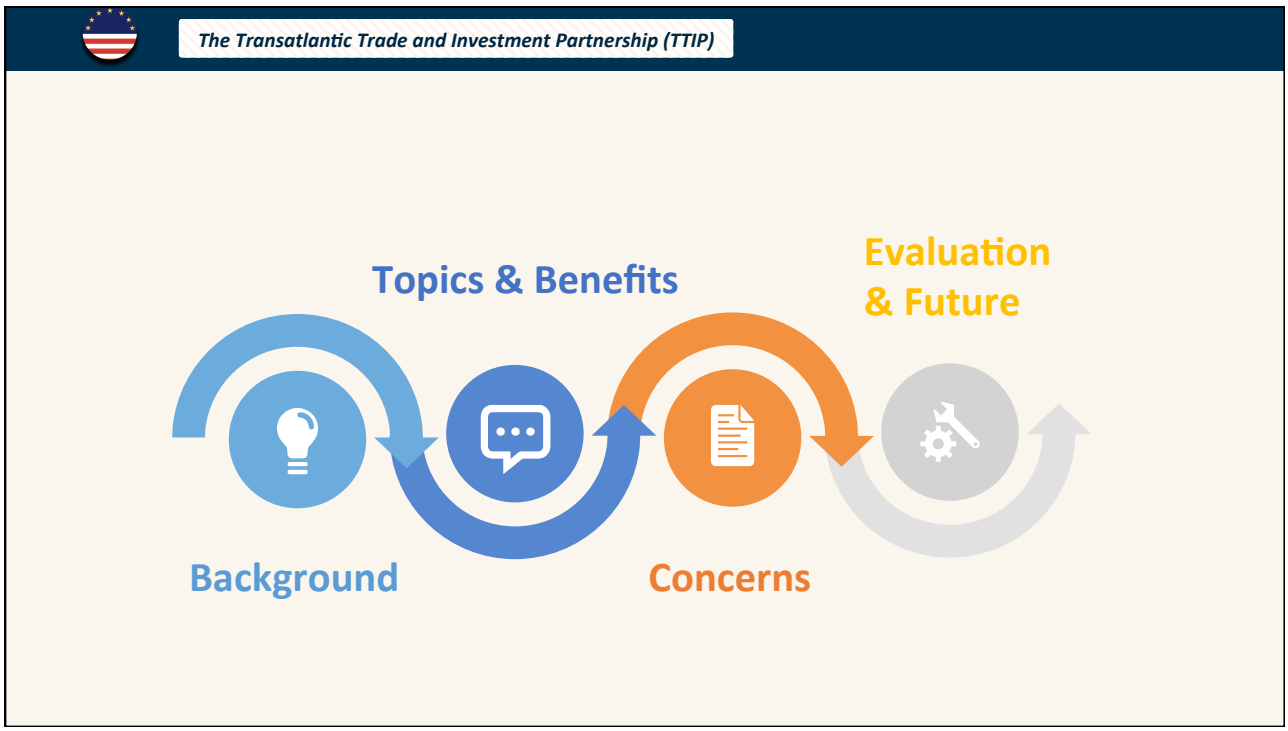
SONG Wenqian 1155061949
LIU Jialu 1155046868
HUANG Sumeng 1155061980
ZAN Rihao 1155076998



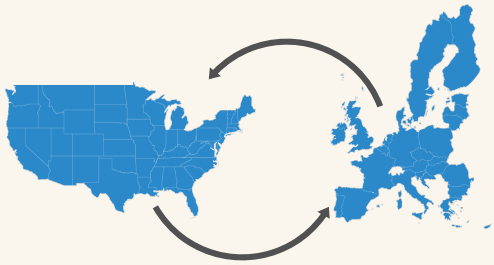
# Background

*The Transatlantic Trade and Investment Partnership (TTIP)*

## Basic facts about TIPP: Aim and Main elements

### *What is TTIP?*

- TTIP stands for the **Transatlantic Trade and Investment Partnership**.
- It is a proposed trade agreement between the **European Union** and the **United States**.



### *Aim*

- The aim of TTIP is to create **economic growth** and **jobs** on the both side of Atlantic by removing trade barriers, including tariffs and non-tariff barriers(NTB).

### *Main Elements*

- **Market Access**
- **Regulatory Coherence and Cooperation**
- **International Standards.**

*The Transatlantic Trade and Investment Partnership (TTIP)*

## Basic facts about TIPP: Negotiations and Procedures

**European Commission** represents the EU.

United States Trade Representative (USTR) represents the US.

The contents of the negotiated TTIP proposals are classified from the public and can be accessed only by authorized persons

*Announcement*

US President Barack Obama announced the launch of negotiations towards TTIP in the State of the Union in 2013.

*1st Round of Negotiation*

The first round of negotiations was held in July 2013 in Washington DC.

*15 Rounds in Total*

15 rounds of negotiations have been finished since 2013.

*The Latest Round*

The latest round of negotiations happened in October 2016 in New York.

Background | Topic & Benefit | Concerns | Evaluation & Future

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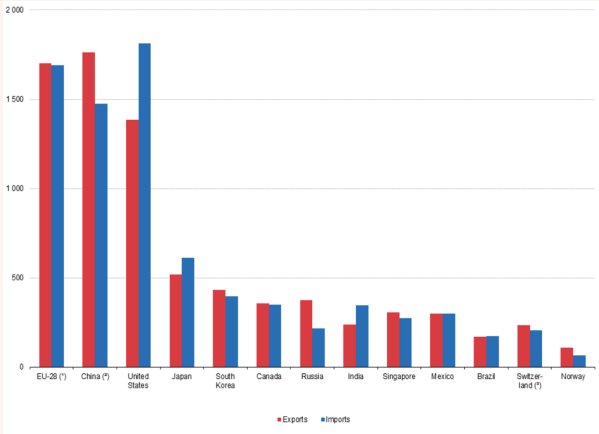
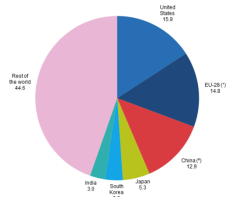
## US-EU Position in World Trade

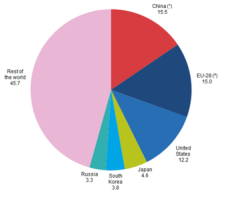
**US and EU are both major players in world trade and they account for about 1/3 of the total world trade.**




Main players for international trade (2015)
(source: Eurostat)



Shares in the world market for imports, 2014
(% share of world imports)



Shares in the world market for exports, 2014
(% share of world exports)

Background | Topic & Benefit | Concerns | Evaluation & Future

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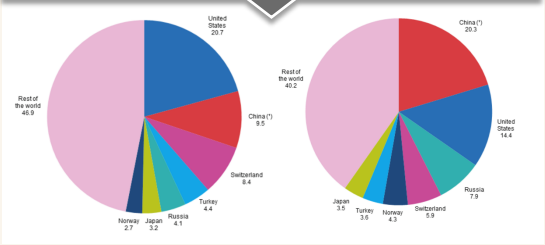
## Current Trade Flow between EU and US

**US and EU are very important trading partners for each other.**

For EU:
The US is the most important destination of exports and the second most important source of imports.




EU: Main trading partners for exports, EU-28, 2015 (% share of extra EU-28 exports

EU: Main trading partners for imports, EU-28, 2015 (% share of extra EU-28 imports

For the US:
EU is the second most important destination of exports and the second most important imports partners.

| Selected World Areas[1] | Total Imports | |
|---|---|---|
| | Value | Percent Of Total Imports |
| Total[2] | 2,313,960 | 100.0 |
| North America | 637,786 | 27.6 |
| Europe | 483,635 | 20.9 |
| Euro Area | 321,733 | 13.9 |
| Europe Union | 411,547 | 17.8 |
| Pacific Rim Countries | 803,990 | 34.7 |
| South/Central America | 141,617 | 6.1 |
| Africa | 33,909 | 1.5 |
| OPEC | 118,248 | 5.1 |

US: Imports for consumption for selected world areas-2014

| Selected World Areas[1] | Total Exports | |
|---|---|---|
| | Value | Percent Of Total Exports |
| Total Exports[3] | 1,623,443 | 100.0 |
| Domestic Exports | 1,402,273 | 86.4 |
| North America | 455,637 | 28.1 |
| Europe | 292,220 | 18.0 |
| Euro Area | 180,524 | 11.1 |
| European Union | 241,769 | 14.9 |
| Pacific Rim Countries | 353,925 | 21.8 |
| South/Central America | 166,175 | 10.2 |
| Africa | 36,149 | 2.2 |
| OPEC | 75,923 | 4.7 |
| Re-Exports | 221,170 | 13.6 |

US: Domestic exports for selected world areas-2014



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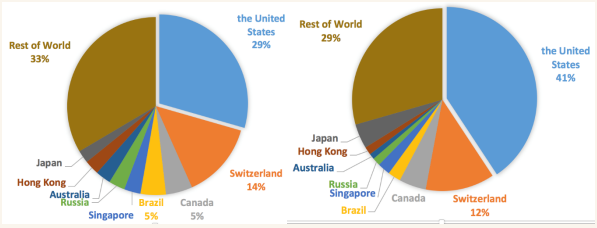
## Foreign Direct Investment (FDI) between US and EU

**US and EU are the most important FDI partners for each other.**

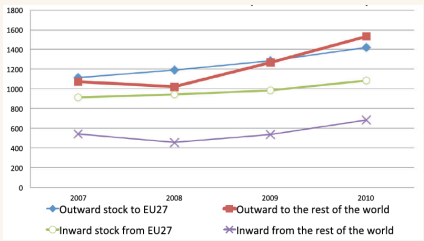
For EU:
The US is the most important FDI partner




EU: Top 10 hosts of outward FDI stocks, 2010

EU: Top 10 sources of EU inward FDI stocks, 2010

For the US
EU is the most important FDI partner




US outward and inward FDI to the EU and the rest of the World, 2010 (in 1000 million euros)

**Given the magnitudes of the FDI and the trade between the EU and the US, any policy influencing the further flows could have a significant impact on these economies.**

Background | Topic & Benefit | Concerns | Evaluation & Future

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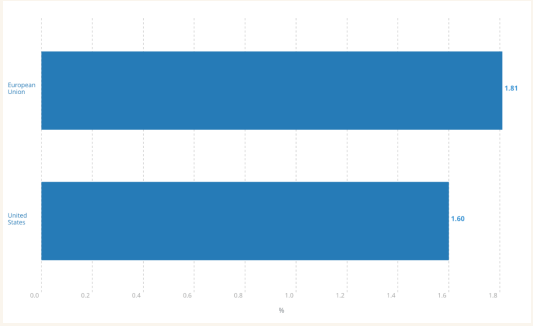
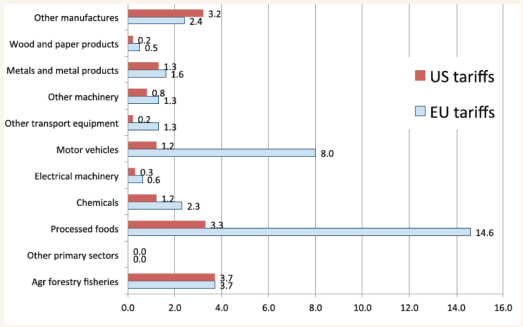
## Current patterns of tariffs between US and EU

**EU and US are relatively open towards each other in terms of investment and trade, as reflected in relatively low levels for tariffs.**




Tariff rate, applied, weighted mean, all products (%)




Trade Weighted Applied (MFN) average tariff rates 2007

**Given the current tariff structure, the scope for tariff reductions to have a significant impact on trade flows is limited. For most sectors, NTB is the major source of trade barriers.**

Background | Topic & Benefit | Concerns | Evaluation & Future

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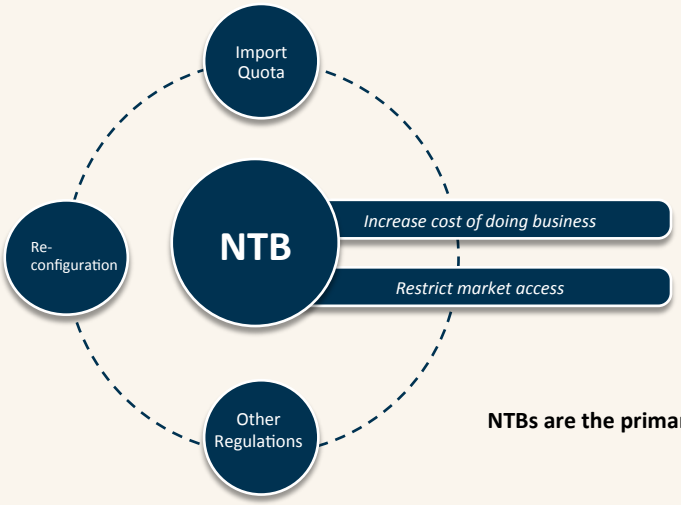
## Current Non-tariffs barriers (NTB) between US and EU

**Various non-tariff barriers (NTBs) (often in the form of domestic regulations) on both sides of the Atlantic.**



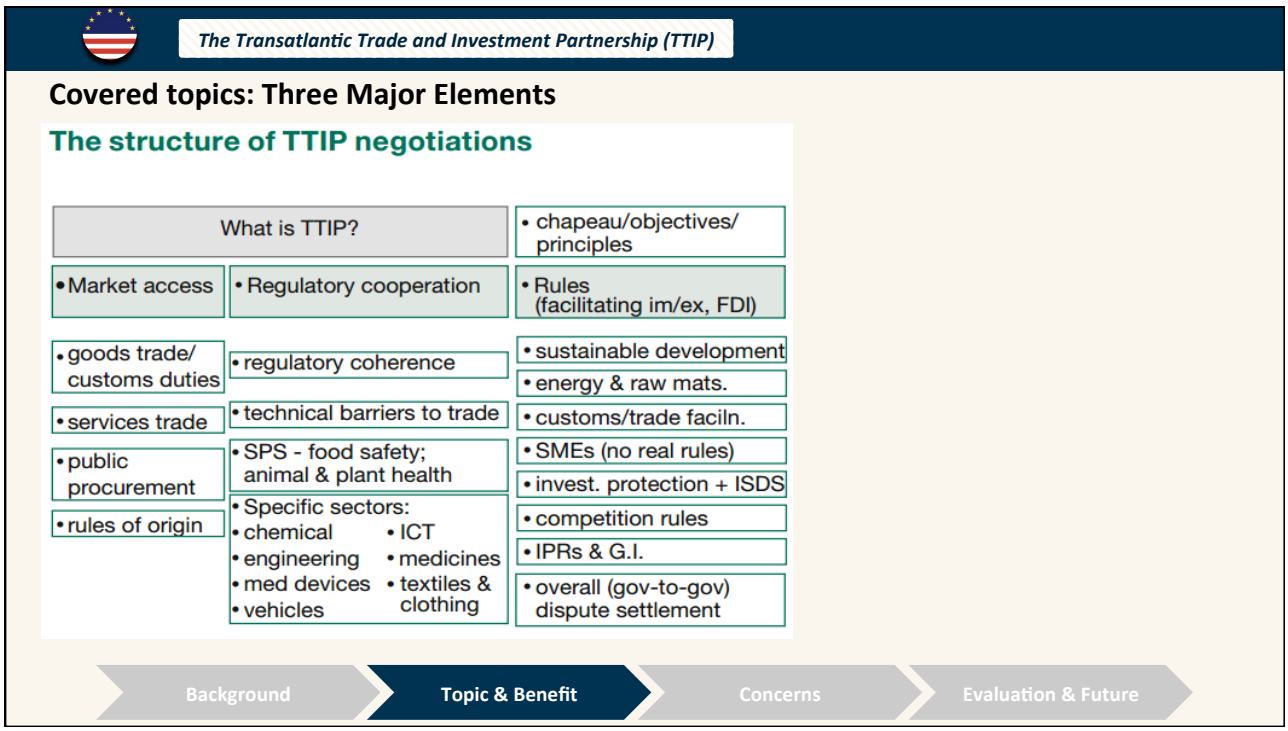

| | Total NTB : EU barriers against US exports | Total NTB : US barriers against EU exports |
|---|---|---|
| Average goods | 21.5% | 25.4% |
| Average services | 8.5% | 8.9% |

Total trade cost estimates from NTBs

**NTBs are the primary driver of the potential actions against trade barriers.**

Background | Topic & Benefit | Concerns | Evaluation & Future

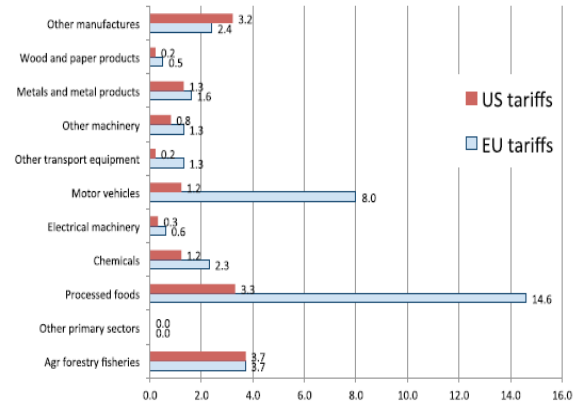
Topics and
Benefits


The Transatlantic Trade and Investment Partnership (TTIP)
Covered topics: Three Major Elements
The structure of TTIP negotiations
What is TTIP?
• chapeau/objectives/ principles
• Market access
• Regulatory cooperation
• Rules (facilitating im/ex, FDI)
• goods trade/ customs duties
• services trade
• public procurement
• rules of origin
• regulatory coherence
• technical barriers to trade
• SPS - food safety; animal & plant health
• Specific sectors:
• chemical
• engineering
• med devices
• vehicles
• ICT
• medicines
• textiles & clothing
• sustainable development
• energy & raw mats.
• customs/trade faciln.
• SMEs (no real rules)
• invest. protection + ISDS
• competition rules
• IPRs & G.I.
• overall (gov-to-gov) dispute settlement
Background
Topic & Benefit
Concerns
Evaluation & Future

*The Transatlantic Trade and Investment Partnership (TTIP)*

## Covered topics: Tariff Barrier Issues--Cut tariff level

**Figure 9** Trade Weighted Applied (MFN) average tariff rates 2007




*Source:* WTO, CEPII, UNCTAD mapped to GTAP8

Background | Topic & Benefit | Concerns | Evaluation & Future

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## Covered topics: Non-Tariff Barrier Issues

### Service Sector

make sure foreign services companies can compete on the same terms as domestic firms

### Public Procurement

enlarge share of the products and services public authorities buy from the other country

Background | Topic & Benefit | Concerns | Evaluation & Future

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**Covered topics: Non-Tariff Barrier Issues—Regulatory Cooperation**

**Goal：**
get regulators in Europe and the US to work together much more closely than they do now

**Food safety and animal and plant health（SPS）in TTIP**

**Technical barriers to trade (TBTs) in TTIP**

**Different sectors**
Chemicals, Engineering, Information and Communication Technology (ICT), Vehicles

Background | **Topic & Benefit** | Concerns | Evaluation & Future

*The Transatlantic Trade and Investment Partnership (TTIP)*

**Covered topics: Non-Tariff Barrier--New Rules**

**Energy and raw materials in TTIP**
Securing more stable and sustainable access to natural resources

**Intellectual property rights (IPR) and geographical indications (GIs)**
Helping to bring more innovative products and services, more quickly, to EU and US consumers

**Competition policy**
A model for global policies to promote free and fair competition

**Small and medium sized enterprises (SMEs) in TTIP**
Ensuring Europe's smaller firms can make the most of TTIP

**Customs and Trade Facilitation (CTF)**

Background | **Topic & Benefit** | Concerns | Evaluation & Future

*The Transatlantic Trade and Investment Partnership (TTIP)*

## Covered topics: Non-Tariff Barrier--New Rules

**ISDS：** investor-to-state dispute settlement

***# aims to provide investors in foreign country with basic protection.***

***# one new mechanism dealing with disputes among investors and states.***

***# it raised huge concern among society.***

Background | Topic & Benefit | Concerns | Evaluation & Future

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## Potential Benefits: Growth and Jobs—Biggest Free Trade Area

TTIP could bring significant economic gains as a whole for the EU (€119 billion a year) and the US (€95 billion a year) once the agreement is fully implemented.

Background | Topic & Benefit | Concerns | Evaluation & Future

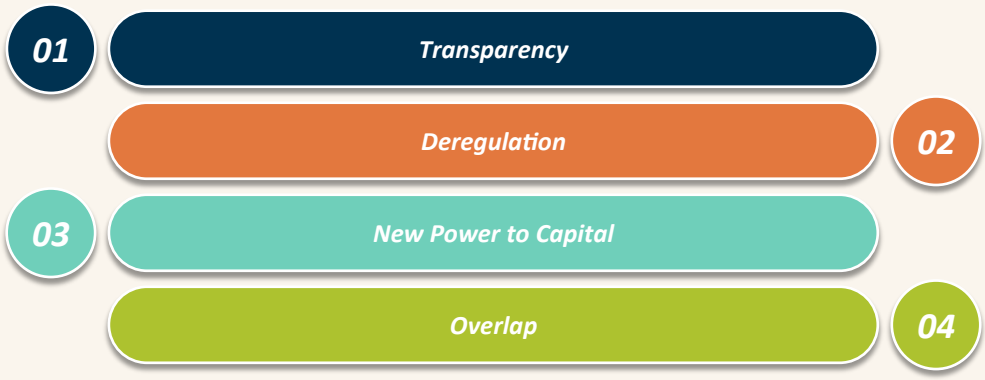
*The Transatlantic Trade and Investment Partnership (TTIP)*

## Potential Benefits: New Standards as Benchmark.

***# wide range of covered topics & # Comprehensive & ambitious partners***

Background | **Topic & Benefit** | Concerns | Evaluation & Future

# Concerns






The Transatlantic Trade and Investment Partnership (TTIP)

# Transparency

- Negotiations held in secret between European Commission and US government officials every two months
- EU has put a 30-year ban on public access to all key negotiating documents; US a 5-year ban from end of talks
- MPs from EU member states (inc UK) also have no access to any of the key negotiating documents

Source: TTIP introductory presentation, 2015.ppt - War on Want

Background Topic & Benefit Concerns Evaluation & Future

# Deregulation

- TTIP is not a traditional trade agreement reducing border tariffs (tariffs between EU & USA are already minimal)
- TTIP explicitly aims at 'regulatory barriers' to trade – i.e. environmental standards, labour rights, food safety rules
- EU regulations enshrine precautionary principle to protect public health.

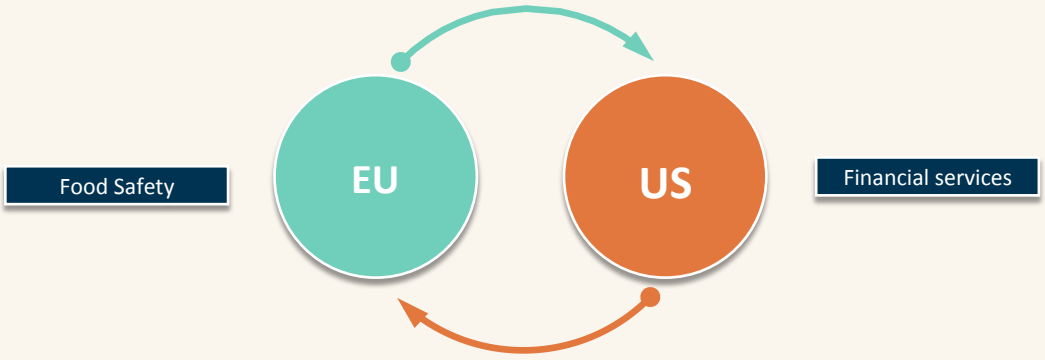
Source: TTIP introductory presentation, 2015.ppt - War on Want & TTIP – Slide Share



The Transatlantic Trade and Investment Partnership (TTIP)

# Deregulation

- The U.S. is seen as having stronger rules in financial services, while Europe touts its rules as superior in food safety and other sectors.




Source: TTIP introductory presentation, 2015.ppt - War on Want & TTIP – Slide Share

Background | Topic & Benefit | Concerns | Evaluation & Future

# Deregulation

- Examples of regulatory 'barriers' targeted by US producers:
  - EU ban on GMOs (Genetically Modified Organism)
  - EU ban on growth promoters in food production (Antibiotics such as protein and β-agonists )
  - EU ban on beef produced with bovine growth hormones
  - EU ban on high levels of pesticide residue in food
  - EU rules on toxic chemicals (REACH regulations)

Source: TTIP introductory presentation, 2015.ppt - War on Want & TTIP – Slide Share



The Transatlantic Trade and Investment Partnership (TTIP)

# New Powers To Capital

- TTIP represents the biggest single transfer of power to transnational capital in a generation
- 'Investor-state dispute settlement' (ISDS) mechanism
- This allows US corporations to sue EU states for policy decisions that could harm their profits in the future. Cases adjudicated by corporate lawyers in secret tribunals only open to foreign investors, bypassing domestic courts

Source: TTIP introductory presentation, 2015.ppt - War on Want

Background | Topic & Benefit | Concerns | Evaluation & Future

# Overlap of TTIP

- TTIP overlap
  - EU
    - FTAs with EFTA (European Free Trade Association)& European Economic Area on services
    - FTAs with members of the Barcelona Process (N. Africa & Middle East)
    - Several FTAs with members of CEFTA (Central Europe Free Trade Area)
  - US
    - NAFTA (North American Free Trade Area)
    - FTAs with several (not all) of Barcelona Process
- EU and US are already heavily linked to their neighbors by existing FTAs:
  - Most are both FTAs and Economic Integration Agreements (EIAs) on services .

Source: Berdorff TTIP – Ford School

# Evaluation & Future

*The Transatlantic Trade and Investment Partnership (TTIP)*

# Orientation

---- To increase economy growth ?

More political cor

hind

**Strategic significance :** The leading status of global trade

Background | Topic & Benefit | Concerns | Evaluation & Future

*The Transatlantic Trade and Investment Partnership (TTIP)*

**August 2016**
The Vice Chancellor of Germany **Gabriel** has announced the TTIP actually become a failure

Untransparency

Deregulation

Social inequality

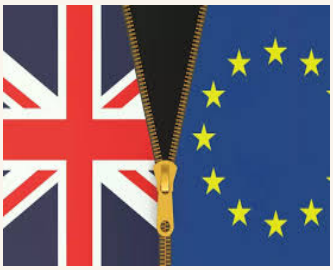
Cultural conflicts

**Until August 2016**
More than 3 million people have signed on the website to go against TTIP

**October 2016**
More than 100,000 people hold a demonstration in Berlin

Background | Topic & Benefit | Concerns | Evaluation & Future

## Future?



**Probably No Future**



# *Thank You*