

## US Project Meeting Note

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### Regulatory Issues and TTIP

24 November 2014

On 24 November 2014 Chatham House's US Project hosted a breakfast discussion with **Ignacio Garcia Bercero**, director at the Directorate General for Trade of the European Commission. This is part of an ongoing project, sponsored by Bank of America Merrill Lynch, which brings together US and EU officials, from all sectors, to discuss US and European perspectives on common economic challenges.

The principal points from the discussion included:

#### Where does TTIP currently stand?

- The Transatlantic Trade and Investment Partnership (TTIP) is a fundamentally different economic agreement from previous negotiations involving the US and the EU. All previous trade negotiations between these two parties have been largely about market access, while TTIP has regulatory issues at its core.
- TTIP negotiations are now happening at a critical political juncture. TTIP is a priority for both the new European Commission and the incoming US Congress, despite its not being a major topic of American political debate. Therefore, there are good prospects for negotiation, but how far this goes will depend on the level of commitment on both sides, as well as some unresolved and complex technical issues.
- As the issues in question are sensitive and require high-level compromise, TTIP negotiations between the US and the EU have to be sufficiently comprehensive and ambitious. Negotiators need to achieve a balanced outcome with regard to trade sensitivities on issues such as agriculture and government procurement.
- There remain points of contention on both sides. For example, there are differences regarding the elimination of tariffs: the EU does not wish completely to eliminate tariffs on goods of a sensitive nature to the EU market, while the US has a strong sensitivity regarding Buy America restrictions on procurement and state level commitment.

#### What are the challenges that face TTIP negotiations?

- Both sides agree that work on regulatory issues should not imply a reduction of the level of protection for health, consumers or the environment.
- The US and the EU have different regulatory methodologies. To avoid conflict, an institutionally solid system of regulatory cooperation needs to be implemented. This system must also ensure that both sides are better at working together within international platforms, so that their capacity to influence international regulation is enhanced.
- Regulations within the EU are sometimes more harmonized than within the United States. US states have power to regulate individually some aspects of services and manufacturing.

- Both sides have not been sufficiently clear about what they want to achieve with the regulatory component of TTIP. Even though the US and the EU are conscious that making regulatory regimes more compatible would result in substantial economic gains, the unprecedented scale of the enterprise poses challenges.
- Additionally, TTIP has not been 'sold' to the outside world. Deliberations need to be more transparent. In the interests of achieving this, the EU is considering making public the initial proposals in different areas of the negotiations.
- Several key US regulatory agencies are participating in TTIP negotiations, including the Federal Drug Administration, the Occupational Safety and Health Administration, the National Highway Traffic Safety Association and the Environmental Protection Agency. It is more difficult to engage financial services regulators, which are independent from the Executive Board. The EU team also includes representatives from those Commission services responsible for regulations.

### What is the potential impact and outcome of TTIP?

- TTIP has repercussions that go beyond the bilateral relationship and aims to include rules on issues such as sustainable development (labour and environment), energy and raw materials markets, competition policy, investment protection and investor state dispute settlements (ISDS). It has a strategic dimension that can be enhanced in three ways:
  1. If the US and the EU agree on certain provisions, it would facilitate negotiation and agreements with other countries on the same issues.
  2. Reflection is ongoing on whether TTIP could be an open platform for other countries to join, such as Turkey, which already has separate FTAs with both the EU and the United States.
  3. The mutual recognition and common standards that would result from TTIP can enhance US and EU influence in multilateral platforms. This can help promote certain issues that are of interest to these two parties.
- The Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada provides useful reference points for market access. It managed to get 99% of customs duties eliminated; and achieved substantially improved access on government procurement, including at a provincial level.