

# European Commission Directorate-General for Trade



## Questions and answers

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### What is the Transatlantic Trade and Investment Partnership?

The Transatlantic Trade and Investment Partnership (TTIP) is the name of a trade agreement that is being negotiated between the European Union and the United States. The negotiations aim at removing trade barriers (tariffs, unnecessary regulations, restrictions on investment etc.) in a wide range of economic sectors so as to make it easier to buy and sell goods and services between the EU and the US. The EU and US also want to make it easier for their companies to invest in each other's economy.

### Who came up with the idea of the TTIP?

The idea of a trade agreement between the EU and the US is not new. In fact, governments, business and academics have been discussing it for a long time. In recent years, the EU and the US began to feel that it was an idea whose time had come.

Before deciding to launch negotiations, in 2011 the EU and US set up a working group of government experts to see what trade and investment agreement between the two economic powers might be developed. The group was chaired jointly by the EU Trade Commissioner and the US Trade Representative. [The High Level Working Group on Jobs and Growth](#), as it was known, took an in-depth look at the opportunities and potential difficulties an agreement could bring. It concluded that a comprehensive agreement covering all sectors would be overwhelmingly positive, opening up trade and bringing a welcome boost to economic growth and job creation on both sides of the Atlantic. It recommended launching negotiations.

### [Why have we launched negotiations for an EU-US trade and investment agreement?](#)

The decision to start negotiations was in large part due to the continuing economic crisis and the stalling of the multilateral trade negotiations in the World Trade Organisation - the so-called Doha Development Agenda. In addition, the reform of the EU's Common Agricultural Policy and high commodity prices meant that both sides were ready to discuss agriculture and negotiate opening their markets

### What's in it for the EU?

As always before deciding to negotiate a trade agreement, the EU carried out an impact assessment of the potential effects of the agreement. This assessment examined not only the potential economic impact, but also possible social and environmental impacts. It looked at what might happen as a result of varying degrees of trade liberalisation between the EU and US. In every case, the overall outcome for the EU was positive; but what was clear was that the more liberalisation there was, the better the overall result.

One of the studies on which the Commission's impact assessment was based was an independent report commissioned by the EU from the London-based Centre for Economic Policy Research (CEPR). The study, entitled 'Reducing barriers to Transatlantic Trade', outlines the economic effects of a TTIP for both the EU and the US.

It suggests the EU's economy could benefit by €119 billion a year – equivalent to an extra €545 for a family of four in the EU. According to the study, the US economy could gain an extra €95 billion a year or €655 per American family. These benefits would cost very little because they would be the result of removing tariffs and doing away with unnecessary rules and bureaucratic hurdles that make it difficult to buy and sell across the Atlantic. The extra economic growth that is expected to come from the TTIP will benefit everyone. Boosting trade is a good way of boosting our economies by creating increased demand and supply without having to increase public spending or borrowing. The TTIP would be the cheapest stimulus package imaginable.

Although tariffs between the EU and US are already low (on average 4%), the combined size of the EU and US economies and the trade between them means that dismantling tariffs will be good for jobs and growth. The area where these negotiations could make real savings for business, create jobs and bring better value for consumers is by removing unnecessary rules and regulations – so-called Non-Tariff Barriers or NTBs. NTBs are the result of differences in regulations and standards. Removing them can be complicated because, although both the EU and the US have well-developed systems for ensuring safety and consumer protection, they often adopt different approaches to achieve the same goal. Having to comply with two separate sets of rules can cost time and money.

The cost of dealing with unnecessary bureaucracy can add the equivalent of tariffs of 10-20% to the price of goods, an extra expense which is paid by the consumer. Indeed, an independent study by the London-based Centre for Economic Policy Research (CEPR) entitled 'Reducing barriers to Transatlantic Trade' calculates that up to 80% of the economic benefits of the TTIP would come from cutting costs imposed by bureaucracy and regulations, and from liberalising trade in services and government tenders. Practical examples of this would be:

- Both the EU and US have high car safety standards. The TTIP could make it possible for the EU and US to recognise each other's standards so that cars proven safe for sale on one side of the Atlantic could be sold on the other without having to pass further tests or be adapted to meet extra specifications;
- Opening up US government tendering to European construction firms could mean they could compete for big building and public transport projects in the US.

European companies, workers and citizens would benefit enormously from a more open US market. The EU has many highly competitive firms producing top quality products and services, including many world leaders and top brands. In agriculture, for example, US plant health regulations ban European apples, while their food safety rules make it illegal to import many European cheeses. Getting rid of tariffs and other barriers to trade will enable European producers to sell more to the Americans: that is good for business and good for jobs. Removing EU barriers to US products and investment will mean more choice and lower prices for people here in Europe. What is clear is that both sides will gain from further opening up their markets to trade and investment. It will be a win-win situation.

## Why is the European Union an essential trade partner for the United States?

Even in the current situation when the euro-zone is recovering from an economic crisis, trading with Europe offer huge possibilities for our US partners. The EU is the largest economy in the world: its 500 million citizens have an average per capita income of €25,000.

That also means that the EU is the biggest market in the world. It is the largest importer of manufactured goods and services, it has the largest stock of investments abroad and it is the world's largest host of investments by foreign firms.

The EU is the biggest investor in the US (in 2011), the second largest destination for US exports of goods (in 2012) and biggest market for US exports of services (in 2010).

The EU is very good at negotiating free trade agreements. For example, the EU's complex and comprehensive Free Trade Agreements with South Korea and Singapore were finalised relatively quickly in just four years. The EU is working hard to open up markets through negotiations with other countries, such as India, Japan, Vietnam and Malaysia. As one of the most open economies in the world, it remains committed to free trade.

## Who is doing the negotiating?

In trade policy, the European Commission negotiates on behalf of the EU and its 28 Member States: one voice representing 500m people is more effective than if each EU Member State tried to negotiate separately. The TTIP is no exception and so the Commission, led by the EU Trade Commissioner, represents the EU at the negotiating table. The Commission negotiates on the basis of guidelines agreed by the Council, where the governments of all EU Member States are represented. The Commission's Trade Department is in the lead. It works closely with other Commission departments, especially those dealing with the areas that are the main focus of the negotiations. The [list of EU lead negotiators](#) is available to the public.

For the US, the United States Trade Representative (USTR) is the main negotiator

## How are negotiators being held accountable?

Throughout the negotiations, the European Commission is keeping the EU Member States in the Council and the European Parliament informed of developments. In the end, once the negotiators have come up with an agreement, it will be the Council, together with the European Parliament, which will examine and approve or reject the final agreement. On the US side, it will be the US Congress..

## How long will the negotiations take?

The [first](#) round of negotiations took place in July with further rounds taking place every few weeks.

Both the EU and US want to avoid years of talks. The general idea is that it should be possible to get an agreement within a couple of years, but, of course, the most important thing is to get a good result.

The [High Level Working Group](#) set up by the EU and US to look at the potential effects of a trade and investment agreement produced a report setting out a number of recommendations.

These recommendations provide negotiators with a good basis on which to start.

## Who is going to benefit from the TTIP?

The negotiations for the TTIP will cover many parts of the economy, including manufacturing, services and agriculture. By removing barriers to trade it will provide a boost to economic growth, create jobs and lower prices. An independent study by the London-based Centre for Economic Policy Research (CEPR) [suggests](#) the EU's economy could benefit by €119 billion a year – equivalent to €545 for an average EU household - and the US' by €95 billion a year.

Exports from all parts of the economy are expected to rise, which is good for jobs. Some sectors will probably increase their exports more than others. EU exports to the US of motor vehicles, for example, are predicted to go up by 149%. This partly reflects the importance of two-way trade in parts and components and the expected further integration of the two industries across the Atlantic.

It is not just trade between the EU and the US which is expected to expand: as a result of increased demand for raw materials, components and other inputs, EU exports to other countries are also forecast to grow. Exports to the rest of the world of metal products are predicted to rise by +12%, of processed

foods by +9%, chemicals +9%, other manufactured goods +6% and of other transport equipment by +6%. The TTIP will be a trade agreement fit for the 21st century - the increased business will not only benefit multinationals, but also small and medium sized firms, either through exporting directly or as suppliers to bigger companies.

The economic growth and increased productivity created by the agreement will benefit workers in the EU and US, both in terms of overall wages and new job opportunities for high- and low-skilled workers alike.

### When will I start to see the benefits of the TTIP?

The actual talks will probably last a couple of years. After that, the agreement will have to be approved on the EU side by the European Parliament and all the EU Member States and for the Americans by the US Congress. We would like to see as many tariffs and other barriers to trade as possible removed the moment the agreement is approved and becomes law. The quicker this happens, the sooner we can all start reaping the benefits. Some changes might be phased in over time, though.

### What will the TTIP change in my life?

In general, everybody in the EU should benefit from the TTIP – by some €545 for an average EU household. This gain will come in the form of cheaper goods and services. Prices will fall because import tariffs on US goods will be abolished and unnecessary rules that impose costs on buying and selling between the EU and US will be removed. But we will also benefit from the EU and US agreeing to accept each other's technical standards in many areas so, instead of having to produce goods to two separate sets of specifications, manufacturers will be able to follow just one set of rules for both the EU and US. This reduction of 'red tape' will cut costs and, with it, prices.

### Do I have to worry about existing EU standards of consumer, environment or health protection?

No. We will not negotiate existing levels of protection for the sake of an agreement. Our high level of protection here in Europe is non-negotiable. But let us not forget that the US also takes protection of its citizens very seriously. Both the EU and the US are committed to high levels of protection for our citizens, but we go about it in different ways. The EU sometimes relies more on regulations, the US more on litigation. Both approaches can be effective, but neither is perfect. There is room to learn from each other.

This is not a race to the bottom. Making our regulations more compatible does not mean going for the lowest common denominator, but rather seeing where we diverge unnecessarily. There will be no compromise whatsoever on safety, consumer protection or the environment. But there will be a willingness to look pragmatically on whether we can do things better and in a more coordinated fashion. Obviously, each side will keep the right to regulate environmental, safety and health issues at the level each side considers appropriate.

### What will happen to agriculture?

The negotiations for the TTIP include agriculture. Opening up agricultural markets will be a two-way street with benefits for both the EU and the US. The US is interested in selling more of its agricultural commodities, such as maize and soy. EU exports to the US are mostly higher value food products like spirits, wine, beer, and processed food (such as cheese, ham and chocolate). The EU has a clear interest in being able to sell more of the top quality foods it produces to the US without unnecessary tariff or non-tariff barriers. Some European food products, including for example various cheeses, dairy products, as well as apples and pears, face significant non-tariff barriers, limiting their access to the US market. Other products are subject to high US tariffs: canned apricots face a duty of up to 30%; blue-veined cheeses like Gorgonzola and Roquefort more than 25%; and chocolate over 20%. Removing these and other barriers would help boost EU exports to the US.

## Will the EU be forced to change its laws on Genetically Modified Organisms (GMOs)?

No, it will not. Basic laws, like those relating to GMOs or which are there to protect human life and health, animal health and welfare, or environment and consumer interests will not be part of the negotiations.

Under EU rules, GMOs that have been approved for use as food, for animal feed or for sowing as crops can already be sold in the EU. Applications for approval are assessed by the European Food Safety Authority (EFSA) and then sent to EU Member States for their opinion. So far, 52 GMOs have been authorised. The safety assessment which EFSA carries out before any GMO is placed on the market and the risk management procedure will not be affected by the negotiations.

The EU and US already exchange information on policy, regulations and technical issues concerning GMOs. Cooperation of this sort helps minimise the effect on trade of our respective systems for approving GMOs. We see the TTIP as an opportunity to support this cooperation.

## Will European supermarkets be filled with meat from American animals fed with hormones?

No, they will not. The negotiations will not be about compromising the health of our consumers for commercial gain. Tough EU laws, like those relating to hormones, or those which are there to protect human life and health, animal health and welfare, or environment and consumer interests will not be part of the negotiations.

## Will Europe's film industry be killed off by a flood of American films?

No, it will not.

First of all, our cinemas and TV channels already show a lot of American films. Europe is not closed to American films.

Second, the vibrant European film industry will not be killed by a flood of new American films and TV series. The EU has rules to protect Europe's cultural diversity, such as the richness that comes from the many languages spoken on our continent. The EU and the Member States have laws to safeguard and promote cultural diversity, for example in film production and television programming – the so-called audio-visual sector. The EU will not compromise this right and ability to protect Europe's cultural heritage.

In the negotiating guidelines, the Member States made it clear to the Commission that the audio-visual sector is not part of the negotiations dealing with services and the right to establishment.

## Will the TTIP automatically trump EU laws?

No. The TTIP will not automatically overrule, repeal or amend EU laws and regulations. Any changes to EU laws, rules or regulations in order to liberalise trade would have to be approved by the EU's Member States in the Council and by the European Parliament.

## How will the TTIP affect the rest of the world?

A trade agreement between the EU and the US will have spill-over effects on the world economy. For example, increased trade between the two economic giants will raise demand for raw materials, components and other inputs produced by other countries. This is expected to add an extra €100 billion to the world economy in addition to the extra trade between the EU and the US. The more extensive the deal reached between the EU and the US, the greater will be the benefits for the rest of the world.

The harmonising of EU and US technical standards could well provide the basis for global standards: the size of the transatlantic market is so big that if it had a single set of rules it would be in the interest of

other countries to adopt them too. That way, they would only have to produce goods to one set of specifications, making trade throughout the world easier and cheaper.

## Will the TTIP be ACTA through the back door?

No. ACTA – the ‘Anti-Counterfeiting Trade Agreement’ – was intended to end the trade in counterfeited goods. It goes without saying that the position of the European Parliament – which voted against ACTA – will be fully respected. There will be no ‘ACTA through the backdoor’.

The TTIP will be a much broader agreement covering many economic sectors. Intellectual Property Rights (IPR) issues – such as rules on copyrights and trademarks – will only be one element of it. Both the EU and the US already have efficient rules for protecting IPR systems, even if they sometimes take a different approach to achieve it. We have no intention of harmonising EU and US laws on intellectual property rights. By allowing us to look at a limited number of important IPR issues of interest to both the EU and the US, the TTIP could make trade between us easier without weakening these rules.

## Why is the EU including Investor to State Dispute Settlement in the TTIP?

The European Commission, the EU Member States and the European Parliament all believe that Investor to State Dispute Settlement (ISDS) is an important tool for protecting EU investors abroad.

The fact that a country has a strong legal system does not always guarantee foreign investors will be adequately protected. A government could expropriate an investor (e.g. through nationalisation) or pass laws which render their investment worthless, for example, by suddenly banning a product made in a factory owned by a foreign investor without paying compensation whilst not banning products made by domestic companies. If investors are prevented from going to local courts or local courts are unable to deal with a claim effectively, then they have nowhere to bring a claim for compensation. In such circumstances, an ISDS provision in an investment agreement provides security for investors because it guarantees them a forum in which to bring a claim for compensation.

Although the EU and the US are developed economies, investors can still come across problems affecting their investments which their domestic courts systems are not always able to deal with effectively. That is why we believe there is a clear added value in including provisions in the TTIP that protect investors. And, as it brings together the world’s two major economies, the TTIP will set standards for the future.

Including measures to protect investors does not prevent governments from passing laws, nor does it lead to laws being repealed. At most, it can lead to compensation being paid. The EU’s Member States have been regulating for years although they have around 1,400 such agreements already in place.

Eight Member States have investment agreements with the USA. These agreements have not prevented them from aligning to the whole EU acquis during their EU accession negotiations. In any event, the EU is working on providing even greater clarity to ensure that genuine regulatory action cannot be successfully challenged.

The European Commission recognises that improvements to the system can be made and has been very active in developing new United Nations’ rules for transparency for ISDS. In bilateral trade agreements it is negotiating, the EU is aiming to have better rules, e.g. on government control of arbitrators, on a code of conduct for arbitrators etc.

## Does the TTIP mark the end of multilateralism and the Doha Round?

No, not at all. The fact that the EU and US have decided to launch a bilateral negotiation does not mean we are no longer committed to a multilateral approach involving as many countries as possible. Indeed, we worked hard to get the deal at the World Trade Organisation’s (WTO) meeting in Bali where 159 countries agreed on measures that will bring huge benefits to the world economy and especially to developing countries. Importantly, the agreement in Bali represents a boost to the WTO and the multilateral system and will help to get the WTO’s multilateral trade negotiations - the so-called Doha Round - moving again. Likewise, the TTIP could also encourage others to revive the WTO negotiations. Furthermore, if the EU and US are able to harmonise many of their regulations and standards, this could act as a basis for creating global rules with all the cost savings and economic benefits that would bring.

## Are the negotiations being held in secret?

For trade negotiations to work and succeed, you need a certain degree of confidentiality, otherwise it would be like showing the other player one's cards in a card game.

In the course of the negotiations, though, the European Commission will continue to reach out to trade associations, consumer organisations, industry and other representatives of civil society.

The European Commission will keep the Member States – in the Council – and the European Parliament informed of developments. At the end of the negotiations, it is these two institutions – the Council containing representatives of Member States' governments and the directly elected European Parliament – that will approve or reject the agreement.

## What about the effect on the environment?

The European Commission's impact assessment found that the overall environmental impact of a TTIP with the US was likely to be modest. Even if there were a lot of liberalisation, it forecast only a very limited increase in global CO2 emissions. It also suggests that other possible negative side effects of a TTIP - such as increased waste, reduced biodiversity, and more use of natural resources - should be largely offset by the benefits of more trade in environmental goods and services.

Now that the negotiations have begun, the European Commission will launch a trade sustainability impact assessment (Trade SIA). The Trade SIA will look particularly at the potential environmental and social impacts of the TTIP. It will be done by an independent contractor and will include a representative consultation process involving stakeholders and civil society from both the EU and the US. The process will provide genuine opportunities for consultation, information gathering, and dissemination of results.

## Will TTIP mean US data privacy standards prevailing over or undermining EU standards on the same?

No. The EU and US have long since recognised that we each regulate data privacy in a different way. The TTIP negotiations are not the right place to address these differences though. We have already developed suitable ways of handling transatlantic data flows - for example, the Safe Harbour Agreement. In addition, we are currently in talks with the US on access to data by enforcement authorities. The aim is to get an 'Umbrella Agreement' on data protection to strengthen our joint efforts to combat terrorism and serious crime. These talks will not be affected by the TTIP.

## Are the EU and US going to harmonise their standards?

No, harmonisation is not on the agenda. Both the EU and the US have numerous standards and regulations. Where these diverge they can impose extra costs on manufacturers, for example by having to operate separate production lines. Ultimately, these costs are passed on to the consumer.

The TTIP is not about trying to convince each other to change our respective systems, but rather about finding ways to make our systems work more smoothly. Vehicles, medical devices and pharmaceuticals are three areas where there is particular scope for regulatory convergence.

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