



European Economic and Social Committee

Employers' Group

The impact of TTIP in Malta: benefits and challenges

Summary of the debate that took place in Malta on the 9 March 2015

Introduction

The EU and US economies account for more than half of the world's GDP in value and for a third of world trade flows. The commercial relationship between the EU and the US is already well established: The US is the EU's principal export destination for goods and services as well as the EU's primary partner in terms of investment ties. The EU and US cover 43% of total global exchanges in the service sector.

The business sector in Europe believes a deep and comprehensive Transatlantic Trade and Investment Partnership (TTIP) can further enhance this economic relationship and ensure that everyone enjoys the benefits of trade and investment ties more fully. The TTIP would go far beyond traditional trade agreements and would have a major impact on global trade as a whole. It would not only reduce bureaucracy but also help create better standards and regulation on both sides of the Atlantic. TTIP should bring more choice and better value to consumers across a wide range of sectors, contribute to long term economic growth and job creation, create shared benefits and set new rules for the global economy, and build a stronger partnership between the EU and the US.

Impact assessments show that a future agreement could add 0.5% of growth annually in the EU and contribute to the creation of 1.3 million additional European jobs over the next 10 years, whilst reinforcing the economic importance of the EU and US on a global scale. In order to do so, the final agreement should be as comprehensive and ambitious as possible in each pillar of negotiation, including market access, regulatory cooperation, and trade rules.

SMEs benefit from TTIP

The chapter on SMEs is of key importance in the negotiations between the EU and US as it will provide important benefits to European growth and job creation.

Indeed, SMEs are the backbone of both the US and European economies. In the EU, 2/3 of all jobs in the private sector are created by SMEs, in the US small firms accounted for 63 percent of the net new jobs created between 1993 and mid-2013.

Contrary to a popular image that international trade is dominated by multinational corporations, SMEs account for a significant share of trade.



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About 600,000 European SMEs are exporting outside the EU every year. This represents one third of the total volume of EU exports. In the case of smaller open economies, such as Malta, the share is even bigger. Maltese SMEs account for 50% of Maltese international trade.

The most significant opportunities emerging from TTIP will be in reducing non-tariff barriers, which are major obstacles for SME expansion into the transatlantic market. In numerous cases, benefits for SMEs will be greater than for multinational companies due to the effects of scale. SME exports could be increased by making border procedures more efficient, shipping and customs paperwork simpler and internet transactions more seamless. Current regulation and rules of compliance raise extra hurdles for SMEs wishing to export to the US affecting them to a much greater extent. Indeed, as regulatory costs are fixed, for SMEs the costs of duplicated controls and regulatory inconsistency are much greater per unit. Existing bureaucracy creates unnecessary processes such as dual certification or even duplication of production lines.



An investor-state dispute settlement (ISDS) mechanism in needed

EU's free trade agreements are becoming more and more complex and wide-ranging over the years, but TTIP still stands out as uniquely ambitious.

The removal of high tariffs will alleviate excessive costs in a wide range of sectors where SMEs operate, especially such as textiles, ceramics, clothing, or footwear.

An essential factor in the success of the SME chapter is improved transparency and access to information. Removing the costs of finding out what rules and regulations to apply will help SMEs access the US market. For this reason, the European Commission has planned the creation of a single portal concerning rules and regulations in the US. The business sector however believes that SMEs would be better off if TTIP could provide a single product-specific online platform to assist SMEs in gaining more knowledge about the US market. Furthermore, targeted information points should be created in order to help SMEs achieve regulatory compliance on all levels of government, given the complexity of federal and sub-federal regulations in the US.

Rapid development of e-commerce, e-services and the digital market in general creates numerous opportunities especially for SMEs, enabling much easier access to foreign markets. In this context, the TTIP must ambitiously address the issues related to the ICT sector in order to provide an effective data flow while taking into account data protection.

The scope of the final TTIP agreement will determine how effective it will be. An investment chapter is essential to any major international trade negotiation not least due to the exponential growth in international investment levels in recent years. It is a core interest for the business sector, not least due to the enormous possibilities offered. Strong provisions for investment would benefit the entire spectrum of businesses, including SMEs.

An integral part of TTIP has to be an investor-state dispute settlement (ISDS) in order to protect the interests of companies against discriminatory actions by their trading partners. For example, international law (such as TTIP would become) cannot be invoked in US courts, and no US law prohibits discrimination against foreign investors. It is not only multinationals that benefit from ISDS clauses, but also many SMEs and specialised companies: According to BDI, around 30% of German companies using the mechanism so far have been SMEs. OECD figures show that only 8% of the companies using this mechanism were extremely large multinationals.

Due to previous issues arising from the use of ISDS elsewhere, an increasingly large part of the public has become concerned, with opposition growing to an investment chapter and ISDS in TTIP. The EU-Canada trade agreement (CETA), which still needs to be ratified, includes an extensive investment protection chapter and provision for ISDS. This was the first ever investment agreement negotiated by the EU since gaining competency for investment under the Lisbon Treaty. This has gone some way to address these concerns, but the Commission has rightly identified four areas for further study, namely covering the protection of a state's right to regulate, the supervision and functioning of arbitral tribunals, a





possible appeals mechanism and a closer look at the relationship between ISDS and domestic remedies.

In the long term an International Investment Court may be the solution, but it is essential that full consideration and widespread global support be given to this. In the meantime, it is essential that there should be an effective investment chapter included within TTIP, including provision for a reformed ISDS, which hopefully would be a model agreement and set standards for future trade agreements. On the other hand, without ISDS provision in TTIP, the EU could weaken its negotiating position for the future agreements with other partners.

The business sector deplores the ongoing campaign of disinformation against ISDS. In order to challenge biased and misleading information, transparency and effective communication are needed. Therefore the European Commission's decision to publish the mandate of the negotiations is welcome. In addition the Commission is regularly updating its TTIP website, is active on social media and is organising civil society dialogue meetings after each round of negotiations. The business sector and employers are fully aware that they need to be even more active in the defence of TTIP and ISDS and speak with a unified voice to counter the arguments presented by the opponents of TTIP.

Strategic and geopolitical aspects of TTIP

TTIP is as much a strategic imperative as it is an economic one. The EU and US have had strong political, economic and cultural ties for many decades, and this shared partnership has facilitated cooperation on many global issues. Regulatory co-operation will help strengthen this co-operation, especially at a time of growing economic competition from other parts of the world, a potential threat to our prosperity.

Although the influence of the EU and US on the world stage may be declining, a TTIP agreement should enable the US and the EU to establish a strong set of trade and investment rules that many other global players may want to emulate, thus shaping best practice around the world.

Thus a successful TTIP should show that the EU and US approach, based on clear rules and open, free, transparent competition, is one that delivers benefits to our citizens and could benefit other countries as well. Convergence should lead to better standards that other parts of the world will want to follow. The maintenance of the highest standards in terms of consumer rights, environment, health and safety is a priority for both negotiating teams and, as the representatives of both sides have repeatedly assured, these standards will not be lowered.

Sadly, for many years there has been minimal progress in multilateral WTO level trade negotiations. At the multilateral level, therefore it is not currently possible to explore many issues of interest, such as investment, competition, e-commerce or handling key raw materials. TTIP could firmly place these topics on the global agenda.





Benefits of TTIP in Malta

Malta – US trade alone amounts to around €300 million a year. The Malta Chamber of Commerce is striving to put TTIP at the forefront of discussions on a national level because of its potential benefits to a small open economy such as Malta.

As a small economy, Malta is to a large extent dependent on foreign direct investment (FDI). The Maltese business representatives believe that TTIP would offer huge opportunities for FDI. US businesses already employ over 2000 people in Malta, more if those working for franchises are included. High levels of efficiency help foreign companies in Malta produce at more competitive cost. They often manufacture complex products which require a lot of technical capability. TTIP can expand commercial activities between Malta and the US by reducing obstacles to investment for small and large companies alike.

Malta would naturally benefit from the reduction of tariffs, as this would alleviate excessive costs for a wide range of local industries wishing to export to the US, particularly in areas with high tariffs that particularly affect SMEs. Removing non-tariff barriers to trade would have the same

effect on Maltese businesses. A concrete example of the major benefits expected of TTIP is the pharmaceutical sector. Currently, the development of new pharmaceutical products often requires two separate approval processes, due to detailed heavy regulation. Regulatory harmonisation would significantly reduce the costs of developing new products. Furthermore, consumers are expected to benefit from the availability of a wider choice of products and services and decreased prices.

Thus, the business community in Malta is very positive towards TTIP and hopes for a deep and comprehensive treaty. Malta expects further progress in fields such as international maritime services and financial services to the marine industry, hoping to see greater ambition and commitment from the US in these particular sectors.



The document is a summary of the discussion on the Impact of the TTIP in Malta, which took place in Valletta, Malta on 9 March 2015. The meeting was organised together with the Malta Chamber of Commerce, Enterprise and Industry.



**European Economic and Social Committee
Employers' Group**

About the Employers' Group

The Employers' Group brings together entrepreneurs and representatives of entrepreneur associations working in industry, commerce, services and agriculture in the 28 Member States of the European Union. Our members are genuinely committed to putting their own experiences to good use to further the European venture.

The European Economic and Social Committee is the only European institution that brings together entrepreneurs and people fully involved in the economic and social life of their home country. We make the voice of business heard at European level.



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