European Commission
Directorate-General for Trade

Memorandum

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European Union and United States to launch negotiations for a Transatlantic Trade and Investment Partnership

The EU and US have decided to take their economic relationship to a higher level by agreeing to launch negotiations for a comprehensive trade and investment agreement. When negotiations are completed, this EU-US agreement would be the biggest bilateral trade deal ever negotiated – and it could add 0.5% to the EU's annual economic output.

In a **joint statement** (**MEMO/13/94**), President of the United States of America Barack Obama, European Commission President José Manuel Barroso and European Council President Herman Van Rompuy stressed that through this negotiation, the United States and the European Union will have the opportunity not only to expand trade and investment across the Atlantic, but also to contribute to the development of global rules that can strengthen the multilateral trading system.
The Transatlantic Trade and Investment Partnership will aim to go beyond the classic approach of removing tariffs and opening markets on investment, services and public procurement. In addition, it will focus on aligning rules and technical product standards which currently form the most important barrier to transatlantic trade. Studies show that the additional cost burden due to such regulatory differences is equivalent to a tariff of more than 10%, and even 20% for some sectors, whereas classic tariffs are at around 4%.

The decision follows last week's discussions between EU Trade Commissioner Karel De Gucht and Unites States Trade Representative Ron Kirk in Washington DC. Chairing the "High Level Working Group on Jobs and Growth", created in November 2011, they finalised **a report** recommending the launch of negotiations of a comprehensive trade and investment agreement between the European Union and the United States of America.

Overall economic gains

The transatlantic trade relation is the backbone of the world economy. Together, the European Union and the Unites States account for about half of the world GDP (47%) and one third of global trade flows. Each day goods and services of almost € 2 billion are traded bilaterally, contributing to creating jobs and growth in our economies. Economic ties between our economies are deep and diverse, with aggregate investment stocks in excess of € 2 trillion.
Latest estimates show that a comprehensive and ambitious agreement between the EU and the US could bring overall annual gains of 0.5% increase in GDP for the EU and a 0.4% increase in GDP for the US by 2027. This would be equivalent to €86 billion of added annual income to the EU economy and €65 billion of added annual income for the US economy.

What will this agreement look like?

Negotiations will aim to achieve ambitious outcomes in three broad areas: a) market access; b) regulatory issues and non-tariff barriers; and c) rules, principles, and new modes of cooperation to address shared global trade challenges and opportunities.

A) Market Access

Tariffs: The declared goal of the agreement is to get as close as possible to the removal of all duties on transatlantic trade in industrial and agricultural products, with a special treatment of the most sensitive products. In general, transatlantic tariff barriers are currently comparatively low, with an average of 5.2% for the EU and 3.5% for the US (WTO estimates). However, given the magnitude of trade between the EU and the US, tariffs still impose costs that are not negligible.

Services: Both sides want to open their services sectors at least as much as they have achieved in other trade agreements to date. At the same time, both sides will seek to open their services markets in new sectors, such as in the transport sector. Both services and investment chapters will also address the sub-federal level of government.

Investment: The aim is to achieve the highest levels of liberalisation and investment protection that both sides have negotiated to date in other trade deals.
Procurement: European companies whose business depends on public procurement represent 25% of GDP and 31 million jobs. Hence, new business opportunities can be created by opening up access to government procurement markets at all levels of government without discrimination for European companies.

B) Regulatory Issues and Non-Tariff Barriers: towards a more integrated transatlantic marketplace

In today's transatlantic trade relationship, the most significant trade barrier is not the tariff paid at the customs, but so-called “behind-the-border” obstacles to trade, such as, for example, different safety or environmental standards for cars. Currently, producers who want to sell their products on both sides of the Atlantic often need to pay and comply with procedures twice to get their products approved. The goal of this trade deal is to reduce unnecessary costs and delays for companies, while maintaining high levels of health, safety, consumer and environmental protection.

In that spirit, both sides intend to align as far as possible or mutually accept their standards and procedures, by negotiating an ambitious agreement on sanitary and phyto-sanitary (health and hygiene standards, for example for food products) as well as technical barriers to trade. In addition, they will work on regulatory compatibility in specific sectors, such as chemical, automotive, pharmaceutical, and other health sectors such as medical appliances. Business communities on both sides have provided guidance on where the most significant barriers lie.

Since not all regulatory divergences can be eliminated in one go, both sides envisage a "living agreement" that allows for progressively greater regulatory convergence over time against defined targets and deadlines.

The regulatory area is where the highest potential benefit lies with these trade negotiations.

C) Addressing Shared Global Trade Challenges and Opportunities in the 21st century

In the light of the size and impact of the transatlantic partnership on global trade flows, the negotiators will address areas that go beyond bilateral trade and also contribute to the strengthening of the multilateral trading system.

Intellectual Property Rights: Both the EU and the United States are committed to maintaining and promoting a high level of intellectual property protection, including enforcement. Given the efficiency of their respective systems, the intention is not to strive towards harmonisation, but to identify a number of specific issues where divergences will be addressed.

Trade and Sustainable Development: Both sides intend to work together on social and environmental aspects of trade and sustainable development, based on what each side has already developed in existing trade agreements.

Other Globally Relevant Challenges and Opportunities: In order to make this a truly “21st century” agreement taking into account the intertwining of economies, both sides are keen to tackle trade-related aspects of customs and trade facilitation, competition and state-owned enterprises, raw materials and energy, small- and medium-sized enterprises and transparency.

On the High-Level Working Group on Jobs and Growth

At the 28 November 2011 EU-US Summit meeting, Leaders established a High-Level Working Group on Jobs and Growth, led by US Trade Representative Ron Kirk and EU Trade Commissioner Karel De Gucht. The Working Group was tasked to identify policies and measures to increase EU-US trade and investment to support mutually beneficial job creation, economic growth, and international competitiveness. The Presidents of the US and the EU asked the Working Group to work closely with all public and private sector stakeholder groups.

Today's final report is the conclusion of this work. Following up on an **interim report of 18 June 2012**, the final report recommends the launch of negotiations of a comprehensive trade and investment agreement. It outlines the joint approach of both sides on the main parameters of such negotiations and spells out where the EU and the US have found common ground and how they intend to tackle the broad range of areas that will form part of the agreement.

Next steps

Both parties will now envisage starting internal procedures leading to the actual launch of negotiations at the earliest possible moment. On the EU side, the European Commission will present draft negotiating directives to Council, on which the latter has to decide. This is scheduled to take place towards the second half of March. The US administration plans to send a notification to Congress triggering a 90-day layover period. Both sides aim to advance fast once negotiations are started.

Further information

Statement from United States President Barack Obama, European Council President Herman Van Rompuy and European Commission President José Manuel Barroso (MEMO/13/94)
Final report of the High-Level Working Group on Jobs and Growth
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