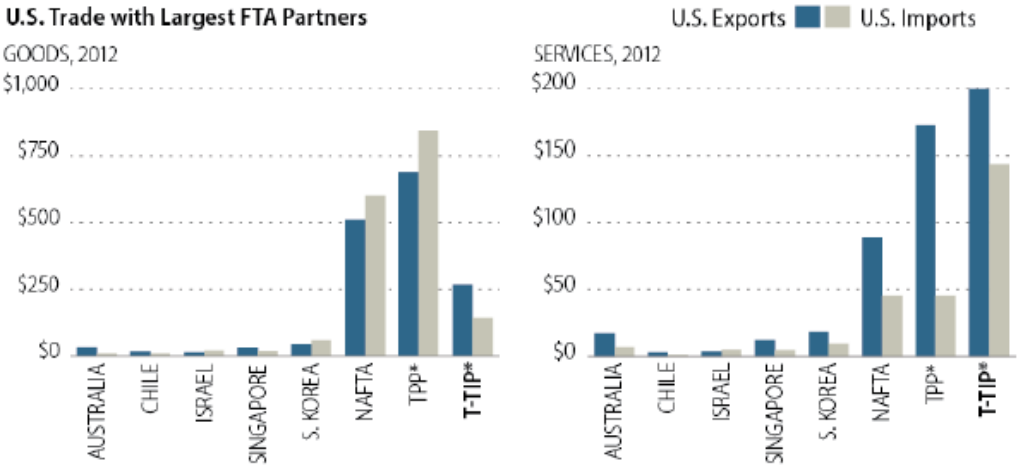
The Transatlantic Trade and Investment Partnership (T-TIP)

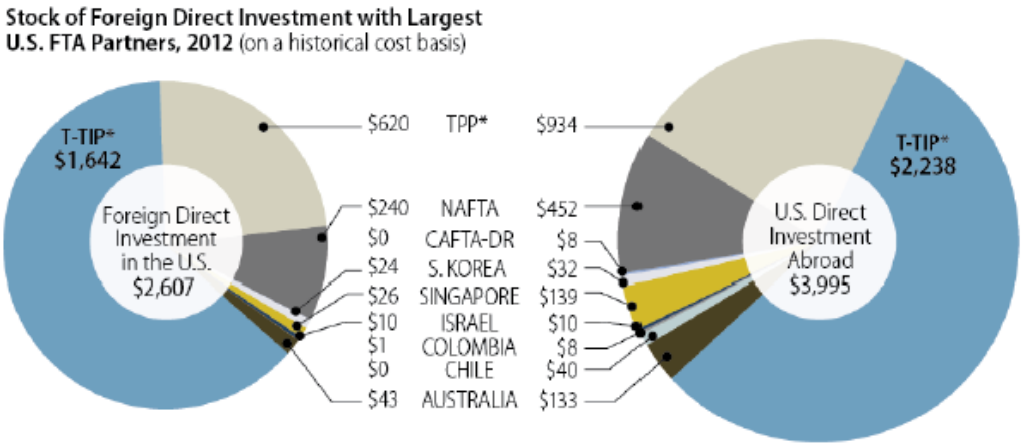
U.S. Consulate General Barcelona
Public Diplomacy Section
Information Resource Center

T-TIP in Context

The United States and EU began T-TIP negotiations in July 2013, and have held nine rounds of negotiations thus far. The nine round of negotiations ended on April 24, 2015 in New York. The Transatlantic Trade and Investment Partnership (T-TIP) is an ambitious, comprehensive, and high-standard trade and investment agreement being negotiated between the United States and the European Union (EU). T-TIP will be a cutting edge agreement aimed at providing greater compatibility and transparency in trade and investment regulation, while maintaining high levels of health, safety, and environmental protection. The United States and EU share a large, dynamic, and mutually beneficial trade and economic relationship. Many observers nevertheless assert that the relationship has not reached its full potential due to a range of regulatory, technical, and other barriers. U.S. and EU negotiators have sought to address some of these issues through various forums over the years, including the Transatlantic Economic Council (TEC), established in 2007. The T-TIP negotiations are a part of U.S. trade policy efforts to promote more open, rules-based trade and investment through the negotiation of bilateral and regional free trade agreements (FTA). The T-TIP has the potential to be largest FTA ever negotiated by the United States, in terms of the combined economic size, population, and investment covered. Negotiators seek new or expanded commitments in areas such as regulatory coherence and "21st century" issues, including state-owned enterprises—issues either not discussed or only modestly discussed in prior FTAs.

THE FIGURES: Trade and Investment with Existing and Potential Free Trade Agreement (FTA) Partners





* Proposed Free Trade Agreements

All dollars in billions.

Source: CRS analysis of data from U.S. International Trade Commission and U.S. Bureau of Economic Analysis.

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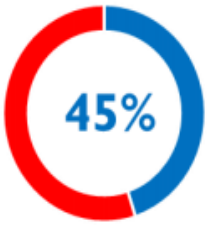
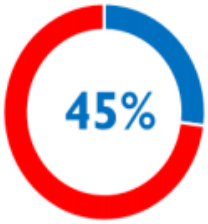
Building on Success in TPP

Goods



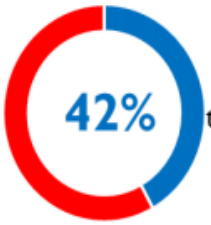
$727 billion
U.S. goods exports to TPP countries in 2014: 45% of all U.S. goods exports

Manufacturing



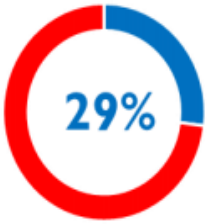
$638 billion
U.S. manufacturing exports to TPP countries in 2014: 45% of all U.S. manufacturing exports

Agriculture



$66 billion
U.S. agriculture exports to TPP countries in 2014: 42% of all U.S. agricultural exports

Services



$199 billion
U.S. services exports to TPP countries in 2013: 29% of all U.S. services exports

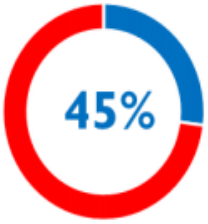
1.5 million U.S. workers
employed by companies headquartered in TPP countries

Building on Success in T-TIP

Goods

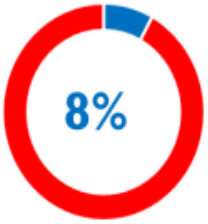
$277 billion
U.S. goods exports to T-TIP countries in 2014: 12% of all U.S. goods exports

Manufacturing



$243 billion
U.S. manufacturing exports to T-TIP countries in 2014: 17% of all U.S. manufacturing exports

Agriculture



$13 billion
U.S. agriculture exports to T-TIP countries in 2014: 8% of all U.S. agricultural exports

Services

$206 billion
U.S. services exports to T-TIP countries in 2013: 30% of all U.S. services exports

3.3 million U.S. workers
employed by companies headquartered in T-TIP countries

TPP: Trans-Pacific Partnership. **T-TIP**: Transatlantic Trade & Pacific Partnership.
Source: President's 2015 Trade Policy Agenda

SUMMARY OF U.S. OBJECTIVES: T-TIP Issue-by-Issue Information Center, Office of the United States Trade Representative (USTR.)

These are the Administration's specific goals and objectives, and outlines how this agreement, if successfully concluded, will benefit American workers, businesses of all sizes, and consumers.

Trade in Goods

We seek to eliminate all tariffs and other duties and charges on trade in agricultural, industrial and consumer products between the United States and the EU, with substantial duty elimination on entry into force of the agreement, transition periods where necessary for sensitive products, and appropriate safeguard mechanisms to be applied if and where necessary.

The United States ships more than $730 million in goods to the EU every day. In today's highly competitive global marketplace, even small increases in a product's cost due to tariffs can mean the difference between winning and losing a contract.

The U.S. manufacturing base is growing, and we make some of the world's most advanced industrial goods. We exported more than $253 billion worth of industrial products to the EU in 2012. With elimination of EU tariffs on industrial products, including innovative and high technology products such as industrial and electrical machinery, precision and scientific instruments, and chemicals and plastics, U.S. products will be put on equal footing with goods from the EU's other free trade agreement partners – including Chile, Mexico, South Korea, and South Africa – which receive duty-free treatment when shipped to the EU, as well as with exports from one EU Member State to another.

The United States is the world's largest agricultural export economy. U.S. farmers and ranchers increasingly rely on agricultural exports for their livelihoods, 20 percent of farm income comes from exports, and those exports support our rural communities. In fact, U.S. food and agricultural exports to the world reached an all-time high in 2013 of over $145 billion. In that year, we sent just over $10 billion of agricultural exports to the EU, a figure that can and should be much higher. Our goal in T-TIP is to help U.S. agricultural sales reach their full potential by eliminating tariffs and quotas that stand in the way of exports.

Eliminating tariffs would provide a level playing field for our agricultural producers, including for our apple growers who pay more than seven percent in duties when shipping to the EU, but whose EU competitors pay no duties on their shipments of apples to the United States. U.S. olive oil producers would also benefit from tariff elimination, since U.S. olive oil is subject to $1,680 in duties per ton on shipments to the EU, but their EU competitors pay only $34 per ton on shipments to the United States. Eliminating tariffs and quotas will help U.S. farmers, ranchers, manufacturers, workers, and their families, while giving Europeans access to safe, high-quality American food and agricultural goods.

Textiles and Apparel

We seek to obtain fully reciprocal access to the EU market for U.S. textile and apparel products, supported by effective and efficient customs cooperation and other rules to facilitate U.S.-EU trade in textiles and apparel. U.S. textile and apparel manufacturers sold nearly $2.4 billion worth of products to the EU last year. Eliminating the remaining duties on our exports will create new opportunities for integration into European supply chains and to sell high-quality "made-in-USA" garments to European consumers. Enhanced U.S.-EU customs cooperation will also help ensure that non-qualifying textiles and apparel from third countries are not being imported into the United States under T-TIP.

Non-Tariff Barriers and Regulatory Issues

We seek to eliminate or reduce non-tariff barriers that decrease opportunities for U.S. exports, provide a competitive advantage to products of the EU, or otherwise distort trade, such as unwarranted sanitary and phytosanitary (SPS) restrictions that are not based on science, unjustified technical barriers to trade (TBT), and other "behind-the-border" barriers, including the restrictive administration of tariff-rate quotas and permit and licensing barriers, which impose unnecessary costs and limit competitive opportunities for U.S. exports.

While maintaining the level of health, safety and environmental protection our people have come to expect, we seek greater compatibility of U.S. and EU regulations and related standards development processes, with the objective of reducing costs associated with unnecessary regulatory differences and facilitating trade, inter alia by promoting transparency in the development and implementation of regulations and good regulatory practices, establishing mechanisms for future progress, and pursuing regulatory cooperation initiatives where appropriate; We seek to build on key principles and disciplines of the WTO Agreement on Technical Barriers to Trade (TBT) through strong cross-cutting disciplines and, as appropriate, through sectoral approaches, to achieve meaningful market access, and establish ongoing mechanisms for improved dialogue and cooperation on TBT issues; We seek to build on key principles and disciplines of the World Trade Organization (WTO) Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) to achieve meaningful market access, including commitments to base SPS measures on science and international standards or scientific risk assessments, apply them only to the extent necessary to protect human, animal, or plant life or health, and develop such measures in a transparent manner, without undue delay; and to establish an on-going mechanism for improved dialogue and cooperation addressing bilateral SPS issues.

Non-tariff barriers (NTBs) can decrease market opportunities for U.S. exports and provide unfair competitive advantages to EU products. These barriers take the form of restrictive licensing, permitting, and other requirements applied at the border, but also barriers behind the border, such as unwarranted technical barriers to trade and sanitary and phytosanitary measures. Through T-TIP, we seek to identify ways to reduce costs associated with regulatory differences by promoting greater compatibility between our systems, while maintaining our high levels of health, safety, and environmental protection. Achieving an outcome that results in greater transparency, participation, and accountability in regulatory processes is also critical to addressing and preventing NTBs, and why we have made that a key part of our approach in T-TIP.

With respect to TBT, the United States and the EU already have a shared commitment and responsibility to prevent and reduce unnecessary TBTs through the World Trade Organization's Agreement on Technical Barriers to Trade. But we know we can do more. Achieving our TBT objectives in T-TIP would mean going beyond existing commitments by setting us on a path to increase transparency and openness in the development of standards and technical regulations, ensure that U.S. bodies are permitted to test and certify products sold in Europe, promote EU recognition of international standards used to support global trade by U.S. exporters and producers, and establish an ongoing mechanism to discuss TBT concerns. Not only would our companies be more competitive, innovative, and efficient as a result, but T-TIP could set a positive example to other countries around the world.

With respect to SPS, ensuring that the rules governing agricultural and food products are based on science and do not pose unwarranted obstacles to trade is as important to American farmers and ranchers as eliminating tariffs and quotas. If we successfully address certain SPS barriers in T-TIP, Europeans will be able to enjoy safe, high-quality U.S. beef, pork, poultry, and other products that we currently ship to consumers all over the world. In addition to eliminating barriers and opening markets for our farmers and ranchers, we seek to have the EU provide greater regulatory transparency and to engage in regular dialogues to help prevent barriers from being erected in the first place.

With respect to "regulatory coherence and transparency," T-TIP offers an opportunity to develop cross-cutting disciplines on regulatory practices that have long been known to support economic growth, market integration, and removal of "behind the border" trade barriers. This includes the promotion of greater transparency, participation and accountability in the development of regulations. It also includes evidence-based analysis and decision-making, and a whole-of-government approach to regulatory management. Giving stakeholders – public and private, foreign and domestic – adequate opportunity to comment on proposed regulations and ensuring that regulatory processes not only respect the democratic principles on which our laws are built, but provide regulators with input from a wide range of stakeholders.

Transparent regulatory processes ensure better quality regulations that can achieve important objectives, such as protecting health, safety and the environment. On the other hand, a lack of transparency and accountability in regulatory and standards processes can lead to unnecessary, costly, or duplicative rules that reduce our competitiveness and act as discriminatory barriers to U.S. exporters. Embracing sound regulatory objectives in T-TIP will not only draw our economies closer together, but will serve as a positive example for third-country markets around the world.

Finally, the United States and EU will be examining ways to increase regulatory compatibility in specific sectors through a range of regulatory cooperation tools as well as other steps aimed at reducing or eliminating unnecessary regulatory differences. With extensive input from stakeholders, and in collaboration with our regulators, we aim to promote greater regulatory compatibility while maintaining our high levels of health, safety, and environmental protection.

Rules of Origin

We seek to establish rules of origin that ensure that duty rates under an agreement with the EU apply only to goods eligible to receive such treatment and define procedures to apply and enforce such rules.

We believe that only qualifying U.S. and EU goods should benefit from the T-TIP agreement, not goods produced in third countries. Our larger companies with complex supply chains and our smaller businesses that can't afford consultants gain when they can determine whether their exports or imports will be subject to reduced or zero duties when crossing borders. Through T-TIP, we will seek to put objective and transparent rules online that explain: (i) to U.S. exporters and producers whether their goods qualify for preferential treatment when shipped to the EU; and (ii) to U.S. importers whether their goods qualify for preferential treatment when shipped from the EU. Rules of origin would also establish clear, transparent procedures for claiming origin and record-keeping and other requirements for those who prepare origin certifications.

Trade in Services

We seek to obtain improved market access in the EU on a comprehensive basis, and address the operation of any designated monopolies and state-owned enterprises, as appropriate; and We seek to reinforce transparency, impartiality, and due process with regard to authorizations to supply services, obtain additional disciplines in certain services sectors, and improve regulatory cooperation where appropriate.

The United States is the largest services exporter in the world, and services industries account for four out of five U.S. jobs. Whether ensuring that U.S. express delivery firms are able to compete for EU shipping business or permitting telecommunication service providers to connect U.S. companies with EU consumers online, lowering barriers in the services sector will have a beneficial impact on the entire U.S. economy. Reducing barriers between the United States and the EU will make it easier, for example, for U.S. architecture firms to send blueprints for projects in Europe in real time and without costly delays. Open and transparent trade in services also benefits U.S. startups by increasing access to otherwise unreachable customers. Achieving our objectives to improve market access in the EU would improve choice and quality for consumers on both sides of the Atlantic and give U.S. services companies access to a large number of new customers. Financial services are also an important component of the transatlantic economy. Our goals are to ensure high-standard rules for investment in the financial services sector, as well as lock in existing and create new market openings for our financial services suppliers. A successful T-TIP will increase financial services market access to the EU as well as provide consumers with access to high-quality financial services and greater choice with regard to suppliers. At the same time, we will continue to ensure that our government retains full discretion to regulate the financial sector and to take the actions necessary to ensure the stability and integrity of the U.S. financial system.

Electronic Commerce and Information and Communication Technology (ICT) Services

We seek to develop appropriate provisions to facilitate the use of electronic commerce to support goods and services trade, including through commitments not to impose customs duties on digital products or unjustifiably discriminate among products delivered electronically; We seek to include provisions that facilitate the movement of cross-border data flows.

The Internet provides U.S. retailers and service providers with an increasingly powerful platform for selling their goods and services to purchasers in some of the world's wealthiest economies, such as France, Germany, the United Kingdom, and Italy.

U.S. filmmakers, musicians, and software developers should be able to sell their movies, music, video games, and other digital products to Europe's more than 500 million consumers without having to worry about customs duties and fees, or otherwise being disadvantaged, just because their products are delivered over the Internet instead of by CD or DVD. And European purchasers should generally be able to validate their online purchases of these items with an electronic signature rather than having to put pen to paper. Furthermore, free flows of data are a critical component of the business model for service and manufacturing enterprises in the U.S. and the EU and key to their competitiveness.

Investment

We seek to secure for U.S. investors in the EU important rights comparable to those that would be available under U.S. legal principles and practice, while ensuring that EU investors in the United States are not accorded greater substantive rights with respect to investment protections than U.S. investors in the United States;

We seek to ensure that U.S. investors receive treatment as favorable as that accorded to EU investors or other foreign investors in the EU, and seek to reduce or eliminate artificial or trade-distorting barriers to the establishment and operation of U.S. investment in the EU; We seek to provide and maintain meaningful procedures for resolving disputes between U.S. investors and the EU and its Member States that are in keeping with the goals of expeditious, fair and transparent dispute resolution and the objective of ensuring that governments maintain the discretion to regulate in the public interest.
The United States and the EU have the world's largest investment relationship. Transatlantic investments total $4 trillion, directly supporting seven million American and European jobs, with millions more in indirect jobs. These investments help our manufacturing sector, generating 18 percent of U.S. exports to the world. Furthermore, jobs created by foreign investment tend to pay better than other private sector jobs. That is why we need to build on these achievements and help generate more jobs, growth, and exports through certain, clear, and fair investment rules that encourage even more investment in job- and export-supporting economic activity.

Customs and Trade Facilitation

We seek to establish disciplines to ensure transparent, efficient, and predictable conduct of customs operations and ensure that customs measures are not applied in a manner that creates unwarranted procedural obstacles to trade; and enhance customs cooperation between the United States and the EU and its Member States. Red tape at the border adds costs and creates delays. U.S. exporters benefit from knowing ahead of time precisely how much they'll pay in customs duties and fees – and from the ability to pay electronically – so that they can build those costs into their goods' final price. Further, farmers and ranchers succeed when their products don't perish on the dock and they don't have to pay for additional warehousing simply because of arbitrary delays at the border. Reducing the amount of time spent moving goods through border procedures benefits all traders and has the compounding effect of reducing trade costs.

In today's fast-paced world, it is critical that people have the ability to move goods on an expedited basis without burdensome customs filing requirements. Procedures that allow for pre-arrival processing, advance rulings, release of goods under bond, uniform appeal procedures, express shipments and use of de minimis values also contribute to expedited release that benefits U.S. exporters.

Additionally, greater cooperation among customs authorities helps ensure not only that high-quality, authentic U.S. goods can be delivered to consumers more rapidly, but also that those genuine goods are not competing with smuggled or counterfeit products.

Government Procurement

We seek to expand market access opportunities for U.S. goods, services, and suppliers of goods and services to the government procurement markets of the EU and its Member States;

We seek to ensure fair, transparent, and predictable conduct of government procurement and that U.S. suppliers of goods and services receive treatment as favorable as that accorded to domestic and other foreign goods, services, and suppliers in the EU and its Member States.

Both U.S. and European governments buy a broad range of goods and services from private sector businesses, which leads to job-supporting opportunities for industries that provide information technology goods, consulting services, infrastructure, and other products. Achieving our T-TIP objectives will ensure U.S. companies get a fair shot at eligible government procurement opportunities, as well as open new opportunities for U.S. companies in the 28 EU Member States. This would mean expanded opportunities to bid on government contracts in areas including construction, engineering, and medical devices.

Labor

We seek to obtain appropriate commitments by the EU with respect to internationally recognized labor rights and effective enforcement of labor laws concerning those rights, consistent with U.S. priorities and objectives, and establish procedures for consultations and cooperation to promote respect for internationally recognized labor rights.

Our trade agreements are designed to prevent a race to the bottom on labor protections. We include strong labor commitments to help ensure that increased levels of trade and investment with our partners are not being driven by a weakening of worker rights. Trading partners must not only have laws and regulations on their books that recognize fundamental labor rights; they must also enforce them. U.S. businesses can't compete fairly if their foreign competitors aren't required to provide their workers the same levels of protection afforded workers in the United States.

The United States and Europe already maintain high levels of protection for their workers. T-TIP should reflect this shared commitment, which may become a model for others to follow, and encourage even greater transatlantic cooperation.

Environment

We seek to obtain, consistent with U.S. priorities and objectives, appropriate commitments by the EU to protect the environment, including conserving natural resources, and to effectively enforce environmental laws, and seek opportunities to address environmental issues of mutual interest.

The United States is a leader in seeking high levels of environmental protection and the effective enforcement of environmental laws in trade agreements. We include strong environmental commitments in our trade

agreements to help ensure that our trading partners do not weaken environmental protections in order to encourage trade or investment. Through our agreements, the United States has joined with trading partners in eliminating barriers to trade in cutting-edge environmental technologies like clean energy, promoting the protection of wildlife and endangered species, and addressing key issues like harmful fisheries subsidies and illegal logging. The United States and Europe already maintain high levels of environmental protection. T-TIP should reflect this shared commitment, which may become a model for others to follow, and encourage even greater transatlantic cooperation.

Intellectual Property Rights

We seek to obtain, consistent with U.S. priorities and objectives, appropriate commitments that reflect the shared U.S.-EU objective of high-level IPR protection and enforcement, and to sustain and enhance joint leadership on IPR issues; We seek new opportunities to advance and defend the interests of U.S. creators, innovators, businesses, farmers, and workers with respect to strong protection and effective enforcement of intellectual property rights, including their ability to compete in foreign markets. The United States and the EU have the world's most successful creative industries, and intellectual property protection and enforcement are essential for encouraging innovation in new technologies, stimulating investment in research and development, and supporting exports of U.S. products and the creation of American jobs. Nearly 40 million American jobs are directly or indirectly attributable to "IP intensive" industries. These jobs pay higher wages to their workers, and these industries drive approximately 60 percent of U.S. merchandise exports and a large share of services exports. We will seek in T-TIP to build on shared strengths and principles reflective of our strong and balanced systems, while promoting good policies in third countries as well.

State-Owned Enterprises

We seek to establish appropriate, globally relevant disciplines on state trading enterprises, state-owned enterprises, and designated monopolies, such as disciplines that promote transparency and reduce trade distortions. U.S. and European businesses and workers deserve a level playing field, especially when state-owned enterprises (SOEs) that receive significant government backing engage in commercial activity. Achieving this objective would help establish disciplines to encourage SOEs to operate in markets in a transparent manner that does not distort trade or put our companies at a disadvantage. Agreed SOEs rules in T-TIP can also serve as a model to third country markets around the world.

Small- and Medium-Sized Enterprises (SMEs)

We seek to strengthen U.S.-EU cooperation to enhance the participation of SMEs in trade between the United States and the EU. SMEs are the backbone of the American and European economies. The United States' 30 million SMEs account for nearly two-thirds of net new private sector jobs in recent decades. SMEs that export tend to grow even faster, create more jobs, and pay higher wages than similar businesses that do not. T-TIP will enhance already strong U.S.-EU SME cooperation and help SMEs on both sides of the Atlantic seize job-supporting trade and investment opportunities.

Transparency, Anticorruption and Competition

We seek to obtain improved transparency in the administration of EU and Member State trade and investment regimes, and rules that ensure trade- and investment-related measures are adopted and applied

in an open and transparent manner that provides meaningful opportunities for public comment, notice, and review; We seek to obtain appropriate commitments on anticorruption; We seek to address matters of mutual interest regarding competition policy and process and to further improve cooperation on competition policy.

For U.S. businesses to compete in the global market, they must have clear, predictable laws and regulations that are administered by officials who are not subject to undue influence. That is why we are seeking commitments in T-TIP to publish promptly all laws, regulations, administrative rulings and other procedures that affect trade and investment. We will also seek opportunities for interested parties to learn about and provide meaningful input on measures before they are adopted and finalized. Corruption distorts competition and often prevents the public from receiving the highest quality goods and services. Accordingly, we have sought to ensure that our trade agreements include appropriate provisions to address corruption, and we will be doing so in our T-TIP negotiations. We and the EU also agree that the sound and effective enforcement of competition law is a matter of importance to the efficient operation of our respective markets and trade between them. Competitive markets provide the environment necessary for entrepreneurship and innovation, protects against anticompetitive behavior that distort market outcomes, and helps consumers obtain more innovative, high-quality goods and services at lower prices.

Dispute Settlement

We seek to establish fair, transparent, timely, and effective procedures to settle disputes on matters arising under a trade and investment agreement with the EU, including through early identification and settlement of disputes through consultation. We recognize that trade agreements that are effectively enforced establish a set of high-standard rules and obligations that help keep markets open to U.S. exporters and investors and ensure a level playing field. When we negotiate and implement a trade agreement, we expect our trading partners to stick by the rules and obligations they agreed to. However, when our trading partners fall short of what they promised – whether to reduce tariffs, implement strong labor and environment provisions, or otherwise provide U.S. exporters fair and non-discriminatory treatment – we need a means to hold them accountable. This is why we have this important objective to establish a fair and open dispute settlement mechanism. Dispute settlement gives us a means to discuss our concerns in a timely way and to seek compensation if they are not addressed. Dispute settlement with trading partners in T-TIP will give the American public the confidence that we not only negotiate strong, high-standard obligations, but that we also have the means to enforce them.

Sources:

Akhtar, Shayerah Ilias; Jones Vivian C. **Proposed Transatlantic Trade and Investment Partnership (T-TIP): In Brief.** Congressional Research Service, Library of Congress. June 11, 2014. https://www.fas.org/sgp/crs/row/R43158.pdf

Akhtar, Shayerah Ilias; Jones Vivian C. **Transatlantic Trade and Investment Partnership (TTIP) Negotiations**. Congressional Research Service, Library of Congress. February 4, 2014. https://www.fas.org/sgp/crs/row/R43387.pdf

President's 2015 Trade Policy Agenda. Office of the U.S. Trade Representative**.** https://ustr.gov/about-us/policy-offices/press-office/reports-and-publications/2015/2015-Trade-Policy-Agenda-and-2014-Annual-Report-

United States Trade Representative. http:www.ustr.gov

United States Mission to the European Union. http://useu.usmission.gov/ttip.html

Other Resources

Press Conference on the 9th Round of Transatlantic Trade and Investment Partnership (TTIP) Negotiations
Dan Mullaney, Chief U.S. Negotiator, USTR; and Ignacio Garcia-Bercero, Chief EU Negotiator at the Foreign Press Center. New York, NY. April 24, 2015.
http://fpc.state.gov/241092.htm

Office of the United States Representative
http://www.ustr.gov/ttip

United States Mission to the European Union
http://useu.usmission.gov/ttip.html

European Commission
http://ec.europa.eu/trade/policy/in-focus/ttip/

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