



In Focus

Transatlantic Trade and Investment Partnership

The Transatlantic Trade and Investment Partnership (TTIP) is a free trade agreement currently being negotiated between the EU and USA. This note provides a brief overview of the proposed agreement.

Background

As noted on the [European Commission website](#), during the EU-US Summit in November 2011, leaders of the European Union and the United States directed the Transatlantic Economic Council to establish a 'High Level Working Group on Jobs and Growth' to identify measures to increase EU-US trade and investment. In 2013, the Working Group released a [report](#) recommending a "comprehensive trade and investment agreement" be reached between the two sides to reduce 'barriers to trade' and to enhance the compatibility of regulations and standards. According to the Working Group, such an agreement would generate new business and employment by expanding trade and investment, and would strengthen ties between the United States and Europe. The EU and USA accepted the group's recommendations and agreed to start talks on a trade deal, with the first round of negotiations held in [July 2013](#). The most recent round of negotiations—the ninth—took place in April 2015. If an agreement is reached between the two negotiating authorities it will need to be [ratified by all Member States of the EU and the European Parliament](#) before it can come into force.

There are varying estimates of the potential benefits of a free trade agreement between the EU and the USA. A Centre for Economic Policy Research [study](#), funded by the European Commission, estimated the value of an "ambitious and comprehensive" agreement at €119 billion a year to the EU and at €95 billion a year to the USA, once the agreement is fully implemented. A separate [study](#) by the same organisation estimated the benefits to the UK from a potential TTIP at between £4 billion and £10 billion per year. However, [others have argued](#) that the potential economic gains have been exaggerated.

Key Provisions, Reaction and Controversy

According to the [House of Commons Library](#) and the [US Congressional Research Service](#), tariffs between the USA and EU are already low, and are likely to be easily reduced or eliminated under an eventual agreement. However, measures to reduce non-tariff barriers to trade and investment could prove harder to agree. Areas of particular contention include food standards and investor-state dispute settlements.

In many areas, it is considered that EU regulations are more stringent than in the USA. For example, on food standards, the [House of Commons Library](#) notes that the EU strictly regulates genetically modified crops and prohibits the sale of meat treated with certain growth hormones and of chicken washed in

chlorine; restrictions which the USA has disputed at the World Trade Organisation. Some [critics](#) in Europe fear that harmonising food standards between the USA and the EU could lead to poorer food standards in Europe, whereas some in the USA believe that EU regulations are “[unscientific](#)” and “[disproportionally impact small and medium-sized businesses](#)”.

The provisions for investor-state dispute settlements (ISDS) are arguably the most controversial aspect of TTIP. The [BBC](#) reports that under the proposals, companies could sue foreign governments claiming unfair treatment and could be entitled to compensation. ISDS arrangements are already present in many bilateral investment treaties, and as such there are examples of claims that have previously been brought. One oft-cited [example](#) is that of the Swedish firm Vattenfall, which operates nuclear power stations in Germany. Because of an ISDS clause in a treaty covering energy investments, the company was able to demand €3.7 billion in compensation from the German government when it decided to phase out nuclear power. Some [commentators](#) and [pressure groups](#) argue that ISDS arrangements undermine the power of governments to regulate in their national interest and to move services from private to public provision. However, [others have argued](#) that it is a legitimate way to ensure companies are compensated for loss of investment returns resulting from government decisions.

Concern has also [been expressed](#) about the possibility that governments could be forced to open up public services provision to foreign companies as a result of TTIP. In the UK this concern has focused on the NHS in particular. However, the [European Commission](#) has stated that under an eventual TTIP governments will have the right to maintain public service monopolies, to discriminate between European and non-European firms in selecting public service providers, and to regulate public services as they wish.

Recent Developments and Future

Although it had initially been hoped that TTIP negotiations could be concluded in 2015, before the US presidential election race in 2016, some now doubt whether this will be possible. A [report](#) by the University of Manchester in April 2015, following the most recent round of negotiations, concluded that 2017 is now seen as a “more realistic completion date at present by negotiators”.

A key issue in the ability to move the negotiations forward has been the controversy surrounding conferral on the US executive of ‘Trade Promotion Authority’ by the US Congress. According to the [New York Times](#), this measure allows the executive to negotiate trade agreements that “Congress can reject or ratify, but not change or filibuster”. Trade Promotion Authority has been controversial in the USA because of concern about the impact of free trade deals on jobs, reports [Brookings](#). However, the Bill granting this power to President Obama was recently [passed](#), on Wednesday 25 June 2015.

The European Parliament has also expressed concerns about advancing the proposed deal. According to the [BBC](#), on 10 June 2015 the President of the European Parliament, Martin Schulz, decided to postpone a vote on a report containing recommendations for the European Commission on the TTIP negotiations because too many amendments to it had been tabled. MEPs then narrowly voted to postpone a debate on the same subject. The European Parliament’s [International Trade Committee](#) will now vote to decide whether the amendments, and requests for split and separate votes, should be put to the vote in plenary. The tenth round of TTIP negotiations is due to take place 13–17 July 2015.

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