THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

July 22, 2013

To: Members of the Subcommittee on Commerce, Manufacturing, and Trade

From: Majority Committee Staff

Re: Hearing on "The U.S. – E.U. Free Trade Agreement: Tipping Over the Regulatory Barriers."

I. Summary

The Subcommittee on Commerce, Manufacturing, and Trade will hold an oversight hearing on "The U.S. – E.U. Free Trade Agreement: Tipping Over the Regulatory Barriers" on Wednesday July 24, 2013, at 9:45 a.m. in 2123 Rayburn House Office Building. Witnesses are by invitation only.

The hearing will give Members the opportunity to hear from stakeholders what they want the USTR to achieve in negotiating the Transatlantic Trade and Investment Partnership (TTIP), and particularly which non-tariff barriers they believe can be reduced or eliminated.

II. Witnesses

The Honorable Matt Blunt
President
American Automotive Policy Council

John Castellani
President and CEO
Pharmaceutical Research and Manufacturers of America

The Honorable Cal Dooley
President and CEO
American Chemistry Council

Dean C. Garfield
President and CEO
Information Technology Industry Council

Jean Halloran
On behalf of Consumers Union and the Transatlantic Consumer Dialogue
U.S. Liaison, Transatlantic Consumer Dialogue Secretariat
Senior Adviser, International Affairs, to the President of Consumer Reports

Carroll Muffett
President and CEO
Center for International Environmental Law

III. Background

In November 2011, the EU and U.S. established the High Level Working Group on Jobs and Growth (HLWG) to identify and assess options for strengthening the U.S.-EU economic relationship. After extensive consultations with stakeholders, the HLWG in February 2013 issued a Final Report recommending negotiation of a comprehensive trade and investment agreement. In March, the President through the acting United States Trade Representative (USTR) formally notified Congress of his decision to pursue such an agreement, which has become known as the Transatlantic Trade and Investment Partnership or T-TIP. During the G8 summit on June 17, 2013, President Obama, together with European Council President Van Rompuy, European Commission President Barroso, and Prime Minister Cameron, announced that the United States and the European Union would begin negotiations.[1] The first round of negotiations took place earlier this month in Washington.

The HLWG's Final Report proposed ambitious objectives in three broad areas: (1) market access; (2) regulatory issues and non-tariff barriers; and (3) rules, principles and new modes of cooperation addressing shared global trade challenges and opportunities.[2]

1. Market Access: the goal in this area is to eliminate market access obstacles such as duties on bilateral trade, to improve access to government procurement opportunities at all levels and to liberalize trade in services and investment to the highest degree ever achieved.

2. Regulatory Issues and Non-Tariff Barriers: under this heading, the goal is to pursue new and innovative approaches to reduce the adverse impact on trade of "behind the border" barriers, aiming "to reduce unnecessary costs and administrative delays stemming from regulation."

3. Global Trade Challenges and Opportunities: the goal of this category is to develop rules that would help strengthen the multilateral trading system. The issues to be negotiated include intellectual property rights (IPR), environment and labor standards, and other globally relevant challenges and opportunities (e.g., subsidies to state-owned enterprises, export restrictions on raw materials, and localization requirements).

Historically, tariffs on goods have been the single biggest barrier to trade. The average U.S. and EU tariffs, however, are already quite low. Consequently, reducing the adverse impact of non-tariff barriers is a significant focus of the negotiations. Much of the benefit of a potential

[1] http://www.ustr.gov/ttip
[2] http://www.ustr.gov/sites/default/files/02132013%20FINAL%20HLWG%20REPORT.pdf

transatlantic agreement, particularly for the regulated industries subject to the Energy & Commerce Committee's jurisdiction, would come from work in this area. In fact, in an independent study commissioned by the European Commission's Directorate General for Trade, the Center for Economic Policy Research, London, estimates that as much as 80 percent of the total gains achieved from transatlantic trade liberalization would come from reducing costs imposed by bureaucracy and regulations.[3] Greater regulatory cooperation could also help regulators to be more effective and reduce outlays by, for example, reducing the number of inspections that need to be conducted.

The HLWG recommended addressing the goal to reduce regulatory burdens "through equivalence, mutual recognition, or other agreed means as appropriate." As an example, many auto safety regulations in the U.S. and EU take a very different approach to the same end. Through T-TIP, the U.S. and EU could where appropriate recognize each other's requirements as providing equivalent safety. In the case of future regulations, even closer harmonization may be possible to achieve through agreement to promote greater compatibility.

Economics - Why T-TIP Matters

The U.S. and EU are the largest trading markets in the world and the bilateral trade relationship between the U.S. and the 27-member EU is the world's largest with the two economies combined accounting for 40 percent of world output and nearly $1 trillion in trade. The EU's 500 million consumers are the largest export market for the U.S., accounting for $463 billion of U.S. exports in 2012. Similarly, the U.S. had $534 billion in imports from EU member countries in 2012. These numbers equate to approximately one-fifth of all U.S. exports and one-fifth of all U.S. imports.[4] The two regions trade in goods and services worth over $2.6 billion every day,[5] and more than 13 million Americans and European citizens are employed by transatlantic trade and investment.[6] In addition to a strong partnership in the trade of goods and services, together, the U.S. and EU share $3.7 trillion in direct investment in our respective economies, constituting the world's largest investment relationship.[7]

Economic forecasts for a successful agreement predict as much as $150 billion increase in annual trade should an ambitious trade agreement be reached. The EU estimates a deal would translate into a GDP boost of 0.5 percent[8] while others estimate up to 3 percent growth on both sides of the Atlantic.[9] While tariffs between the two trading regions are largely very small, the effect of our technical barriers to trade is the equivalent of a 10 to 20 percent tariff on the

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3 http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf
4 http://www.ustr.gov/countries-regions/europe-middle-east/europe/european-union
5 http://ec.europa.eu/trade/policy/in-focus/ttip/
6 http://www.ustr.gov/about-us/press-office/fact-sheets/2013/june/wh-ttip
7 http://www.ustr.gov/countries-regions/europe-middle-east/europe/european-union
8 http://ec.europa.eu/trade/policy/in-focus/ttip/
9 http://www.economist.com/news/leaders/21571890-good-idea-state-union-address-business-should-rush-support-come-ttip

products they impact.[10] Removing "even half" of these barriers could result in a 3 percent increase in GDP on both sides of the Atlantic, according to The Economist.[11]

The benefits would not be limited to just the U.S. or the EU. Worldwide, a U.S. – EU free trade agreement would contribute to increasing global income by $131 billion.[12]

Current Status

The first round of negotiations took place in Washington during the week of July 8, 2013. The next round of negotiations will be conducted in Brussels during the week of October 7, 2013. If a treaty is signed by the President, legislation to implement the final trade agreement would go to Congress for a vote of approval. Therefore, Congress -- and because of the emphasis on non-tariff trade barriers, the Energy and Commerce Committee in particular -- will play a significant role consulting with negotiators and conducting oversight of the negotiations.

IV. Questions for Consideration

- What are the desired outcomes from TTIP?
- What are the economic benefits to the U.S. of a successful TTIP?
- How will easing regulatory burdens help grow our economy?

Please contact Brian McCullough, Gib Mullan, or Shannon Taylor at ext. 5-2927 with any questions.

[10] http://www.amchameu.eu/Portals/0/2013/enews/march2013/DeGuchtFINAL.pdf
[11] http://www.economist.com/news/leaders/21571890-good-idea-state-union-address-business-should-rush-support-come-ttip
[12] Karel De Gucht, European Commissioner for Trade, AmCham EU Policy Brief (March 2013). http://www.amchameu.eu/Portals/0/2013/enews/march2013/DeGuchtFINAL.pdf