



THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

What is in it for Maltese Business?



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Foreword

Any mention of an agreement that seeks to improve cooperation and trade relations between the European Union and the United States of America is of itself appealing. The parties are among the largest trading blocs in the world and are very influential in shaping global economics. Therefore, a trade agreement as extensive as the proposed Transatlantic Trade and Investment Partnership (TTIP) is expected to not only help bolster the economies on both sides of the Atlantic, but it could also be beneficial to the global economy in general.

The first negotiations on the TTIP took off more than two years ago, in July 2013 and, since then, significant progress was registered. The process is however far from complete, both on the negotiating table as well as with regards to public opinion and views by stakeholders. The TTIP impacts trade in hundreds of product and service categories under at least 24 negotiating chapters. The said negotiating chapters need to face internal fragmentation at state level in the US and in the Union as well as the natural complexity of finding the golden mean in the approximation of two systems.

The TTIP negotiations are hence very complex. Passing a comprehensive judgement as to whether it is in our interest or not seems therefore a daunting, if not improbable, task. For this reason the Malta Business Bureau, supported by the European Parliament Office in Malta, is launching this publication with a view to collect perspectives on the TTIP as applied to four particular sectors and with the views of the local business community.

Rather than providing answers this publication is meant to stimulate the complex assessment process to be undertaken by local business and decision-makers with regard to the TTIP. It seeks to reflect the outlook of local enterprise, and to note down any recommendations for the achievement of a better and more successful trade deal.

The main feature of this publication is the qualitative research on the negotiation processes of the TTIP as well as the positions of both the EU and the US within the negotiations. Furthermore, the research and consultations with stakeholders and MEPs try to shed light on the possible implications of the trade agreement on Maltese businesses and consumers.

The process undertaken attempts to propose an unbiased and constructively critical analysis of what is on the table and at stake from a local perspective when available data and reactions by local business make this feasible.

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The TTIP: An Introduction

The Transatlantic Trade and Investment Partnership (TTIP) is arguably one of the most ambitious projects the EU is currently pursuing. In essence, it is a free trade agreement which the European Union and the United States have been negotiating since 2013. The TTIP seeks to remove tariffs, trade restrictions and non-tariff barriers in a number of sectors between the EU Member States and the US and, thus, improve and enhance Trans-Atlantic market access.

The TTIP's main objectives may be divided into three: First is market access, which addresses the removal of customs duties on goods and services. Better access to the respective markets would facilitate cross-border investment. The second objective is to dismantle bureaucratic regulatory barriers. This will result in greater efficiency at the operational and administrative levels. Third, the TTIP agreement seeks to improve cooperation at an international level especially when establishing international standards.

If an agreement is reached, it is projected that the EU economy could grow by around €120 billion per year whilst that of the US by around €95 billion (Economywatch.com, 2015). The EU has positioned itself as the biggest investor in the US, therefore, should the TTIP negotiations be successful, the agreement ought to ensure that the EU's investments benefit from better trade terms.

Due to the expected expansion in trade, an increase in demand for raw materials and other supplies is also likely to occur. This would boost exports from producing countries. As a result, it is projected that the global economy would grow by almost €100 billion (Center for Economic Policy Research, 2013). Further projections by The Centre of Economic Policy and Research (CEPR) reveal that growth in sectors such as chemicals, processed foods, metal products, manufactured goods and the transport of goods, most of which contribute considerably to the Maltese economy, stands to be substantial if the agreement is secured (Center for Economic Policy Research, 2013). Consumers too are expected to benefit from a wider range of better quality goods, cheaper prices and more efficient services.

However, a project as ambitious as the TTIP faces a number of challenges. Some European energy-intensive industries fear that their standing in the transatlantic market will fall as a result of the energy price gap that exists between the EU and the US. Manufacturers, especially of agricultural products, have also voiced their concern over the exposure to competition from the US, while others are worried about the impact the TTIP will have on GMO foods and hormone-treated meat. Some consumer associations have also voiced their concern over the trade agreement as they fear that both the environment and safety standards will be undermined and that business growth will take place at the expense of consumers themselves.

Since the TTIP will be setting new regulations and standards of international trade, it will inevitably influence other states, including the BRIC countries, and their trade policies. A more clear-cut and definitive framework for trade will be of benefit to the whole international community in the long run. Through closer cooperation, transparency and a more efficient and effective strategy on trade, the TTIP would enable both sides of the Atlantic to better address both internal and external challenges. Such an outcome may be of direct and indirect benefit to Maltese businesses and consumers. Yet, Malta and the other 27 EU Member States must first place the project under critical examination to ensure that it turns out to be truly beneficial to them.



Methodology

This study is intended to provide insights on the TTIP and aims to inform readers not only on what is being discussed in the negotiations, but also to assess Maltese businesses' perspectives on such an agreement. In addition, the publication aims to help identify any gaps in the existing levels and type of information on the TTIP amongst the Maltese business community and Maltese consumers.

The following pages are the outcome of desktop research supported by round-table discussions in the form of four sectoral consultation sessions with stakeholders. The research and the round-tables were carried out on four sectors that are expected to be directly influenced by the outcome of the negotiations:

- **Manufacturing**
- **Financial Services**
- **Pharmaceuticals and Healthcare**
- **Transport and Logistics**

This approach allowed for a qualitative analysis to be made on the TTIP process in general and on how local industries view this agreement in terms of its implications on the production, distribution, as well as consumption of their products. Qualitative analysis tends to provide in-depth information and details about specific aspects or issues. Due to its very nature, this type of research also tends to be inter-subjective. Since qualitative case study analysis involves close observation, most of the conclusions drawn were naturally biased towards businesses.

The main topics that were covered during the consultation sessions were as follows:

- Identifying the key issues being discussed in the TTIP negotiations along with the respective positions of the EU and the US;
- Gaining more in-depth information of the role of the European Parliament and its position on proposals of a TTIP agreement;
- General attitudes towards the TTIP agreement and its impact on local businesses and consumers;
- Perceived advantages and disadvantages of the implementation of the TTIP;
- Perceived obstacles to reap benefits from the TTIP.

A dark blue silhouette of an industrial factory with multiple tall smokestacks and complex piping structures against a lighter blue sky with faint clouds.

MANUFACTURING

A blue-tinted photograph of a patient lying on a hospital gurney, with a medical professional in a white coat standing by the side. The background shows a hospital room with a window and some medical equipment.

**PHARMACEUTICALS
AND HEALTHCARE**



Regulatory cooperation vital for the Manufacturing industry

The main purpose of the TTIP is to present the trade industry with the opportunity to grow through increased cooperation between the European Union and the United States. In 2013, “Europe accounted for around 70% of the \$2.8 trillion invested in the United States”. Moreover, in the same year, European companies operating in the US “accounted for two-thirds of the \$830 billion contributed by all foreign firms to US aggregate production”. In addition to this, it can be said that foreign companies in the US generated around one-fifth of US exports. More than half of this was generated by European companies. On the other hand, it must be mentioned that, since the year 2000, “Europe has attracted over 55% of total US global investment – more than in any previous decade” (Center for Transatlantic Relations, 2015). Therefore, manufacturing companies and the manufacturing sector are major contributors to trade and the global economy and the outcome of the negotiations, especially those concerning trade costs and tariff barriers, will greatly influence the future of manufacturers and the manufacturing industry as a whole.

Though nothing has been officially decided or implemented yet, the results of the negotiations should mean an increase in average output for manufacturing industries (European Parliament, DG IPOL Policy Department A: Economic and Scientific Policy, 2015). This is particularly due to the elimination of unnecessary costs and excess financial burdens for businesses. Such matters fall under all three pillars of the TTIP, which include market access, regulatory cooperation and rules, and are the main points of discussion in the trade agreement’s negotiations. With this being said, a study conducted by the EU noted that since manufacturing incorporates a number of sub-sectors, certain components that make up this sector will stand to gain more than others.

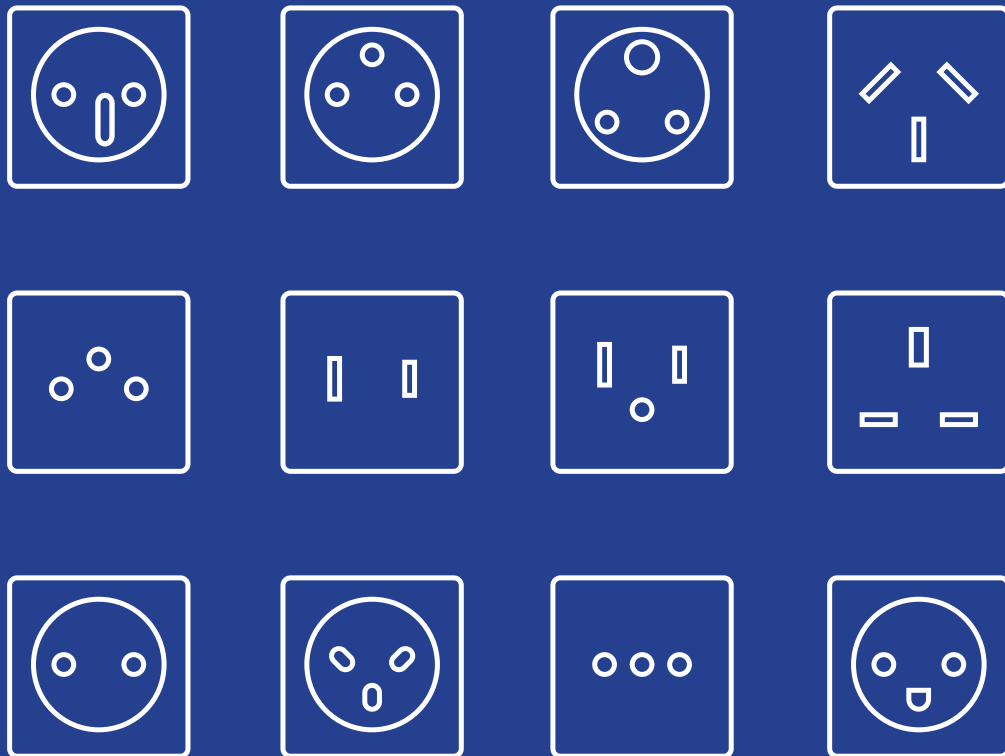
Throughout the TTIP negotiations, there have been talks on the reinforcement of regulatory cooperation to facilitate trade and investments in most fields and sectors relating to manufacturing, while guaranteeing them a high level of protection. The table below gives an overview of what the negotiating parties are proposing to improve regulatory cooperation between them.

Increasing regulatory cooperation through the TTIP

Issue	The TTIP negotiations/ proposals
A Regulatory Cooperation Body	A body consisting of representatives of EU and US regulatory authorities, which would monitor rules and regulatory procedures.
Safety and security standards	The negotiating parties have committed to not lower any safety and security standards but, rather, increase them where possible.
Information exchanges	Having an exchange of information system would help maintain high standards, increase the effectiveness and productivity of manufacturing industries, as well as promote innovation.
Unnecessary costs and resource wasting	Further regulatory cooperation will help companies eliminate any unnecessary costs and resource wasting resulting from the duplication of work and effort especially when it comes to testing, labelling and classification of products.

The EU is also seeking to render the TTIP relevant for the Small and Medium Enterprises (SMEs). In fact, the negotiating texts show that these types of firms are being given a priority within the TTIP discussions. The non-tariff measures currently in place do not differentiate between small and larger companies. This one-size-fits-all treatment increases the cost to turnover ratio dramatically for SMEs and their removal would hence be of immediate impact on SMEs' well-being in the Union and in Malta. Apart from this, where harmonisation of standards is achieved, manufacturing companies, including SMEs, would see their costs decrease as they would not have to comply with different standards and regulations. The problem that might emerge from this is the uncertainty of whether the high standards currently applied in some areas will have to be lowered to meet the needs of others and, thus, lowering the overall quality and safety of the product (EurActiv | EU News & policy debates, across languages, 2015).

Another important aspect to keep in mind is the effect on the cost of energy and raw material, which is something that is being addressed in the TTIP negotiations. A reduction in energy expenditure will mean that manufacturers that make heavy use of the various sources of energy will benefit. It can also



Some say that the Union and the United States are too different to be one, not only on such things as consumer protection and agriculture, but also on simple technical standards. Others argue that the EU itself is still coming to terms with overcoming internal technical barriers between the Member States.

(Above) Diversity of electrical plugs

be argued, however, that without having a level playing field in terms of energy costs, companies that make use of certain types of resources may suffer as a result of too much competition. Furthermore, regulations acting as obstacles to trade, such as the Buy American Act in the United States, which offers restrictions to foreign products, will hinder growth. That is why the EU is seeking the removal of such hindrances to its trade through the TTIP.

As a final remark, it can be said that a principal aim of the TTIP, especially with regards to the manufacturing sector, is to ultimately benefit Foreign Direct Investment (FDI). With an increase in the access to markets, and with new non-discriminatory clauses and with mechanisms that ensure transparency, all of which are being discussed in the negotiations, mobilisation of manufacturing companies and investors overseas will become more straightforward. As in the case of other sectors, there is still work to be done and much more to be discussed with regards to the manufacturing industry. As in every other negotiation process, there are uncertainties and scepticisms, especially in terms of the potential beneficiaries and the implications of such an agreement but, in spite of this, the TTIP's potential for a successful transatlantic trade relationship should not be diminished.

How will the TTIP affect the domestic Manufacturing industry?

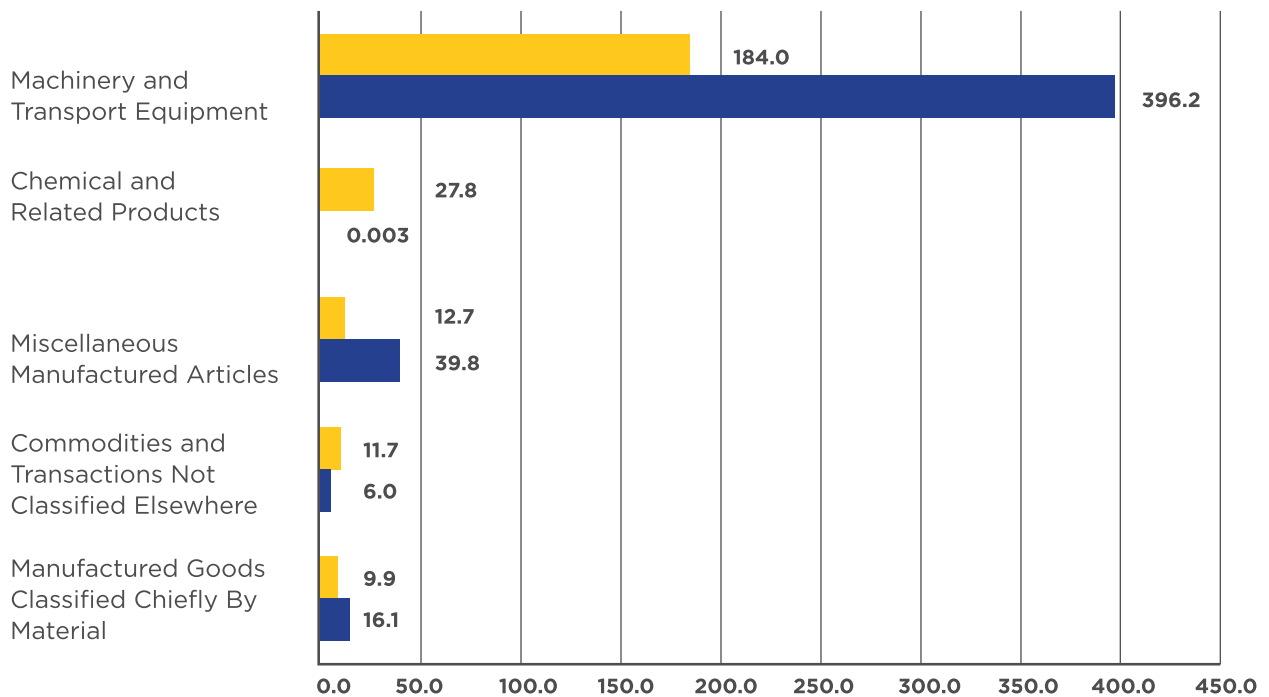
An agreement that seeks to improve market access and reduce tariffs, non-trade barriers and other costs for manufacturers is always welcome for Maltese business operators. Generally, statistics show that Malta, in spite of its small size and population, is currently attracting a sizeable amount of FDI from the US. In 2013, “the country received \$0.6 billion in US investment” and around 1,632 affiliate employees (Center for Transatlantic Relations, 2015). Further statistics show that Maltese imports from and Maltese exports to the US were quite balanced between 2004 and 2013. On the other hand, the statistics for 2014, though provisional, show that Malta’s imports far exceeded its exports from and to the US respectively, resulting in a trade deficit for Malta of more than €440 million. Below are two tables which show Malta’s trade with the US and the top five US imports from Malta respectively.

Malta’s Total Trade with the US in Millions of Euros

	Imports	Exports	Surplus / Deficit	Total Trade
2004	162.72	330.41	167.69	493.13
2005	162.28	263.87	101.60	426.15
2006	179.55	275.49	95.94	455.04
2007	206.48	246.66	40.18	453.14
2008	86.82	182.96	96.15	269.78
2009	124.72	152.34	27.62	277.06
2010	92.76	196.12	103.35	288.88
2011	225.30	169.02	-56.28	394.31
2012	134.14	198.03	63.89	332.17
2013	187.90	170.05	-17.85	357.94
2014 (provisional)	610.08	164.06	-446.02	774.14
Total 2004 - 2014	2172.75	2349.01	176.26	4521.76

Source: National Statistics Office, Malta, 2015

Top Five US Imports from Malta, 2013 (in \$ millions)



Source: Bureau of Economic Analysis; International Monetary Fund;
Office of Trade and Industry Information, 2013

2012 2000

In manufacturing, “Europe is suffering from a downturn in the industry with 3.8 million jobs having already been lost since 2008” (Metsola, R., MEP, 2015). This can be extended to Maltese manufacturing where this decline, according to some of the local stakeholders, is being felt even more in Malta. With this being said, it must be pointed out that there have been improvements in exports and research, which are very positive signs for the manufacturing sector in general within the EU. Thus, overall, it can be said that it will be good for the EU to invest further in manufacturing. Moreover, industries will be allowed to grow and the people in general would benefit through the creation of more jobs.

On market access, MEP Metsola maintains that the EU needs to open up its market without increasing instances of duplication of efforts, such as in testing and labelling of products, and, more importantly, without lowering any standards. Currently, the standards of manufacturing products differ considerably between the EU and the US. This is evident in goods such as textiles, apparel and footwear, all of which have to meet specific requirements, especially in the EU, before being put on the market. Thus, in some instances, standards in the EU and, consequently, Malta are higher than in the US whilst in other cases, the standards of the US, such as those in food and drugs, governed by the FDA, are to an extent, stricter. This means that having a transatlantic harmonisation of standards and requirements through the TTIP could result in higher standards for EU and Maltese as well as US manufacturing and manufactured products.

Consumer organisations in Malta and across the continent have voiced their concern with regards to Genetically Modified Organisms (GMOs). Contrary to this widespread public perception linking the TTIP with GMOs all publicly accessible documentation points however to GMOs being specifically excluded from the regulatory convergence included in the TTIP.

Will the TTIP force the EU to change its laws on Genetically Modified Organisms (GMOs)?

No.

The EU has a strict system for deciding whether to allow companies to sell any given GMO in the EU. This is entirely separate from trade negotiations.

The EU basic law on GMOs - including the European Food Safety Authority's (EFSA) safety assessment and the risk management procedure - is not up for negotiation. It will not change as a result of TTIP."

(Source: Ec.europa.eu, 2015)



In the EU and the US, one tends to find divergences even when it comes to definitions and terminology. Increased regulatory cooperation, exchange of information, and further harmonisation would help eliminate most of these disparities. This can only be achieved through transparency.

Finally, both the EU and the US have agreed to keep SMEs and micro businesses at the heart of their discussions. "SMEs in Malta are often at a disadvantage" due to lack of economies of scale, whereas the bigger manufacturing industries are often allowed concessions such as better electricity rates (Pace, J., Consolidated Biscuits, 2015). Micro enterprises are very small and cannot afford to invest like larger businesses notably when it comes to research and development. Therefore, even ensuring they have good access to information would be very helpful.

It can be noted that although the ambitious TTIP agreement has much to offer to the trade industry and the economy in general, a number of uncertainties remain. There are those, for instance, that believe that the environment may be threatened because of this trade agreement. Other concerns revolve around consumer protection, including online.

It is clear that "years of transition will still be required", as MEP Metsola put it, and it will be necessary that, even then, both sides of the Atlantic move ahead with a lot of vigilance and show a sense of commitment in achieving the objectives of the partnership.

Information exchange and harmonisation crucial for the Trans-Atlantic Pharmaceutical industry

Even before the start of the TTIP negotiating rounds, both the EU and the US stated that the trade agreement should aim at securing better coordination between regulators especially in the fields of pharmaceuticals and healthcare. In the EU, the health care sector accounted for around 10% of its GDP in 2010 (Ec.europa.eu, 2013). The US, on the other hand, is the world's largest market for pharmaceuticals and the world leader in biopharmaceutical research, the latter employing more than 810,000 people as of 2012. Furthermore, the whole industry supports almost 3.4 million jobs across the US economy (Keating, 2014). These statistics already give indications as to why such sectors are given so much importance by the EU and the US. Closer cooperation will enable the EU Member States and the US to come up with a successful trade framework for this sector. This would allow for the production and distribution of better goods and services while ensuring that strict standards, particularly those related to medicines, are maintained (Trade.ec.europa.eu, 2015).

An important aspect to keep in mind while speaking of these sectors is that of good manufacturing practices (GMPs). Below is a table that illustrates what they are and how they are being addressed in the negotiations.

Good Manufacturing Practices (GMPs)

- Ensure that products conform to a set of quality standards.
- The EU wants both negotiating parties to explore further the possibilities for the recognition of the GMP inspections carried out in the EU, the US as well as in third countries.
- This would help eliminate overlapping inspections by the European Medicines Agency and the US Food and Drug Administration.



In addition to this, as seen in both the EU's negotiation texts and in the texts of US objectives, both negotiating parties have confirmed that they are very keen to keep each other informed on developments related to guidelines on medical products and are willing to work towards exploring further opportunities of collaboration on matters such as generics. This would help in achieving the EU's goal of harmonising the requirements for the authorisation of goods such as biosimilars. The sharing of information is something that is being stressed constantly in the TTIP discussions especially since further information exchanges will ultimately result in not just the elimination of duplicate efforts, such as in trials and testing, but also in the dissemination of new ideas and information that can result in more innovation and better quality products.

While both sides of the Atlantic are trying to ensure that barriers to trade resulting from lack of openness and clarity are overcome, they are reassuring companies and consumers that high quality standards will be maintained. The EU and the US are both heavily in favour of guaranteeing that product and trade efficiency will not increase at the expense of quality and safety standards. This was made clear in both the textual proposals and the negotiation rounds of the TTIP. The question that arises from this is how the two parties will be managing to keep products, especially pharmaceuticals and healthcare commodities, affordable for the general public when standards are to be kept as high as possible. These concerns are being raised mostly by consumer organisations such as the European Consumer Organisation, BEUC (Beuc.eu, 2015).

As for small and medium enterprises, which make up the bulk of the industrial sector in most economies, the negotiators are making sure that any decisions taken will be of benefit to them as well. It is being discussed that the trade agreement should be able to facilitate trade for SMEs, including those that produce pharmaceutical, medical and healthcare products, and present them with opportunities to develop. The TTIP's main objective is to help businesses grow and, therefore, no type of firm or company should be neglected.

The concern that arises from this is whether the health sector will remain a public one meaning that people are worried that their governments will lose the authority they currently hold in matters concerning health and medicine. Many consumers, thus, fear that this sector and anything related to it, including product safety standards and costs, will become privatised and dictated by industries and businesses. Here, one can mention the issue of the proposed Investor-State Dispute Settlement (ISDS) mechanism, which is bringing with it mixed opinions due to the fact that there are worries that governments will lose their right to regulate when disputes with investors arise. As a response to such a concern, the EU and the US have claimed that states will not lose their hold on certain sectors and will be allowed to regulate. (Refer to the table below – Source: Trade.ec.europa.eu, 2015). Furthermore, it must be said that, in September 2015, European Commissioner for Trade, Cecilia Malmström, proposed a new Investment Court System that would have a public justice system and which would replace the old ISDS model.

Investor-State Dispute Settlement (ISDS)	
Concern	EU response
Governments will lose the right to regulate	The EP has put forth “several proposals for safeguarding the right to regulate” including “an explicit acknowledgement of the right to regulate and the clarification and limitation of the rights investors are granted”
ISDS proceedings will be conducted in secret – this will make way for bias and conflicts of interest	The EU said that it “would ensure full transparency and further guarantees for impartiality and ethical conduct of arbitrators”
ISDS tribunals generate inconsistent and biased practice	“The EU has flagged the need to review ISDS tribunal’s decisions through an appellate system”

To conclude, it can be said that the pharmaceuticals and healthcare sectors are being given top priority during the talks. This, of course, does not come as a surprise since both sectors directly concern people’s health, safety and well-being. The aim of the TTIP is to ensure that producers of such commodities are able to produce quality products that meet high standards, while avoiding unnecessary costs. As in most cases, problems and doubts regarding the whole process and its implications for the sector do arise and rightly so, however, if both negotiating parties follow the principles they agreed upon when first establishing the foundations of the TTIP, then a successful agreement that benefits pharmaceutical and healthcare companies and manufacturers, along with their clients and consumers, will likely ensue.



How will the TTIP affect the domestic Pharmaceutical and Healthcare sectors?

An ambitious agreement such as the TTIP is very likely to bring with it mixed opinions. This is not only evident within the European Parliament, but also in various organisations or lobby groups that have either defended the process or criticised it. According to local industry reactions at the moment, within the EU Member States, “there is no common ground with respect to the pharmaceutical and healthcare industry” (Mamo, E., Pharma-cos, 2015). It will be futile to seek a harmonised system in this sector if differences still remain within the EU itself. Therefore, streamlining procedures and matters concerning the sector through the TTIP would be a positive step forward for the EU and for Malta.

Currently, with regards to pharmaceuticals and healthcare, Malta imports almost 5% of chemical products mostly from Europe and from Asian countries. On the other hand, the country engages in exporting 6% of packaged medicines and pharmaceuticals to both European countries and the US making this sector the third highest contributor to Malta’s exports (Companyincorporationmalta.com, 2015).

When comparing the EU and the US, one would see that there are disparities found in a number of aspects related to pharmaceuticals and healthcare products. Moreover, a valid concern is that even between Malta and other EU Member States there is a severe lack of harmonisation, and one does wonder how such a fragmented industry at home can open up to such a large foreign market. It can be said, therefore, that if there was to be harmonisation, then this should take place on all levels, including in those areas of the sector which seem insignificant or unimportant like the colouring of wires (Mifsud, M., Pharma-cos, 2015). It is also crucial that, when discussing harmonisation, the negotiators do not neglect regulations or Acts already in place such as ones that assign unique identification numbers to products to limit fraud or counterfeit.

Having convergence on matters like market authorisation of products would be of benefit to the sector. This should also be extended to goods like biosimilars. With this being said, both the EU and the US “must be cautious in adopting reciprocal systems on matters such as intellectual property” (Farrugia, C., Malta Chamber Pharmaceutical Manufacturing Group, 2015). There are still uncertainties related to whether the systems adopted by the TTIP agreement will be interchangeable or not. Due to this ambivalence, it would be better not to rush into decisions blindly, especially when important issues like IPR are concerned. Questions arise with respect to how patent linkages will affect Maltese pharmaceutical companies. If the present US framework on patent linkages is adopted, then it would be devastating if, as a result of this trade agreement, a dispute in the US were to result in a product not being allowed to be put to market within the EU.

Another uncertainty is the one relating to pricing. It could very well be the case that any effort to harmonise pricing procedures would be detrimental to the pharmaceutical industry in Malta and in the rest of Europe. Currently, pricing within Europe is ambiguous. Therefore, matters might get even more complicated if the US was to be included in the equation as well (Farrugia, C., Malta Chamber Pharmaceutical Manufacturing Group, 2015).

In addition, it will also be wise to move with caution where standards are concerned. The convergence of standards in the EU and the US is also causing concerns, amid fears of lowering product quality and safety standards as a result. On this matter, however, both sides of the Atlantic have reaffirmed the position that no agreement that reduces current standards will be accepted. This was further stressed by MEP Miriam Dalli who stated that “the European Parliament does not want the lowering of standards on either side” (Dalli, M., MEP, 2015). Harmonisation that results in better quality healthcare products for consumers is more than welcome, but one must keep in mind that it will not be easy and, currently, there are still uncertainties relating to how a supranational body would work in relation to a national regulatory one.

When discussing a treaty or agreement such as the TTIP, one cannot help but wonder whether the decisions taken will truly affect small states such as Malta in a positive way, given that often such agreements are tailor made for big industry, with a spill-over of benefits for smaller companies (Farrugia, C., Malta Chamber Pharmaceutical Manufacturing Group, 2015). On a similar note, what may be beneficial to one section of the sector may not necessarily be of benefit to another.



FINANCIAL SERVICES



TRANSPORT AND LOGISTICS



Bridging Trans-Atlantic regulatory divergences necessary for the Financial Services sector

The financial services sector has undoubtedly been one of the most prominent contributors to international growth over the past decade, with the EU and the US alone jointly accounting for 80% of global financial transactions (Institute of International Finance, 2014). Financial services and financial sector investors covered by the TTIP trade rules includes all matters ranging from bank and insurance services to funds and financial advisory consultancies.

The sector is one which witnesses significant regulation, monitoring, criticism and concern, particularly as a result of the recent financial crisis. It is, therefore, not a surprise that in-depth discussions relating to the impact of the TTIP on the financial services sector prevailed as being one of the key issues behind the proposed partnership. An extensive analysis and understanding of the dynamics in the financial sectors in both the EU and the US is imperative to achieve the benefits of the TTIP.

Over the past years, the degree of transatlantic transactions between the EU and the US firms drastically increased, and the currently implemented protectionism measures intended to control trade between the two economies have imposed burdensome costs on firms, whilst constraining growth. These additional costs incurred by firms to enable trade with the US are reflected in inflated costs for consumers, ultimately making the tax payer worse off. Another key setback in the current scenario without the TTIP in place is that there exist considerable variations in standards and regulations pertaining to the financial services industry across the EU and the US. This hinders transparency, encumbers trade and growth, and also leads to reporting inconsistencies. Besides, burdensome red tape procedures impose additional costs and delays to those firms already conducting business with the US.

All the above impediments call for the enactment of a policy which would facilitate trading procedures between the EU and the US, and would guarantee improved welfare for both firms and consumers. This is where the TTIP comes into play. The EU makes it clear that its goal will not be to develop specific joint harmonised standards between the EU and the US. Neither does it seek to undermine its own ability, or that of the US, in developing legislation to support financial stability. Regulators would only be bound by the principle of good cooperation and would need to account for the potential impact on the other party of any new rules to be announced.

Apart from the anticipated growth for businesses, the effects of the implementation of a successful TTIP agreement would include more transparency and financial stability, which would ensure more customer security and protection, as well as smoother global economic functioning. Moreover, the interdependence of the financial markets globally would ensure key players in the financial services markets do their utmost to provide the best services to consumers and strive to improve performance. Furthermore, the TTIP would also serve to bridge the regulatory divergences between the EU and the US relating to financial services. This last point is, in fact, a key objective of the whole trade agreement and, being one of the pillars of the TTIP, increased regulatory cooperation especially in the financial services sector is high on the agenda of the negotiations.



It can be said that a partnership between the two sides of the Atlantic would ensure that problems related to the financial services sector will be jointly tackled and that harmonised, prudent approaches to addressing the issues are adopted. Therefore, implementation of the TTIP guarantees stable and resilient global markets. In addition to this, a successful TTIP agreement is expected to provide effective remedies to the problems currently present in arbitrage and will help establish more convergence on sectors such as accounting and insurance.

On investment services, the implementation of the TTIP would enable a wider portfolio of investments to be available, extending to stocks, bonds, real estate and commodities. With regards to banking, on the other hand, it is uncertain whether the US will be willing to relax its stringent regulations and accept the risk of susceptibility to another financial crisis. Therefore, the financial services section of the TTIP should be designed to prevent a re-appearance of the regulatory divergence which may lead to fragmented markets and regulatory arbitrage.

The TTIP is a once in a generation opportunity which can address some very long standing issues and divergences in the financial sector. Despite numerous controversies regarding the effects of the programme and uncertainty resulting from the dynamic economic environment, the bottom line would be the creation of an integrated, stable, and safe transatlantic market place for financial services to operate and contribute to better world-wide welfare.



How will the TTIP affect the domestic Financial Services sector?

Currently, there is little information available on the TTIP and its potential impact on financial services. In fact, only a few of Maltese operators in the sector are aware of the proposed partnership and its potential implications for business. It has become apparent that the US has little interest in discussing the subject, and that “efforts being made towards finalising an agreement seem to be one sided” (Sant, A., MEP, 2015). US firms are already established in the EU; however, the US does not see any added value in opening domestic markets to EU firms. It is also possible that the US may be untrustworthy of Europe and the Euro at the moment especially because of the problems related to the Greek economy.

Negotiating mandates for the Union indicate that the EU would have two key objectives in this sector. The first one is cooperation on a regulatory level, which entails reaching an agreement on how to interpret financial rules, convergence on prudential arrangements, and the manner in which financial legal terms are used. The second one related to convergence in terms of how each individual party relies on the other side’s rules.

The main European interest is achieving a reduction in firm regulatory burdens, which will ultimately be reflected in lower costs. However, one may question whether the EU is being “too ambitious” to include financial services in the agreement (Camilleri, S., Credit Info, 2015). Apart from the numerous differences in transatlantic banking systems, the Member States of the EU, including Malta, already face numerous hitches when trying to find a common agreement with each other, so proposing a partnership with the US on financial services without intra-bloc issues being first mitigated and agreed upon will be challenging.

A key player in the financial services industry which has been absent from TTIP discussions is Asia. How could the prospering Asian economies be factored in when negotiating the TTIP financial services section? (Scicluna Bartoli, M., Bank of Valletta, 2015). Basically, Asia could be a significant player since its market might prove to be more attractive for the US than the European market. Local stakeholders have also raised further questions relating to the scope of the financial services

negotiations in the TTIP particularly since it is still uncertain as to whether the discussions currently underway are directed solely at the huge multinational banks or whether the smaller sized entities, which are more common in Malta, are also being considered.

It is also important to note that for this bilateral agreement to be successful, “agreements such as the Trade in Services Agreement” (TiSA) intended to liberalize worldwide services need to be kept in mind (Farrugia, H., Ministry for Finance, 2015). It is also imperative that both parties are well equipped with accessible, up to date information on financial issues. Related to this is the subject of harmonisation. Unless there is political will, harmonisation cannot be achieved and the fruitful operation of the TTIP in the financial services sector will be unlikely.

The partnership would potentially bring considerable benefits for large players in the local market. Financial services is also a sector in which Malta excels, implying that the increased exposure and trade opportunities achieved through the TTIP may result in significant investment gains. However, a drawback remains with regards to the small size of local financial services institutions. It is unclear what the effect on Maltese companies of competition generated by dominant US banks would be. On the other hand, it is far from certain whether huge American multinationals would even consider investing in Malta.

There are still many ambiguities relating to the TTIP and how it will influence the financial services sector, especially in Malta. One such uncertainty relates to consumers as it is still unclear how the trade agreement will actually benefit them. Having said this, ultimately, despite the criticism it has received, limited information and slow progress in discussions on the TTIP pertaining to the financial services sector, its successful implementation may act as an opportunity for Malta to serve as an entry point of US businesses to Europe for financial services.

Regulatory convergence vital for the Transport and Logistics sector

Transportation is defined as the movement of people, animals and goods, including raw materials and finished products, from a source to a destination. This can take place via sea, air, rail and roadways. Logistics, on the other hand, includes various services related to transportation of goods such as the management of freight, warehousing of materials and productions, inventory management and the packaging of products for storage and shipment.

According to an Impact Assessment report on the future of EU-US trade relations, issued by the European Commission in March 2013, the EU is more open for American service providers than the US is for EU service providers in several key areas, such as foreign ownership in sea transport. The US cabotage market is totally closed to EU business both in air and maritime transport. The “Jones Act” requires all goods shipped by sea between US ports to be carried on US-flagged ships. The ships must be at least 75% owned and crewed by US citizens (Worldwide Travel & Cruise Associates Inc., n.d.). These current regulations have varied implications for different business sectors, as well as consumers, within the European and American markets.



The “Jones Act”

- Enacted in 1920
- Originally meant to sustain the Merchant Marine fleet
- Offers protections for US seamen
- Hinders Trans-Atlantic trade
- Senator McCain recently proposed an amendment to the Act as he felt that it had become “antiquated”
 - this was rejected

From an EU perspective, there were also conflicting views regarding the impact of the TTIP within the transport and logistics sector. In fact, the responses to the public consultation in an Impact Assessment Report on the future of EU-US trade relations by the EU Commission indicate that the broad majority of stakeholders support further trade liberalisation and expect a positive impact on the air and maritime transport sectors.

Moreover, a research study that was conducted amongst 177 global trade and logistics experts across various industries by AEB, a software market leader in the areas of foreign trade and logistics, and Baden-Württemberg Cooperative State University (DHBW) on Preferential Agreements and the TTIP showed that 65.5% of the respondents consider the elimination of non-tariff barriers as the expected positive effect of the TTIP, whilst 57% of the respondents considered easier access to markets as the expected positive effect of the trade agreement.

The research carried out indicates that there are conflicting viewpoints on the opportunities and threats in the logistics and transport sector and the opening up of transatlantic trade. Furthermore, at present, numerous areas within the negotiations are still open for discussion. These need to be clarified by the negotiators in order to choose the negotiating method which is most likely to be politically and economically palatable and, therefore, allow the project to be successfully completed.



How will the TTIP affect the domestic Transport and Logistics sector?

Malta's economy, due to a mix of factors, is significantly dependent on foreign trade and, hence, is also dependent on entities operating in the areas of transport and logistics. Malta mainly exports electrical machinery, mechanical appliances, fish and crustaceans, pharmaceutical products and printed material, whilst it imports mineral fuels and oils, non-electrical machinery, aircraft and other transport equipment, plastic and other semi-manufactured goods, food, drink and tobacco. Malta is, therefore, highly reliant on transportation links by sea and air to provide the required services.

The TTIP will create a large market in the United States and Europe resulting in more business flows between the EU and US. As such, this trade agreement is widely perceived to have a positive impact on businesses, in particular, SMEs, because "it will reduce current levels of red tape" and stimulate increased trade flows (Bonavia, P., Carmelo Caruana Ltd., 2015). The removal of barriers to trade is deemed to have a positive impact on international trade. On the other hand, the current level of trade between Malta and the US is not considered to be extensive as local companies find it challenging to export in sufficient quantities to the US. In this regard, it is believed that to boost such exports, Malta may consider focusing on specific products for the US market as, given the long distance of the journey between Malta and the US, it may not be cost effective for local companies to export to the US unless shipments are utilized to full capacity.

With regards to the reduction in barriers to trade, it is anticipated that there will be an increase in business to consumer activity, as more local customers will purchase from the US, in particular on-line. This will stimulate trade flows into Malta from the US. Furthermore, Malta is currently the third largest transshipment hub in the central Mediterranean. "The Malta Freeport offers the advantage for containers to be un/loading without incurring customs charges" (Vella, M., Malta Freeport, 2015). In view of the increase in trans-Atlantic trade which is expected from the TTIP, Malta may also serve as a transshipment hub for US exports to Europe, given its geographical location.

From a regulatory perspective, the TTIP is perceived to impact transportation by sea to the US. Shipping laws and regulations in the US are relatively more stringent and therefore any limitation or removal of such laws and regulations is expected to increase trade between the two trading blocs. In particular, the conditions imposed by the "Jones Act" for goods to be shipped by sea to US ports were considered to be detrimental to the transport and logistics sector in Europe. In this regard, it is presumed that the TTIP may balance out these anomalies currently present in EU-US trade and make it easier for Maltese shipping companies to operate into the USA. With this being said, the impact of the trade agreement on security in transportation still seems to be unclear. Currently, shipping lines have to apply for a license in order to ascertain that the cargo on board is not harmful. Since the EU and the US have different perspectives and policies on security, harmonising the security requirements in shipping may be a challenge, and the final impact still not easy to determine.

As a concluding remark, it must be said that the general view is that, overall, the TTIP will be beneficial to local businesses, including those involved in transport and logistics, as it will potentially open up new avenues for their businesses. In addition, it is foreseen that this trade agreement will also bring about financial benefits to the consumers. This is because the costs incurred by businesses to comply with the current different regulations, very often dealing with bureaucracy, red tape and duty charges related to US imported goods, will no longer be applicable.





Concluding Remarks

The world economy has suffered a lot of disturbance over recent years. Yet, the EU and the US remain thriving trading partners. The transatlantic economy is the wealthiest economy in the world, with 34.5% of the global GDP (European Parliamentary Research Service, 2015). In spite of this, there are still a number of obstacles that are stopping both sides of the Atlantic from trading more effectively and efficiently. Such hindrances range from tariffs and non-trade barriers to differences in rules of procedure and standards. The TTIP is being negotiated between the EU and the US primarily to address these issues and set up a framework that would boost trade between the two while eliminating any present restrictions on the transatlantic market.

A successful trade agreement between both sides of the Atlantic that eliminates tariffs could result in substantial improvements in EU and US exports. This growth in trade would be further enhanced by the removal of non-tariff trade barriers and the streamlining of regulatory standards. Harmonisation could result in a number of benefits for businesses and consumers alike through the production and distribution of a wider variety of quality products in a shorter period of time, among other things. Despite the assurances of negotiators that standards will not be lowered through the harmonisation process, various opponents of the TTIP are still voicing their concern over the trade agreement's implications on product and consumer safety.

Though bilateral, the TTIP will influence trade with third countries as the set of standards and rules established will inevitably affect these countries' trade with the EU and the US respectively. With this being said, one must look at the two trading blocs bordering the Atlantic first. Within Europe itself, there are many divergences in rules and procedures concerning sectors such as pharmaceuticals and healthcare, whilst within the US there is a lack of harmonisation with regards to definitions and classifications of some manufactured goods. Furthermore, in areas such as financial services, the US is holding back, most likely as a result of a lack of trust in the EU's fiscal systems.

Lastly, it is important to mention that the outcome of the negotiation process will, ultimately, have a lasting impact on Maltese businesses and consumers. In fact, the European Commission reported that "Malta's real capital income could potentially increase by some 4.84%" if trade barriers are removed (Metsola, R., MEP, 2015). Therefore, easier market access, less costs for firms, and more trading opportunities should result in benefits for Maltese businesses. Furthermore, progress in transport and logistics should help Malta especially since, at the moment, there is a lot of red tape that is costing the country and the sector large sums of money. Moreover, since SMEs account for 50% of Maltese international trade, any growth they experience will be invaluable for the country's economy (European Parliamentary Research Service, 2015).

It can be said that the TTIP negotiation process is making good progress although there is still a long way to go before a final agreement can be concluded. At present, there are a number of uncertainties and quite a few issues that still need to be addressed. Negotiators have made it clear that they are working hard to ensure the best possible compromise that will lead to exponential trade gains that promise, in turn, to benefit the companies and consumers in both the EU and the US.

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