



This study was commissioned by the American Chamber of Commerce to the European Union (AmChamEU).

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## Overview

- The New Trade Agenda
  - Why TTIP?
- TTIP and the EU Member States
  - Topic essays by experts on challenging and controversial issues
  - Detailed analysis of linkages at Member State level between the US and Member State economies (trade, employment linkages)
    - Trade in value added, MNE employment analysis
  - Identification of SME interests and priority sectors at Member State level
    - based on survey and model-based assessment of expected changes in exports, production, and output)
  - Systemic challenges (issues and recommendations, based on topic essays)

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# The New Trade Agenda

## Why TTIP?

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# The New Trade Agenda

- Regional production networks and cross-border trade in parts and components (now almost 80% of world trade is intermediates)
- MNEs operating in multiple regulatory regimes
- Demand for progress in areas outside WTO (hence Baldwin's call for WTO 2.0)
  - Regulation of MNEs
  - Behind the border measures
  - Increased importance of NTMs (aka NTBs), and impact on policy calculus (political cost-benefit analysis)
  - Investment and disputes (ISDS)

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# TTIP and the New Trade Agenda

- TTIP is focused on behind the border measures affecting trade
  - Regulatory divergence
  - Standards and mutual recognition
  - Regulatory cooperation
- Regulatory approaches to services
  - Foreign ownership restrictions
  - Discriminatory regulation
  - Barriers to competition
- Investment regulation and protection

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## TTIP and the EU Member States:

### Topic Essays

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## TTIP Topic Essays

- *An overview and comparison of TTIP studies*  
Jacques Pelkmans (College of Europe, CEPS)
- *TTIP and the EU internal market*  
Patrick Messerlin (Sciences Po Paris)
- *TTIP and regulatory cooperation*  
Jan E. Frydman (Ekenberg & Andersson)
- *TTIP and environmental protection*  
Gabriel Felbermayr & Marie-Theres von Schickfus (ifo, U of Munich)
- *TTIP and small- and medium size enterprises (SMEs)*  
Umberto Marengo Andrea Renda (Rome U, CEPS; Cambridge U)
- *TTIP and investor protection*  
Freya Baetens & Christian Tietje (Leiden U; Martin Luther U)
- *TTIP and food safety*  
Siemen van Berkum (LEI Wageningen)
- *TTIP and social protection*  
Christopher Hartwell and Jan Teresiński (CASE)

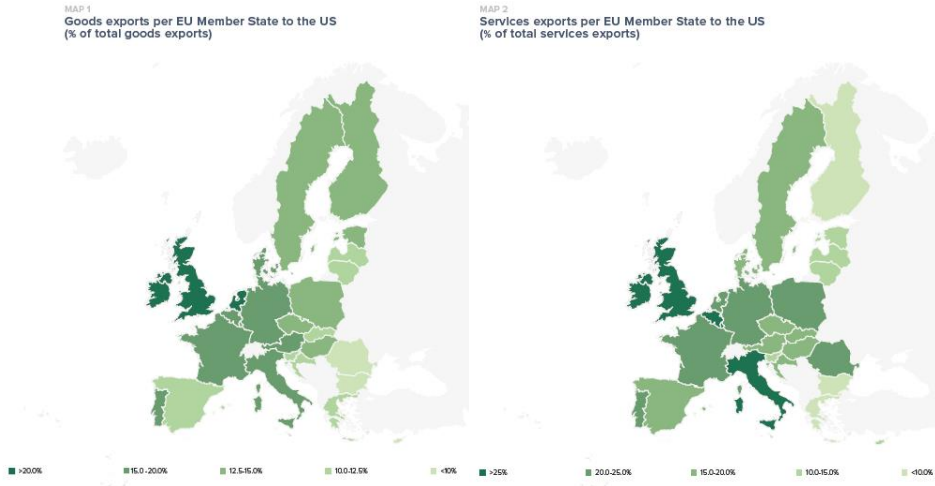
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## TTIP and the EU Member States:

### EU MS Trade and Investment Linkages to the US Economy, Patterns of Impact

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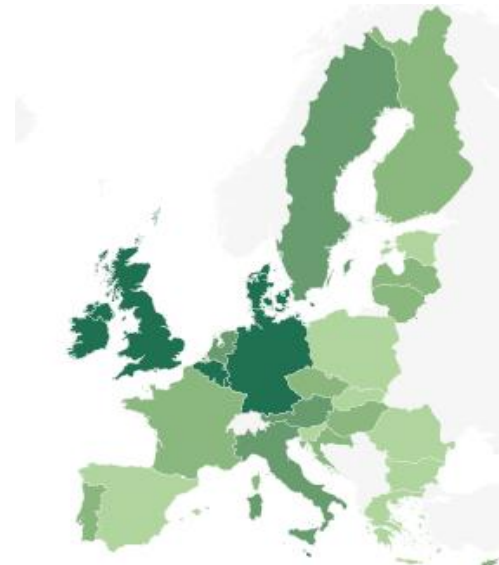
## Goods/services exports per EU Member State



Source: WTI 2016.

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## Jobs per EU Member State producing exports to US (as percentage of total number of jobs, 2011)



EU Member States have varying degrees of dependence on the US market.

■ >2.0%	■ 1.5%-2.0%
14.8% Ireland	1.9% The Netherlands
3.5% Luxembourg	1.8% Austria
2.8% Malta	1.8% Sweden
2.5% Denmark	1.5% Italy
2.4% UK	
2.3% Germany	
2.1% Belgium	
■ 1.0%-1.5%	■ <1.0%
1.4% Estonia	0.9% Slovakia
1.4% Hungary	0.9% Spain
1.2% Czech Republic	0.9% Poland
1.2% Lithuania	0.8% Romania
1.2% Portugal	0.8% Slovenia
1.2% France	0.7% Bulgaria
1.2% Latvia	0.7% Greece
1.1% Finland	
1.0% Cyprus	
1.0% Croatia	

Source: WTI 2016.

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## Bilateral Investment EU-US cumulative € billion 2009-2012

Member States	US investments in EU Member States	Member State	EU Member State investments in US
<b>Top-5 Member States</b>		<b>Top-5 Member States</b>	
The Netherlands	1,763.18	UK	1,340.42
UK	1,560.18	The Netherlands	727.34
Luxembourg	961.87	Germany	619.50
Ireland	527.72	France	602.02
Germany	348.59	Luxembourg	348.59
<b>Bottom-5 Member States</b>		<b>Bottom-5 Member States</b>	
Estonia	0.13	Romania	-0.00
Croatia	0.13	Croatia	-0.00
Latvia	0.01	Lithuania	-0.01
Lithuania	0.00	Estonia	-0.02
Slovenia	0.00	Czech Republic	-0.04

Source: WTI 2016.

EU Member States are major sources of FDI for the US, and the US is a major source of investment in the. This relationship varies substantially across Member States.

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## Takeaway Point: TTIP and Investor Protection

### TTIP AND INVESTOR PROTECTION

By Dr. Freya Baetens<sup>7</sup> and Prof. Dr. Christian Tietje<sup>8</sup>

*“There is limited evidence that earlier versions of ISDS have curtailed regulation or caused ‘regulatory chill’ – but it is important that the right to regulate is upheld.”*

Given both US and EU investment positions, there is substantial potential benefit from an agreement on investment. At the same time, the challenge is to find the correct balance. This poses challenges, but possible scope for a solution that applies well beyond TTIP.

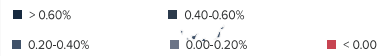
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## Estimated national income level changes in EU Member States following TTIP



The impact will vary across Member States assuming “business as usual” in terms of internal policies.

One challenge is to identify policies at both EU and MS level that can help MS economies to better benefit from opportunities offered.



Source: WTI 2016.

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## Estimated export changes in EU Member States following TTIP



The impact on trade will vary across Member States. This reflects differences in MS production and trade structures.

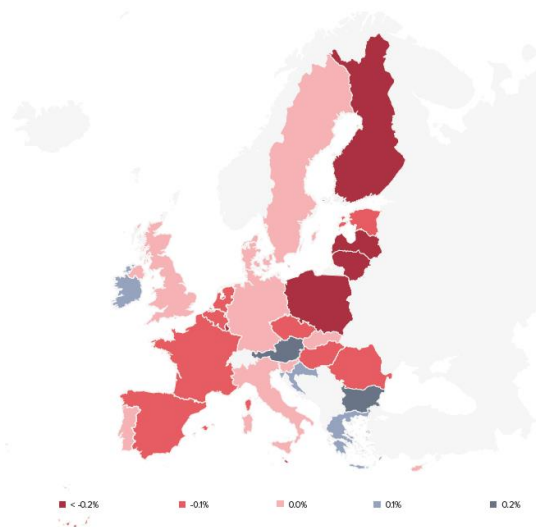


Source: WTI 2016.

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## Estimated price changes in EU Member States following TTIP

MAP 6  
Estimated consumer price effects in EU Member States following TTIP



The impact on prices will vary across Member States. This reflects differences in price effects per industry and their relative weights.

Source: WTI 2016.

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## Takeaway Point: TTIP and Regulatory Cooperation

### TTIP AND REGULATORY COOPERATION

By Jan E. Frydman<sup>3</sup>

*“With the onset of negotiations for a TTIP agreement, increased attention has been given to regulatory cooperation, and for good reason: reducing barriers to trade caused by unnecessary differences in how goods and services are regulated on each side of the Atlantic will be one of the most important ways that TTIP can benefit the EU and US economies.”*

The impact will vary across Member States assuming “business as usual” in terms of internal policies. One challenge is to identify internal policies at both EU and MS level that can help individual MS economies to better benefit from opportunities offered, even as external policies are adapted.

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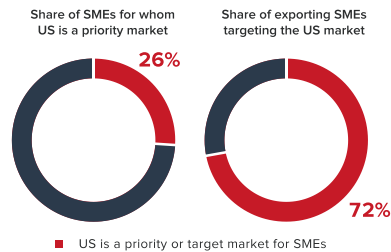
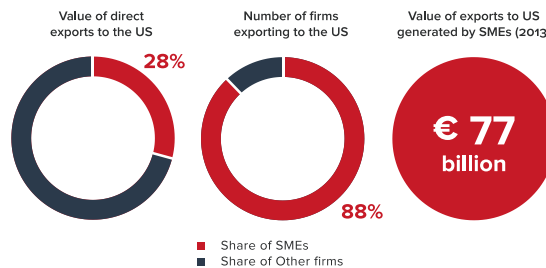


# TTIP and the EU Member States

## TTIP and SMEs

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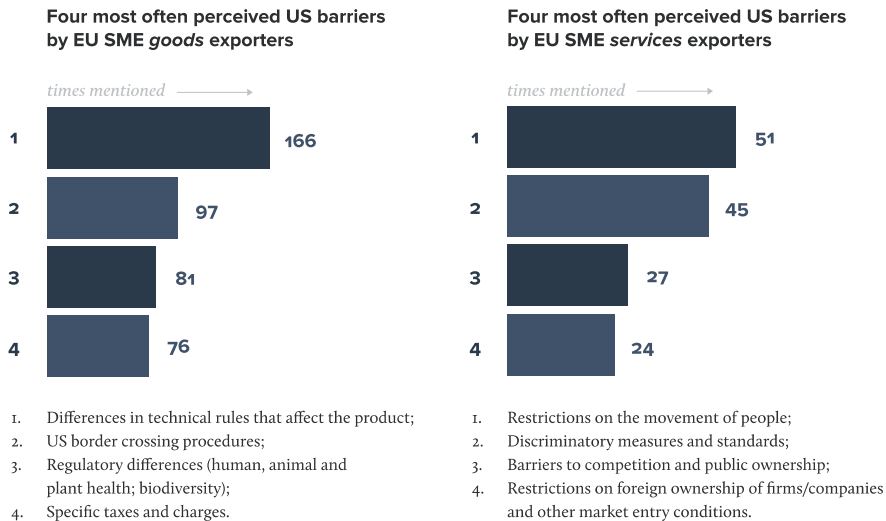
While the US market is important to EU SMEs, it is mostly large EU firms that benefit from current rules on access



Source: WTI 2016, based on Ecorys/DG Trade 2015 SME survey.

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## The TTIP negotiating agenda is focused on the issues identified by EU SMEs across Member States



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## Takeaway Point: TTIP and SMEs

### TTIP AND SMALL- AND MEDIUM SIZE ENTERPRISES (SMEs)

By: Dr. Umberto Marengo and Prof. dr. Andrea Renda<sup>6</sup>

*“At present, SMEs are still confronted with significant barriers when trading across the Atlantic, and the ongoing economic crisis in the EU has hit SME exports disproportionately hard.”*

SMEs are disproportionately hurt by regulatory barriers under the status quo. Reduction of such barriers should benefit SMEs, and also benefit consumers who would gain access to more goods and services.

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# TTIP and the EU Member States

## Systemic Challenges of TTIP

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## Systemic challenges of TTIP

- **TTIP and the single market:**
  - What are the implications for the internal market?  
In the report, Patrick Messerlin argues that there is limited scope for preferences erosion, and that “in fact, TTIP could actually contribute to liberalising the EU Internal Market as well as the transatlantic market to some degree. Such an outcome might have the significant positive knock-on effect of pushing the EU towards greater integration.”
- **TTIP, ISDS, and the right to regulate:**
  - Freya Baetens and Christian Tietje argue that “It is important that the right to regulate is upheld” while examining the desirability for a tribunal and appeals mechanism.
- **TTIP and Social Protections**
  - Christopher Hartwell and Jan Teresiński argue that TTIP will focus specifically on measure affecting trade and investment flows, while domestic policies “will remain the exclusive domain of the respective legal and institutional domestic frameworks of the EU and EU Member States and the US.” This is an important expectation of civil society.

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