MBB Policy Briefing

The Malta Business Bureau is the EU-Business advisory office of the Malta Chamber of Commerce, Enterprise and Industry, and the Malta Hotels and Restaurants Association.

The Transatlantic Trade and Investment Partnership (TTIP)

The transatlantic economy remains the largest and wealthiest of the global economy, sharing 34.5% of the global GDP. The Transatlantic Trade and Investment Partnership (TTIP) is a proposed trade and investment agreement currently being negotiated between the European Union and the United States which aims to solidify growth of the transatlantic economy. TTIP talks have been going on since 2013 and have already reached the ninth round of negotiations, with the 10th round due in mid-July. This is arguably one of the most ambitious projects the EU has ever embarked upon in the sphere of international trade. TTIP seeks to remove tariffs and trade restrictions between the EU Member States and the US, meaning that companies pertaining to both economic powers would be able to access markets across the Atlantic without the hindrance of obstacles posed by trade regulations and barriers. The TTIP's main elements can be divided into three:

1. Market Access: Addressing the removal of customs duties on goods and services, facilitating investment
2. Improving regulatory coherence and cooperation: Dismantling regulatory barriers such as bureaucratic duplication
3. Improved cooperation when it comes to setting international standards

Clearly, the trade agreement will greatly impact the area of standardization and regulations. Given that both the EU and the US aim for the highest standards for the same reason, protecting consumers, employees, the environment, and financial stability, it makes sense that these are harmonised to an extent which will reduce duplication of efforts and non-tariff barriers to market entry.

The results of a successful agreement would have many positive ramifications on the economies of both the EU and the US, with the EU's economy projected to grow by c. €120 billion/annum.

Studies have shown that sectors relating to chemicals, processed foods, metal products, and other manufactured goods, are the most likely to benefit from the TTIP. An important issue to keep in mind is that TTIP is not meant solely for big industry – SMEs are being kept right at the heart of discussions. The EU and the US have already discussed such matters in their negotiations and have agreed to include measures that will enable these firms to reap the same benefits as the larger companies.

A project as large as TTIP is sure to face a number of challenges. These are primarily posed by businesses themselves. Some industries that depend on energy fear that their standing in the transatlantic market will fall as a result of the energy price gap present between the EU and the US. This matter has in fact been addressed and both sides agreed to instill policy frameworks to safeguard the competitiveness of European firms.

ISDS

In these talks, the issue of how investor-state disputes would be settled is increasingly shaping the political debate. The provisions on investment protection and specifically the investor-to-state dispute settlement (ISDS) are a key element of the negotiating mandate given by the EU Member States to the European Commission back in June 2013, prior to the launch of the trade discussions between the EU Commission and the US.

The provisions on protection of investment in trade agreements are of fundamental importance in trade agreements that are conceived at liberalising and easing freedom of services provision in a foreign jurisdiction. From an EU perspective, it is hard to underestimate the strategic importance of the inclusion of investments in trade agreements concluded with third countries. The European Single Market is the world's largest source and destination of foreign direct investment. With this clear strategic investment, it is therefore equally important for MEPs to consider both how EU investments are protected abroad and in turn how foreign investors abide by the European minimum standards and regulations when establishing business operations in the EU's internal market.

Figures:

Top US Imports from Malta in 2013

- Machinery and transport equipment: $184 million
- Chemicals and related products: $27.8 million
- Manufactured goods classified chiefly by material: $9.9million
- Mineral fuels, lubricants and related materials: $9.7 million
- Commodities and transactions not classified elsewhere: $11.7 million
- Miscellaneous manufactured articles: $39.8 million

Next steps:

- 10th round of negotiations: 10th – 13th July 2015
- Indicative vote in European Parliament – July/September 2015. The International Trade (INTA) Committee had initially approved a report recommending a way forward to the European Commission in May 2015, which was meant to be rubber stamped by plenary in June. However, due to a huge number of requests for amendments and split-votes, as well as a split among the Socialists and Democrats Group on the controversial ISDS mechanism, President Schulz postponed the vote, citing Parliamentary Rule of Procedure 175 (too many requests for amendments and split-votes). The vote was sent back to the INTA Committee for approval, and a deal has been struck in principle on the text mentioning ISDS, whereby it is likely to evolve to a sort of autonomous international trade tribunal. The new compromise text is backed by the Socialists and Democrats, and should, in principle, be supported by the European People's Party, the European Conservatives and Reformists, and the European Liberals. The draft text has thus been sent back to Plenary for approval.

ENDS

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