

EUnited Dinner Debate 2013:



“What does the EU-US Transatlantic Trade and Investment Partnership (TTIP) mean for manufacturing? How can European companies anticipate and acquire competitive advantages in Europe and other world regions?”

Key points from the debate

With EU and the US accounting for 48% of global trade, the Transatlantic Trade and Investment Partnership (TTIP) negotiations have huge strategic importance. Opening the EUnited debate, the European Commission’s **Damien Levie** foresaw that the talks would lead to Europe and the US maintaining their share of the global market. According to Levie, the most important area of the TTIP discussions would be that surrounding the reduction or removal of non-tariff barriers. For the European Parliament, **Reinhard Bütikofer** saw the talks as “a new kind of animal”, a different kind of trade agreement that would impact all citizens. He wanted all related interest groups to be involved in totally transparent talks. The United States Mission to the European Union’s **Joe Burke** agreed on transparency and felt that there were grounds for optimism as the US and Europe shared similar views when it came to issues such as intellectual property and environmental protection. As industry is looking for simpler and easier trading conditions, **Axel Barten** gave his full support to the reduction/removal of non-tariff barriers while **Wilfried Eberhardt** wanted the same standards across the board as this would lead to increased profits.



Levie argued that the European Commission had been more open in the TTIP talks than ever before and said there would be a resulting increase of 0.5% in GDP by 2027, i.e. 10 years after agreement was reached. Bütikofer disagreed as he did not feel that the talks would end by 2017. There were warnings that the talks could get bogged down if difficult issues such as genetically modified organisms (GMOs) or investor-state dispute settlements (ISDSs) were included. Furthermore, Bütikofer did not want it to become a battle of west versus the rest; he called for the outcome to be beneficial for all. With the emergence of China being openly discussed, everyone agreed that the talks, while difficult, were vital. A question from the floor suggested that too

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much protectionism was bad for innovation and it was clear that if Europe and the US were to maintain market share, they would have to be smart and quick on their toes. In conclusion, **Marcus Asch** stated that EUnited was willing to be a partner in the talks and called on the negotiating teams to not get bogged down by problems – the issues were too important to let that happen.

Scene setting



EUnited's 2013 *Competitiveness Review* was held in the Brussels European quarter in the magnificent Bibliothèque Solvay, close to the main European Commission and European Parliament buildings. Journalist and Former MEP **Dirk Sterckx** moderated the dinner debate that focused on the Transatlantic Trade and Investment Partnership (TTIP) talks. On the panel were the European Commission's Head of Unit, USA & Canada, **Damien Levie**, MEP **Reinhard Bütikofer**, Kuka Roboter GmbH's **Wilfried Eberhardt**, Founder and Honorary Chairman of EUnited Metallurgy and CEO Achenbach Buschhütten GmbH's **Axel Barten** and **Joe Burke, United States Mission to the European Union**.

Opening the debate, **Markus Asch**, EUnited President, likened his organisation to "street fighters" as the 100 or so companies were used to competition in a rapidly changing world. He stressed that EUnited supported the current TTIP negotiations as it wanted both an increase in free trade and a reduction in tariff barriers. As for the debate, Asch wanted to hear how European manufacturers could succeed in a changing market.



The debate

USA and Europe – "a vibrant relationship"

When moderator **Dirk Sterckx** asked **Damien Levie** to open the debate, the European Commission Head of Unit for the US and Canada reminded the audience that together the two continents accounted for "a big chunk of the world economy" - 48% of global trade. Homing in on a key objective, Levie stated that the aim of the negotiations was to "keep the (US-Europe) share of the pie the same". He added that European companies had invested one thousand billion euros in the US in what was described as a "vibrant relationship". Levie underlined the fact that the TTIP negotiations had been launched to further promote "growth and jobs". He also insisted that the negotiations were not targeting Asia or any other part of the world but were squarely aimed at maintaining the US-Europe's share of the global marketplace.



The TTIP's three pillars

Levie described the three pillars of the TTIP¹ as: a) getting rid of protectionist measures in order to improve access to markets, b) reducing regulatory issues and non-tariff barriers, such as disparities in standards and restrictive import licenses, and c) lessening the impact of other trade rules relevant to the rest of the world, e.g. intellectual property (IP) rights. For Levie the most important part of the TTIP negotiations – the “big one” - would be the second category: non-tariff barriers. He went on to describe what the TTIP negotiations were not about: they were not focused against emerging nations and were not about lowering the standards of environmental protection. Levie argued that there was no deregulation agenda, adding that the EU simply wanted the same rules to be applied on both sides of the Atlantic. Asked by Sterckx if things were moving forward, Levie was certain, “yes, absolutely”.

A European Parliamentarian’s view about the TTIP talks



Reinhard Bütikofer was not quite so positive about the current negotiations. While admitting that the European Parliament was supportive of the negotiations, he reasoned that this backing could shrink in the future as there were many potential risks and problems. Stepping back, Bütikofer described the TTIP as “a new kind of animal” as it would be an agreement that would have a far-reaching impact on everyone’s daily lives. He therefore wanted more interest groups to be involved. Bütikofer knew that with topics such as genetically modified organisms (GMOs) on the agenda, such talks would be emotional on both sides. Looking for a comparison, Bütikofer suggested that the talks centring on GMOs would be just as difficult as the Israeli-Palestine peace negotiations. They could be a road block, but they would be just one of many.

Bütikofer wanted greater transparency and warned the European Commission about overselling the benefits of the TTIP talks. He was dismissive of the Commission’s claims that each EU family would save 500 euros per year and wanted a serious debate – “we need to treat this new kind of animal in a new way”.

A US viewpoint on the talks



Joe Burke agreed with Bütikofer about transparency and the need to reach out to civil society. He argued that although the US-Europe bilateral aspects of the talks would be the most difficult, he felt there were reasons to be optimistic. Burke wanted all information – both scientific and marketplace-related - to be made available to the regulators as this was the only way that the negotiations would produce the right kind of regulation. Another reason for optimism was that in a global economy, the US and Europe had similar ideas about environmental protection and intellectual property protection.

¹ The European Commission’s webpage on the TTIP is at <http://ec.europa.eu/trade/policy/in-focus/ttip/>

The voice of industry



Axel Barten argued that although it was difficult to get all European countries pulling in the same direction, he saw the benefits of the TTIP talks. Speaking on behalf of Europe's traditional industries, Barten wanted closer US-Europe links together with the reduction or removal of non-tariff barriers. As an example, Barten wanted the metric/feet and inches debate to be resolved as the US was alone in being outside the metric system. Barten, and fellow panellist **Wilfried Eberhardt**, wanted technical regulations to be kept as harmonised as possible as there were different standards in Europe and the US, and often differences

between the US individual states. Finally, Barten said that as Europe was accustomed to open markets, a move in that direction would bring Europe and the US more closely together. Eberhardt added that as well as lower tariffs, the same standards were required as this would lead to increased profits.



Benefits, timing and future progress

On the benefits that could be accrued from the agreement, Levie stated that 60%-80% would result from the restructuring of non-tariff barriers. Existing rules would become more compatible and there would be common standards. Looking forward to a conclusion of the talks by 2017, Levie argued the TTIP agreement would lead to a 0.5% increase in Europe's GDP by 2027. Bütikofer felt this timetable was too optimistic as there would soon be a new European Commission and the US elections were imminent. He doubted that the Republican Party would simply roll over and let the Democrats get all the benefits from the agreements.



As for the detail, Bütikofer felt that the issue of standards was a tricky one and that the high level working group in this area had showed a lack of ambition. For example, Bütikofer reasoned that the US was sceptical about the ISO standards and he believed they preferred an agreement with Europe that the rest of the world could follow. For Bütikofer this smacked of "ganging up on China" and would

place Europe between a rock and a hard place. Burke admitted there were differences in the US and European views but he was confident that the US negotiators were trying to find a creative solution to the problem.

Not only China but also the rest of the world

Opening up the debate, Bütikofer stated that more integration was needed if Europe was to get more benefit from a global marketplace. Asia was offering strong competition but the western model could show the way forward. Barten agreed, and stressed the importance of IP as China was producing many patents and dominating its own markets – this would hurt Europe in the future. Sterckx interpreted this as a sign that Europe's industry felt it was under attack from

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China and reasoned that was perhaps too harsh a conclusion. Bütikofer didn't agree. China was not the 'elephant in the room' as everyone was directly or indirectly focusing on that country. He said that EU-US negotiations had been ongoing for 20 years and that now the two sides were talking for geo-strategic reasons, i.e. because of China.

However, Bütikofer did not want the talks to degenerate into west versus the rest. He wanted a multilateral trade agreement that would reinvigorate global trade. Bütikofer insisted that there should be no risk of stepping on the toes of other partners such as the BRICs, South Africa and Mexico. The talks had to be more inclusive and should not become bogged down on individual issues such as GMO or investor-state dispute settlement (ISDS²³) provisions.

For Levie, the European Commission had been extremely open about the TTIP negotiations. With a nod to Bütikofer, he added that much more information had been provided to the European Parliament. Levie's main point was that the TTIP talks were part of an "ambitious trade policy" that covered Europe, the US, Japan, Latin America and others. The geo-strategic aspects, strictly in relation to China, were being over-played. Explaining why the TTIP talks were so important, Levie noted that with fiscal policy being exhausted, trade – in the medium term – was one of the few areas where progress could be made. As for ISDS, many Germany-US bilateral investment treaties (BITs) had been signed and were seen as a gold standard for such agreements – they had not stopped German companies being successful.



Responding, Bütikofer argued that not only had ISDS been part of the bilateral trade agreements, it had been invented by Germany in order to safeguard investors. He repeated that he did not want the issue of ISDS to bog down the debate. As for transparency, Bütikofer agreed that the European Commission had published papers but only once they had been leaked. Sterckx was keen to know if the TTIP talks would help industry – he appreciated that talks were difficult but insisted on knowing if the outcome would be tangible benefits. Levie was insistent too – stating that there had to be tangible benefits, otherwise the European Commission would not take the proposal to the European Parliament for approval.

Questions from the floor



Güdel AG's **Rudolf Güdel** reasoned that if both sides believed in free trade, there should not be so many problems. Levie pointed to protectionism on both sides, for example beef being protected in Europe and textiles in the US, leading to difficult talks. Bütikofer added that if standards were different, in say the chemical industry, then European companies could set up headquarters in the US in order, for example, to avoid the impact

² The European Commission's factsheet on ISDS -

http://trade.ec.europa.eu/doclib/docs/2013/october/tradoc_151791.pdf

³ An OECD paper on ISDS, a subject of much debate in the TTIP talks - <http://www.oecd.org/china/36052284.pdf>

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of the European REACH legislation. **Dr Nicola Tomatis**, Bluebotics SA picked up on the mention of protectionism and argued that this was killing innovation. Everyone wanted free trade but innovation would lead the way to better quality, as European companies had to be smarter than the competition.



Jürgen Frick of Lechler GmbH turned to the aforementioned geo-strategic issues, noting that China was doing the same as TTIP in its own area. Bütikofer did not want China to be allowed to play its own game as he foresaw a time when China, India and Taiwan would be the trade hub of the world. Europe had to get involved and quickly. He also stated that China was not content to stay in Asia.

Frick also wanted to know if the EU had finalised its objectives as he understood that France wanted, for example, to protect its movie industry. Levie said that the negotiators had to represent 28 stakeholders; the European position had been set out in broad terms and this agreement would be delivered. Bütikofer agreed, saying the negotiations would be difficult, especially for those industries that were not competitive. He also reasoned that in the case of TTIP, Europe had been somewhat surprised – and insufficiently prepared - when President Obama had announced the start of TTIP talks.

It's a wrap



Asch brought the debate to a close by saying he understood the complexity of the negotiations and that TTIP was a “new kind of animal” that needed involvement from all the players. But Asch reminded the audience that Europe and US share common values, a tradition of openness and unique political institutions which allow stakeholders to negotiate complex economic issues and reach acceptable outcomes. Asch called on all negotiating teams not to get bogged down by problems as the issues were too important to let that happen. Concluding that the TTIP talks

could bring opportunities, Asch said that EUunited could be a sounding board and partner that would fully support a successful outcome.

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EUunited Dinner Debate 2014 – Wednesday 19 November 2014