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| **RESOLUTION AND REPORT****on****the impact of the Transatlantic Trade and Investment Partnership on the EEA Agreement** |
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 **RESOLUTION**

**on**

**the impact of the Transatlantic Trade and Investment Partnership on the EEA Agreement**

The Consultative Committee of the European Economic Area (EEA CC):

1. Noting that negotiations between the European Union (EU) and the United States (US) on a comprehensive Transatlantic Trade and Investment Partnership (TTIP) have been going on since June 2013, and will probably not be concluded before 2016,
2. Noting the negotiation mandate of the EU[[1]](#footnote-1) and the negotiation objectives of the US,
3. Having regard to the extensive scrutiny by the European Economic and Social Committee (EESC) of the ongoing negotiations on TTIP, in particular to its opinion of June 2014[[2]](#footnote-2),
4. Having regard to the opinion of the EEA EFTA Forum of Local and Regional Authorities on TTIP[[3]](#footnote-3) and the resolution of the EEA Joint Parliamentary Committee on TTIP and its possible implications for the EEA EFTA States – Iceland, Liechtenstein and Norway[[4]](#footnote-4):
5. Welcomes the aim of establishing a Transatlantic Trade and Investment Partnership,
6. Notes that the global economic crisis and changing world trade patterns and global power structures have created the momentum for launching the TTIP negotiations,
7. Notes that TTIP is not only considered a trade opportunity for the EU and the US, but could also serve as a model for other regional trade agreements, which in turn could influence negotiations within the context of the World Trade Organization (WTO),
8. Stresses that the three EEA EFTA States are part of the EU Internal Market through the Agreement on the European Economic Area (EEA Agreement), and adopt the same Internal Market legislation as the EU Member States,
9. Underlines that both the EU and the US are important trading partners for the EEA EFTA States, and that any changes to EU regulations brought about by TTIP would impact the EEA EFTA States through the EEA Agreement,
10. Calls on the relevant authorities and institutions to monitor and analyse the impact of TTIP on the EEA Agreement, and to anticipate and if necessary accommodate the continuation of the good and mutually beneficial relations between the EU and the EEA EFTA States,
11. Welcomes the EU’s transparency policy throughout the negotiation process, which includes the publication of legal texts and position papers,
12. Calls on the European Commission to maintain a regular dialogue with the EEA EFTA States on developments in the TTIP negotiations,
13. Calls on the EU and EFTA to keep a regular dialogue with the social partners, civil society and local and regional authorities on TTIP developments,
14. Emphasises the need to incorporate a chapter on sustainable development in this and all trade agreements, with a formal civil society monitoring mechanism such as that found in all recent EU trade agreements,
15. Welcomes the assurances given by Commission negotiators that there will be no diminution of existing standards,
16. Calls on the EU and EFTA to pay special attention to the needs of small and medium-sized enterprises (SMEs) by reducing obstacles for exporting to the US market and focusing on trade facilitation,
17. Stresses the need for the agreement to promote equal opportunities for the two parties, among others in the field of public procurement,
18. Calls on the negotiating partners to consider the options for relevant third countries to link up to the TTIP agreement, and to keep in mind the close trade and regulatory ties between the EU and the EEA EFTA States through the EEA Agreement,
19. Emphasises the need for the EU to consult the EEA EFTA States, as far as relevant legislation and standards under the EEA Agreement are concerned, about questions that arise in regulatory cooperation once TTIP has been concluded.

**REPORT**

**on**

**the impact of the Transatlantic Trade and Investment Partnership on the EEA Agreement**

**1. Introduction**

* 1. Negotiations between the European Union (EU) and the United States (US) on a comprehensive Transatlantic Trade and Investment Partnership (TTIP) have been going on since June 2013. The agreement is intended to cover trade in goods and services, as well as investments. The aim is to reach a comprehensive agreement that focuses not only on tariff reductions, but also on reductions in regulatory obstacles to trade (non-tariff barriers, or NTBs) through mutual recognition and harmonisation of standards, regulations and greater regulatory convergence.
	2. The initial aim was to conclude negotiations by the end of 2015. However, more realistically, it is expected that negotiations will continue into 2016[[5]](#footnote-5). The idea of a transatlantic trade agreement is not new. Previous attempts to draw up comprehensive trade and investment agreements have foundered though, for example Commissioner Brittan’s initiative of 1998 and the more recent transatlantic dialogues in the 2000s. However, the global economic crisis, the standstill in the World Trade Organization (WTO) and changes in the global power structures, created a renewed momentum for launching negotiations.
	3. Both partners look upon an agreement as an opportunity to gain economic growth and to create more jobs. The European Commission argues that “extra economic growth 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”[[6]](#footnote-6).
	4. TTIP might also strengthen the position of the two partners on the world trade scene vis-à-vis other major traders, in particular China and other leading Asian economies. While the EU and the US have decreased their shares of world trade in recent years, leading Asian countries, in particular China, have increased theirs. Through TTIP, the EU and the US can re-establish their influence over international trade rules and regain a leading position in world trade, not least as regards the growing political and economic influence of the BRICS countries (Brazil, Russia, India, China and South Africa). A TTIP agreement may create a precedent that other regional and inter-regional agreements want to follow. Many are of the opinion that TTIP will also help to move the WTO negotiations forward.
	5. If TTIP is concluded successfully, there will be implications for the EEA EFTA States – Iceland, Liechtenstein and Norway – not only with regard to their trade relations with the EU through the Agreement on the European Economic Area (EEA Agreement), but also as regards their trade relations with the US. This is also the case for Switzerland through its bilateral agreements with the EU[[7]](#footnote-7). Both the US and the EU are important trading partners for the four EFTA States, accounting for over 75% of EFTA merchandise imports and exports. In 2013, EFTA’s total merchandise trade amounted to USD 459 billion with the EU and USD 52 billion with the US[[8]](#footnote-8).
	6. Any changes to EU Internal Market regulation brought about by TTIP would also affect the EEA EFTA States, which follow the same Internal Market legislation as the EU Member States. The EU is the EEA EFTA States’ most important import and export market, and it is therefore important to have the same regulatory framework and to ensure the same rights and obligations for business and citizens.

**2. The mandate of the EU and the content of negotiations**

* 1. On the EU side, the Commission has been given the mandate to negotiate on behalf of the EU Member States, and the final agreement will have to be approved by the Council of the European Union and the European Parliament, and ratified by each EU Member State. For the US, the Obama Administration faces the challenge that it has not yet obtained a fast-track mandate (Trade Promotion Authority (TPA)) from the Congress.
	2. The EU mandate is based on three pillars: market access, regulatory cooperation and rules:
* Market access
	1. The aim is to eliminate duties on most goods, while considering wider options for the treatment of the most sensitive products, including tariff rate quotas. Negotiations also aim to reconcile the EU and US approaches to rules of origin in a manner that facilitates trade between the parties. The agreement should include a clause on anti-dumping and countervailing measures. Other key aims include the liberalisation of trade in services, the protection and liberalisation of investments, and the opening of the market for government procurement, as well as the facilitation of energy exports and better participation by small and medium-sized enterprises (SMEs) in transatlantic trade.
* Regulatory cooperation and non-tariff barriers (NTBs)
	1. The aim is to remove unnecessary obstacles to trade and investment, including existing NTBs, and to reach regulatory compatibility for goods and services, including through mutual recognition, harmonisation and enhanced cooperation between regulators. This includes “WTO-plus” elements for sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT), as well as enhancing regulatory compatibility and convergence.
	2. Regulatory compatibility shall be without prejudice to the right to regulate in accordance with the level of health, safety, consumer, labour and environmental protection and cultural diversity that each side deems appropriate.
	3. The European Economic and Social Committee (EESC) has been encouraged by commitments given by the EU Chief Negotiator, reassuring it that these negotiations should not entail any lowering of EU standards[[9]](#footnote-9). These assurances have been made repeatedly by both the EU and the US.
* Rules and principles for global trade challenges
	1. Given the size and impact of such a comprehensive partnership, the aim is also to look into areas that go beyond basic trade relations. Defining rules and principles for global trade challenges could contribute to strengthening the multilateral trading system. The focus is on more compatible regimes for intellectual property rights, sustainable development, customs and trade facilitation, competition, state-owned enterprises, raw materials and energy, SMEs and transparency.
	2. The TTIP negotiations concern all goods, including agricultural goods. Both sides are of the opinion that opening the market for agricultural goods could be beneficial, and the US has asked for full market access for agricultural goods[[10]](#footnote-10). This is also the area where there are the biggest challenges for the negotiations, especially with regard to veterinary standards, plant health and SPS measures, not to mention geographical indications (GIs).
	3. To improve the transparency and functioning of investor-to-state dispute settlement (ISDS) in TTIP, following a public consultation, the Commission presented certain changes to the European Parliament and Council in May 2015[[11]](#footnote-11).
	4. The EU has adopted a position paper[[12]](#footnote-12) recognising that the principle of sustainable development should underlie TTIP in all areas and envisaging an integrated chapter specifically devoted to aspects of sustainable development of importance in a trade context – more specifically on labour and environmental aspects, including climate change, as well as their inter-linkages. With regard to monitoring the sustainable development chapter, the EU sees an essential role for civil society through the integration of the agreement of a sound and formal civil society monitoring mechanism. It should be mentioned that the EESC is mandated to act as a key part of the civil society monitoring mechanisms in all existing EU trade agreements.

**3. Implications of TTIP for the EEA Agreement and the EEA EFTA States**

* 1. According to a number of studies, the benefits of TTIP for growth in gross domestic product (GDP) and export performance in the EU Member States would depend on the level of ambition. In the least ambitious scenario (non-tariff scenario), the impact would be limited, but would increase proportionately to the level of regulatory harmonisation[[13]](#footnote-13). According to a study funded by the Commission[[14]](#footnote-14), the Union’s economy as a whole would expand by 0.5 % of GDP – or EUR 120 billion annually – once the deal was fully implemented. TTIP’s potential impact on the EU job market is generally expected to be positive, although projected figures vary in different studies. One study projects the creation of two million jobs, divided equally between the negotiating partners[[15]](#footnote-15).
	2. The final scope of TTIP is unclear at this stage of negotiations, however, and so, therefore, is the impact. The impact of TTIP on third countries, such as the EEA EFTA States, is also unclear. They will have their market share in the EU and the US challenged by greater competition – from European goods and services in the US, and from US goods and services in the EU. TTIP will have positive and negative effects for third countries[[16]](#footnote-16).
	3. Tariff reductions normally have a stronger effect on the diversion of trade in goods than reductions in NTBs, which may also have positive spill-over effects. This is because mutual recognition or harmonisation of rules and standards between the EU and the US could also make it easier for third countries to export to these two markets.
	4. The EEA EFTA States may also benefit from an increased demand for goods, services and investments in the EU and the US, as production could be spread across many countries and foreign direct investment (FDI) and services trade in several sectors are complementary to trade in goods.
	5. If tariffs for industrial products are eliminated between the EU and the US, this will increase competition for third-country companies in these markets. An agreement on TTIP would mean that US goods would benefit from increased market access to the EU’s Internal Market, which could increase competition for goods originating in the EEA EFTA States.
	6. A recent Norwegian study[[17]](#footnote-17) showed that while reductions in Norwegian exports due to trade diversion were small at the aggregate level, TTIP could have more important consequences for certain sectors. For instance, seafood is one of the most important export sectors in Norway, with 60% of exports going to the EU and 3% to the US. If TTIP results in seafood being exported tariff-free from the US to the EU, this could lead to increased competition for Norway in the EU market.
	7. Regulatory cooperation is a core element of TTIP and is expected to lead to the elimination and reduction of unnecessary regulations, as well as increased cooperation on future regulations and standards. New rules and regulations negotiated between the EU and the US may be applicable directly to the EEA EFTA States through the EEA Agreement in all areas covered by the Agreement, including industrial goods and services, such as finance and insurance.
	8. The outcome of the negotiations might be a common system whereby the EU and the US jointly develop and monitor new common standards and regulations. Such a system for consultation on new rules and regulations between the EU and the US could make it difficult for the EEA EFTA States to influence EEA-relevant EU legislation to be incorporated into the EEA Agreement.
	9. Given the expected impact of TTIP on the EEA EFTA States through the EEA Agreement, it is important that there is a dialogue and exchange of information on the ongoing negotiations. A trade policy dialogue between the four EFTA States and the US was launched end of 2013, but the dialogue with the EU has been more limited and only started at the end of 2014. The EEA EFTA States have proposed to the EU to use Protocol 12 to the EEA Agreement as a model for establishing cooperation on the EEA-relevant aspects of the TTIP negotiations[[18]](#footnote-18). Protocol 12 on Mutual Recognition Agreements provides some guidance with regard to cooperation and information exchange between the EU and the EEA EFTA States in this field.
1. <http://ec.europa.eu/trade/policy/in-focus/ttip/> [↑](#footnote-ref-1)
2. Opinion REX/390 Transatlantic trade relations and the EESC’s views on an enhanced cooperation and eventual EU-US FTA. 4 June 2014. Rapporteur: Jacek Krawczyk, Co-rapporteur: Sandy Boyle <http://www.eesc.europa.eu/?i=portal.en.rex-opinions.32281> [↑](#footnote-ref-2)
3. <http://www.efta.int/sites/default/files/images/14-134310%20Tenth%20meeting%20of%20the%20EEA%20EFTA%20Forum%20-%20TTIP%20Opinion%20-%2024-25%20November%202014%20572125_543294_0.pdf> [↑](#footnote-ref-3)
4. <http://www.efta.int/sites/default/files/images/15-893%20150303%20EEA%20JPC%20Resolution%20TTIP.pdf> [↑](#footnote-ref-4)
5. The US presidential election cycle begins in April 2016, which will leave little time to conclude negotiations before the end of President Obama’s second term in office [↑](#footnote-ref-5)
6. European Commission, DG Trade, page on TTIP [↑](#footnote-ref-6)
7. Potential Impacts of an EU-US Free Trade Agreement on the Swiss Economy and External Economic Relations, July 2014, World Trade Institute, University of Bern <http://www.wti.org/fileadmin/user_upload/wti.org/institute/pdfs/Economic_Impacts_of_TTIP_on_Switzerland_-_Final_Study_WTI_-_09_July_2014.pdf> [↑](#footnote-ref-7)
8. <http://www.efta.int/free-trade/trade-statistics> [↑](#footnote-ref-8)
9. See footnote 1 and point 6.1 of REX/390 Opinion [↑](#footnote-ref-9)
10. [http://www.agrianalyse.no/file=3466](http://www.agrianalyse.no/file%3D3466) [↑](#footnote-ref-10)
11. <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1303> [↑](#footnote-ref-11)
12. <http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151626.pdf> [↑](#footnote-ref-12)
13. [http://www.europarl.europa.eu/RegData/etudes/IDAN/2014/536403/EXPO\_IDA(2014)536403\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2014/536403/EXPO_IDA%282014%29536403_EN.pdf) [↑](#footnote-ref-13)
14. Centre for Economic Policy Research (CEPR), Reducing Transatlantic Barriers to Trade and

Investment. An Economic Assessment (2013) [↑](#footnote-ref-14)
15. Bertelsmann study (2013) [↑](#footnote-ref-15)
16. Norwegian Institute of International Affairs NUPI (2014) TTIP – Economic Consequences and Possibilities for Third Countries: the Case of Norway [↑](#footnote-ref-16)
17. NUPI (2014) [↑](#footnote-ref-17)
18. <http://www.consilium.europa.eu/en/press/press-releases/2015/05/18-eea-43rd-meeting/> [↑](#footnote-ref-18)