



IBT Partners

# The Transatlantic Trade and Investment Partnership (TTIP)

The TTIP and transatlantic opportunities for your company



# Introduction

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This IBT Partners TTIP whitepaper is for **business owners and leaders, corporate C-Suite, directors and managers responsible for international development as well as all those concerned by transatlantic trade and investment relations.**

We introduce the TTIP, the current transatlantic relationship, the benefits, the opportunities, and conclude with tips and next steps to help you and your company benefit.

**The advantages the TTIP will bring are enormous and include transatlantic:**

- ✓ **Market access**
- ✓ **Regulatory cooperation**
- ✓ **Multilateral rules**

But it is not without risk. **There will be an increase in competition as protective barriers to trade and investment are removed.**

Companies should increasingly engage in assessing, questioning and identifying the tangible and attainable benefits, as well as the risks, of TTIP.

**Companies that do not address TTIP will lose out. A good understanding of, and preparation for, TTIP will enable companies to leverage the opportunities to their benefit.**

**Implementation will be soon, starting Q1.2015.**



#### IBT Partners

Over the past decade, IBT Partners has helped hundreds of US and EU companies develop their exports and businesses on both sides of the Atlantic. We understand the problems these companies face and we deliver solutions.

IBT Partners wealth of knowledge and experience has been acquired working with companies managing international business and trade challenges. Our whitepapers and e-books are provided to help you understand and address these issues. Our online suite of services provides the tools to deliver export and business development in transatlantic markets.

This whitepaper is brought to you by the IBT Partners Publications Team.

For more information please email: [info@ibtpartners.com](mailto:info@ibtpartners.com)

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# Overview

## An explanation of the TTIP

### Origins of the agreement

The prospect of a trade agreement between the EU and the US has gained momentum over the last five years.

Most recently during the EU-US summit of November 2011, a High Level Working Group on Jobs and Growth was created, which released its report in February 2013, strongly recommending TTIP.

TTIP has strong political support:

- ✓ 13th February 2013, US President Obama requested the beginning of formal negotiations
- ✓ On the same day, EU Council President Van Rompuy and EU Commission President Barroso initiated negotiations
- ✓ 20th March 2013, the Obama administration formally notified Congress of its intent to launch negotiations
- ✓ 14th June 2013, EU member states confirmed their support, thereby allowing TTIP to enter into negotiation

### Objectives

TTIP's aim is to strengthen the transatlantic relationship in a manner that is mutually beneficial. The EU and US economies are intrinsically linked. TTIP is considered by many to

signify a new era in transatlantic relations and will:

- ✓ Remove tariff and non-tariff barriers across a range of sectors in order to facilitate the buying and selling of goods
- ✓ Address standards, approval procedures and technical regulations
- ✓ Facilitate investment in each other's economy

In 2009 a European Commission study concluded that removing 50 % of current non-tariff barriers on bilateral trade could boost EU and US GDP by more than €160Bn.

TTIP will send a clear message to the rest of the world in terms of evolution of global rules on trade, and the transatlantic commitment to the development of universal standards.

### When will the partnership come into effect?

Formal negotiations began in July 2013 and will intensify through autumn 2013 into 2014. Currently, there are teams negotiating TTIP in Washington DC and Brussels. This is going through a series of rounds.

It is planned that negotiations will be concluded in Q4 2014. This will be followed by a ratification process; US congress, European Parliament and all

28 member states will need to approve the agreement.

Implementation will take place in stages, as of Q1.2015.

For more information on TTIP negotiations see: <http://www.euintheus.org/>



### Overview summary

- ✓ Transatlantic relations - strengthened
- ✓ Tariffs - already low, will be cut
- ✓ Non-tariff barriers - removed
- ✓ Trade and investment - facilitated
- ✓ Implementation - Q1.2015 onwards

# Current transatlantic relationship

## GDP, trade, investment and employment

### Global economy

The transatlantic relationship very much defines the shape of the global economy. According to the European Commission, either the EU or the US is the largest trade and investment partner for the large majority of all other countries in the global economy.

### Gross domestic product (GDP)

The US and EU are the largest and wealthiest markets in the world. The transatlantic relationship is the single most important trading relationship in the world. Transatlantic markets account for approximately 54% of global GDP and transatlantic trade accounts for a third of global trade.

### Trade

- ✓ €2Bn worth of goods and services are traded bilaterally every day
- ✓ Commercial sales valued at \$6.65Tn annually
- ✓ Europe buys twice as many products from the US as it does from China (\$368Bn vs. \$180Bn)
- ✓ US annual exports to Europe are two and a half times those to China (\$268Bn vs. \$110Bn)
- ✓ 27 of 50 US states had record breaking exports to the EU (2012)
- ✓ One third of transatlantic trade consists of intra firm trade

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### Investment

The EU and US are each other's main source and destination for Foreign Direct Investment (FDI). The significance of the transatlantic relationship is evident when comparing figures relating to other economic powers.

The Centre for Transatlantic Relations (CTR), states that between 2000 and 2010, compared to China, US investment in:

- ✓ Netherlands was nine times greater
- ✓ UK was seven times greater
- ✓ Ireland was three times greater

Further the CTR notes that “no other commercial artery in the world is as integrated and fused together as the transatlantic economy”.

According to the office of the United States Trade Representative the stock of US FDI in the EU was \$2.1Tn in 2011. In the same year the stock of EU FDI in the US was \$1.6Tn.

### Employment

The transatlantic economy is also responsible for the employment of 15 million people in “mutually onshored” jobs on both sides of the Atlantic, according to the CTR.

The sheer size and wealth of the US and EU economies and population, will ensure TTIP is big business for all businesses.

	US	EU
<b>States/Countries</b>	50 states	28 countries
<b>GDP (2012)</b>	\$15.7 Tn	\$16.7 Tn
<b>Population</b>	317 M	507 M

### Current relationship – summary

- ✓ Global economy - #1 influence
- ✓ 54% of global GDP
- ✓ Trade - €2Bn of goods and services traded bilaterally daily
- ✓ Investment - Each other's main source and destination of FDI
- ✓ Employment - 15 million jobs

# Benefits

## Benefits that the partnership promises

### Macro-economic

The US Chamber of Commerce states that eliminating trade barriers could add a combined \$300Bn to the transatlantic economy per year.

### Global

- ✓ Add a further €100Bn outside EU and US
- ✓ The EU and US will be able to influence multilateral trading and shape global rules on trading, standards, rules and regulations

### Europe

- ✓ GDP annual gains of +0.5% = €120Bn
- ✓ Exports to the US +28% = €187Bn
- ✓ Exports to rest of the world +€33Bn
- ✓ Increase business production +€107Bn
- ✓ +400,000 jobs in the EU
- ✓ +110,000 jobs in Germany
- ✓ +200,000 jobs in UK, France and Spain
- ✓ +90,000 jobs in rest of EU

EU exports would increase in almost all sectors but the boost in total EU exports to the rest of the world would be particularly significant in metal products (+12%), processed foods (+9%), chemicals (+9%), other manufactured goods (+6%), other transport equipment (+6%), and especially in motor vehicles (41%).

### US

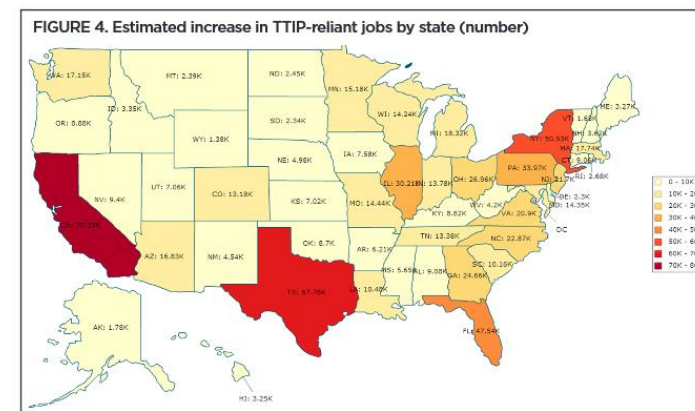
- ✓ GDP annual gains of +0.4% = €95Bn
- ✓ Exports to the EU +24% = €159Bn
- ✓ Exports to rest of the world +€60Bn
- ✓ Increase business production +€71Bn
- ✓ Sectors that will see the greatest increase in exports to the EU are all related to manufacturing:

Type	Increase
Motor vehicles	\$4.9Bn
Other manufacturing	\$2.2Bn
Electrical machinery	\$1.4Bn

- ✓ 750,000 jobs
- ✓ Greatest number of jobs in the business services sector
- ✓ 40 out of 50 states will see increases in jobs in the business services sector

Top 10 states by estimated number of TTIP-attributable jobs added

California	75,340
Texas	67,780
New York	50,520
Florida	47,540
Pennsylvania	33,960
Illinois	30,200
Ohio	26,960
Georgia	24,660
North Carolina	22,860
New Jersey	21,700



Source: Atlantic Council of the United States, Bertelsmann Foundation & British Embassy in Washington

### Macro-economic benefits - summary

#### EU

- ✓ GDP - annual gains of 0.5%
- ✓ Trade flows up by €220Bn
- ✓ Business production - boost by €107Bn
- ✓ Sectors - motor vehicles, metal products
- ✓ Jobs - 400,000

#### US

- ✓ GDP - annual gains of 0.4%
- ✓ Trade flows up by €220Bn
- ✓ Business production - boost by €71Bn
- ✓ Sectors - motor vehicles, manufacturing,
- ✓ Jobs - 750,000

### Corporate

Companies that trade across the Atlantic will benefit from TTIP for several reasons.

### Removal of tariffs

TTIP aims to remove remaining tariffs. Existing tariffs are low, on average 4%. Nevertheless, the complete removal of tariffs will reduce the cost and save the overhead of implementation.

If we apply this across the transatlantic value and the volume of trade, it is clear that this will save businesses \$Bn's.

### Removal of non-tariff barriers

The removal of non-tariff barriers will:

- ✓ Save time
- ✓ Save money
- ✓ Make transatlantic trade easier

It will bridge the unnecessary differences that currently mean that EU-US business cannot reach its full potential. It is estimated that non-tariff barriers increase costs by between 10 and 20%.

All transatlantic businesses are hindered by:

- ✓ Paperwork
- ✓ Cost of awkward bureaucracy
- ✓ Assessments

Larger corporations have greater resources to manage and pay for the non-tariff barriers. They will save considerable time and money as they better reallocate their resources.

SME's struggle to overcome non-tariff barriers, some abandon the effort. Figures suggest that 69% of SME's exporting to foreign markets struggle with international trade as a direct result of restrictions and regulations.

Measures such as cutting administrative costs will account for 80% of the potential wealth gains associated with TTIP.

### Regulation of standards

The regulation of standards is an example. At present, US companies whose products have already met safety standards in the US have to go through further testing to gain the CE mark in order to be able to enter the EU markets. In turn, EU companies have to go through a similar process in order to enter US markets.

TTIP will introduce the mutual regulation and recognition of such standards. An example – at present, a car that meets US safety standards may not meet EU safety standards and vice versa. Under TTIP, the car will need to meet just one common set of standards.

### New opportunities

No tariffs, no non-tariff barriers, recognized standards will present a flatter playing field for businesses to compete providing new opportunities for EU and US manufacturing as well as services industries.



### Corporate benefits - summary

- ✓ Removal of tariffs - save 4+%
- ✓ Removal of non-tariff barriers - save 10/20%
- ✓ SME's greatest beneficiaries
- ✓ Mutual regulation and recognition of standards
- ✓ Cutting administrative costs will account for 80% of potential wealth gains
- ✓ New transatlantic markets

### Consumer

Consumer protection is at the forefront of the TTIP mandate.

### Choice

TTIP will lead to more choice for consumers. Due to regulations, some EU products cannot be sold in the US and some US products cannot be sold in the EU. TTIP will allow the introduction of new products and services to markets and give consumers a greater variety of products from which to choose.

### Prices

Consumers will also benefit from lower prices. It is estimated that removing both tariff and non-tariff barriers will reduce costs by between 10 and 25%. Some or all will be reflected in consumer prices.

Also, the agreement on standards will remove the requirements for two sets of specifications; there will be one set of rules for both the EU and US. This will cut prices significantly.

Businesses in the tech sector will benefit tremendously from TTIP. For the consumer, this will result in access to electronics at a significantly lower cost.

### Consumer gains

Equally, the removal of tariffs will yield significant benefits for consumers, estimated at:

- ✓ US €95Bn per year
- ✓ EU €86Bn per year

This will allow the average US family an extra \$863 of annual spending power, while the average EU family will gain €545. These figures are considered cautious estimates reflecting slow TTIP implementation.

### Standards

The TTIP mandate ensures that the highest levels of standards, including health and safety and the strengthening of IP protection, will be maintained.

### Regulations

The compatible, mutual recognition of regulations set by both EU and US regulatory authorities will simply life for consumers.

Smarter cooperation will make regulation more effective: regulators can learn from each other.

Regulatory cooperation can be achieved in two ways:

- ✓ Working on existing regulations
- ✓ Coordination when making laws in the future

Regulatory cooperation will ensure that products remain as safe and environmentally friendly as they are now.

In terms of institutional implementation issues, an institutional framework will be adapted to facilitate the process.

Transatlantic cooperation on regulatory approaches will set standards for the rest of the world to follow.



### Consumer benefits - summary

- ✓ Consumer protection
- ✓ More choice
- ✓ Lower prices - thanks to the removal of non-tariff barriers
- ✓ Increased spending power
  - EU Family - \$863 per year
  - US Family - €545 per year
- ✓ Commitment - key values
- ✓ Regulations - smarter cooperation

# Opportunities for SMEs

## How will the TTIP help your company?

According to the US International Trade Commission (USITC) US Small Medium Enterprises (SME) account for 99% of the number of US businesses, but only 13% of the value of US exports. EU SMEs account for 31% of exports.

We note that an SME in the US is a business with less than 500 employees, while in Europe, the number is less than 250 employees.

### No more restrictions

TTIP offers a unique opportunity for SMEs

- ✓ 69% of these companies struggle with international trade because of foreign restrictions
- ✓ Abolish restrictions
- ✓ Common rules and regulations
- ✓ Save time, money and facilitate transatlantic trade

### New and expanded markets

SMEs will be offered new and expanded markets for their products, without the inconvenient regulations and protocols that surround customs and licensing. The process of importing raw material will also be facilitated.

### Less complicated

Doing business on both sides of the Atlantic will be less complicated and the issues that currently burden SMEs will be removed.

### Sectors

Businesses in the tech sector have been highlighted amongst those that should benefit the most from TTIP. TTIP will remove barriers to innovation and lower the cost of required raw materials.

SMEs tend to dominate sectors which are predicted to see the highest levels of increased trade as a result of TTIP, namely:

- ✓ Automotives
- ✓ Chemicals
- ✓ Machinery
- ✓ Pharmaceuticals
- ✓ Processed foods

### Exporting

SMEs that are already exporting to foreign markets will clearly benefit from TTIP. However, TTIP also presents a unique opportunity for first-time exporters that have been put off by tariffs and non-tariff barriers such as administration and regulations.

### Explore new opportunities

TTIP brings with it the opportunity for SMEs to explore new business opportunities across the Atlantic.



### Opportunities for SME's - Summary

- ✓ Lower direct costs
- ✓ Lower indirect costs
- ✓ Unified regulations
- ✓ Simplified processes
- ✓ Faster to market
- ✓ New and expanded markets
- ✓ Already exporting - expand markets
- ✓ Not exporting - new market access
- ✓ The time to act is now



# TTIP: next steps

Practical & ongoing preparation for TTIP

## Look at the opportunities and look online

Start preparing now. Look at your expanded and/or new transatlantic markets, the opportunities outlined in this whitepaper and look online...

## Your website is your best tool

In the US and the EU:

- ✓ 93% of businesses research B2B purchases and judge potential business partners online
- ✓ 85% of business procurement commences online
- ✓ 86% of B2B firms use social media

The EU and the US dominate the worldwide web, with the most connected online businesses and consumers. In 2012, the transatlantic e-commerce markets represented EU >\$400Bn value, US >\$375Bn in value, growing at >15%.

## Next steps

Adapting your online presence is crucial to your transatlantic business development. IBT Partners has created [15 Tips to Improve Your International Online Presence](#). Download to find out more about how to:

- ✓ Be easily accessible for clients and your transatlantic networks
- ✓ Have an international online presence where your business is perceived as local
- ✓ Generate local demand online

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# About IBT Partners

In 2002, we created IBT Partners with a vision to build a company that would make a substantial difference to our clients in helping them grow internationally – a vision based on the idea that international business and trade are vital engines of economic growth and an essential step in any company's strategy.

Our staff, their enthusiasm and their skills are what make the difference. Our offices in Europe (France, Germany and the UK) and in the USA house teams that are all multi-cultural, multi-lingual trade experts with knowledge of new technologies.

We have worked with 100s of SMEs, helping them to identify new business opportunities and new potential clients in export markets.

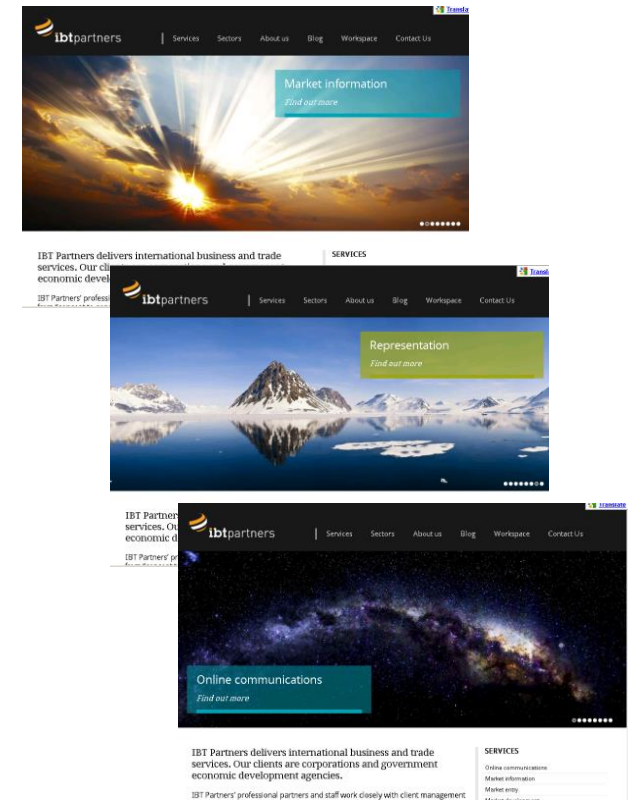
**Contact us today. Get to know IBT Partners, our vision, our passion and our commitment to helping you develop your exports and business internationally.**



Get in touch!

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Transatlantic Trade and Investment Partnership  
[www.ibtpartners.com](http://www.ibtpartners.com)



# Useful links & sources

## US sources (Hyperlinks)

[American Chamber of Commerce to the EU](#)

[British American Business](#)

[Centre for Transatlantic Relations](#)

[Council on Foreign Relations](#)

[German Marshall Fund of the United States](#)

[US Mission to the EU](#)

[US Commercial Services](#)

[US International Trade Commission](#)

[US National Small Business Association](#)

[US Small Business Administration](#)

[World Trade Organisation](#)

## EU sources (Hyperlinks)

[Bertelsmann Foundation](#)

[British Embassy Washington](#)

[Centre for Economic Policy Research](#)

[Chambre de Commerce et d'Industrie](#)

[Delegation of the EU to the US](#)

[European Association of Chambers of Commerce and](#)

[Industry](#)

[European Central Bank](#)

[European Commission](#)

[Germany Trade and Invest](#)

[Transatlantic Business Council](#)

[UKTI](#)

[World Bank](#)

## Recommended reading (Hyperlinks)

[Atlantic Council, Bertelsmann Foundation & British Embassy in Washington, 2013. \*TTIP and the Fifty States: Jobs and Growth from Coast to Coast\*](#)

[Atlantic Council & Bertelsmann Foundation, 2013. \*The Transatlantic Trade and Investment Partnership: Ambitious but Achievable\*](#)

[European Commission, 2013. \*Transatlantic Trade and Investment Partnership: Economic Analysis Explained\*](#)

[European Commission, 2013. \*Transatlantic Trade and Investment Partnership: The Regulatory Part\*](#)

[European Commission, 2013. \*EU-US Transatlantic Trade and Investment Partnership: Trade Cross-Cutting Disciplines and Institutional Provisions\*](#)

[Francois, J. Centre for Economic Policy Research, London, 2013. \*Reducing Transatlantic Barriers to Trade and Investment\*](#)

[German Federal Ministry of Economics and Technology, 2013. \*Dimensions and Effects of a Transatlantic Free Trade Agreement between the EU and US\*](#)

[Hamilton, D. & Quilan, J. 2013. \*The Transatlantic economy\*](#)

[House of Commons Library, Transatlantic Trade and Investment Policy Factsheet](#)

[NSBA, 2013, \*2013 Small Business Exporting Survey\*](#)

[Transatlantic Policy Network, 2011, \*Towards a Strategic Vision for the Transatlantic Market\*](#)

**IBT Partners recommends that you click on the below, and follow:**

- ✓ [British American Business](#)
- ✓ [EU in the US](#)
- ✓ [US Chamber of Commerce](#)

