Trade Sustainability Impact Assessment on the Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the United States of America

Draft Inception Report

Client: European Commission - DG TRADE

Rotterdam, 17 March 2014

Trade Sustainability Impact Assessment comprehensive trade and investment agreement between the European Union and the United States of America

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ECORYS

This report was commissioned and financed by the European Commission. The views expressed herein are those of the Contractor, and do not represent an official view of the Commission.

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At Ecorys we aim to deliver real benefit to society through the work we do. We offer research, consultancy and project management, specialising in economic, social and spatial development. Focusing on complex market, policy and management issues we provide our clients in the public, private and not-for-profit sectors worldwide with a unique perspective and high-value solutions. Ecorys' remarkable history spans more than 80 years. Our expertise covers economy and competitiveness; regions, cities and real estate; energy and water; transport and mobility; social policy, education, health and governance. We value our independence, integrity and partnerships. Our staff are dedicated experts from academia and consultancy, who share best practices both within our company and with our partners internationally.

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Preface

The European Commission (DG Trade) awarded a contract to Ecorys, signed in December 2013, to conduct a trade sustainability impact assessment (Trade SIA) in support of the negotiations on a comprehensive trade and investment agreement between the EU and the USA. This is the draft inception report for the Trade SIA of this agreement.

Ecorys is aware of the important role of this study for the negotiation process as it will provide direct inputs for the negotiators as well as recommendations for policy makers implementing the agreement. The negotiations have started in July 2013 and have concluded the fourth negotiating round on March 15th. Ecorys closely consults with the EC on the planning and scope of this study to ensure optimal input into the process.

This inception report is based on the terms of reference, the Ecorys proposal that was submitted to DG Trade, and the subsequent discussions with the Steering Committee during and after the kick-off meeting.

This inception report summarises the most important methodological components of our study and highlights some of the main issues that will warrant further attention and focus during the implementation of the study – both in terms of content and in terms of organisation and planning of the project.

The Ecorys Team
17 March 2014

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1 Background and introduction

1.1 Background

Depth of the economic relationship and developments in trade and investment relationship between EU-US

The EU and US are the two most integrated economies in the world. This is through imports and exports of goods trade – since they are very integrated – but also through services trade, investments and strong commercial presence in each other's economies. Hamilton & Quinlan give a short summary of these main economic elements in their annual publications on the EU-US economic relationship. Clearly from the work of these authors, services stand as the sleeping giant of the Transatlantic market place (Hamilton & Quinlan, 2012). We choose not to repeat these statistics but to refer to this research done and add some more general points:

- The longstanding relationship provides opportunities but also poses challenges for EU-US trade and investment relations.
- The EU and the US are each other's main trading partners in goods and services and account for the largest bilateral trade relationship in the world.
- The transatlantic economies are among the freest in the world, but certainly not absolutely free.
- There is still significant scope for further trade and investment liberalisation through reductions in non-tariff measures since tariffs are already quite low between the countries.
- The EU and US realise the need for stronger transatlantic cooperation in light of increased competition from Asia, but that means significant alignment in non-tariff measures and regulatory convergence is needed.
- The approach chosen to look at aligning non-tariff measures needs to be chosen with care – so as not to lower standards, and to avoid treating differences in regulatory systems as simple trade barriers. This matters particularly with regard to consumer interests on product safety, and social and environmental standards.
- Although rapidly rising economies have gained much attention, the US and EU remain the heart of the global economy.
- In terms of structure, the two economies are broadly similar. The secondary sectors account for most trade, constituting about a quarter of output. Both the EU and the US are service economies, with the service sectors accounting for roughly 70 percent of all output. Together the two countries together account for almost half of the world trade making the two countries strong competitors on the global market.
- Concerns for the environment worldwide may have an impact on the EU – US trade and investment relationship.
- Social standards do not diverge much between the EU-US when compared to third countries with which trade agreements have been concluded or are being negotiated (e.g. Colombia, Peru, the Caucasus) so regulatory alignment that has social implications will have to be studied with nuance.
- In 2009, US and Turkey established the Framework for Strategic Economic and Commercial Cooperation and since 1963 Turkey has a customs union with the EU. In light of the TTIP negotiations this special position of Turkey needs to be recognised and kept in mind.

Major milestones in the (regulatory) relationship between EU-US

The EU and US have a long-standing history of cooperation. To do justice to this long history and show respect for the many initiatives, we here sum up the main steps in bullet form as part of the EU-US context that has led us to where we are now: after the fourth negotiating round of TTIP.

- The EU and US regularly discuss the transatlantic relation via EU-US Summits (to address economic cooperation and market integration at the highest political levels, to prevent disruptive and costly disputes and stimulate trade and investment flows by reducing both at-the-border and behind-the-border costs).
- In 1990, the Transatlantic Declaration came about as a result regular EU-US summits.
- In 1995, the New Transatlantic Agenda (NTA), the platform to work together to achieve the expansion of world trade and foster closer economic EU-US relations started.
- It also set up: the TABD (Transatlantic Business Dialogue), the TALD (Transatlantic Labour Dialogue which was suspended in 2000 citing the failure of the US Government to supply its share of funding), TAED (Transatlantic Environmental Dialogue) and the TACD (TransAtlantic Consumer Dialogue).
- In 1998, the Transatlantic Economic Partnership (TEP) came into force.
- In 1999 the Transatlantic Legislators' Dialogue (TLD) was established by the European Parliament and the US Congress to support and intensify the level of political discourse between American and European lawmakers.
- In 2002, agreements on Guidelines for Regulatory Cooperation and Transparency to encourage EU and US agencies to consult with each other on a voluntary basis were established.
- 2004 saw the design of a Roadmap for EU-US regulatory Cooperation and Transparency
- The May 2005 communication emphasised “A Stronger EU-US Partnership and a More Open Market for the 21st Century”. From it, the EC identified regulatory co-operation as a prime objective of transatlantic co-operation.
- Following from the two initiatives before, in 2005, the High-Level Regulatory Co-operation Forum was set up to develop a joint regulatory work plan and the political leaders agreed to move forward in the fields of investment, public procurement, services and improvements in mutual recognition of professional qualifications.
- In 2005 Transatlantic Intellectual Property Rights (IPR) Working Group (previously known as the US-EU IPR Working Group) was established (It coordinates in three main areas under the US-EU IPR Action Strategy: engagement on IPR issues in third countries, customs cooperation, and public-private partnerships.
- In 2007 EU-US Summit launched the Transatlantic Economic Framework and the Transatlantic Economic Council (TEC) to help further strengthen EU-US economic integration.
- On the Annual EU-US Summit in 2009 an EU-US Energy Council was agreed to be established.
- In December 2011, the EU-US Summit announced the creation of the ‘High Level Working Group for Jobs and Growth’ to look into the possibility of an EU-US Free Trade Agreement.
- In December 2012 European-American Business Council and TransAtlantic Business Dialogue decided to merge to form the Transatlantic Business Council from 1 January 2013 onwards.
- February 2013 The European Union and the United States – following a positive report by the HLWG on Jobs and Growth, announced their intention to conclude a free trade agreement (FTA) which would encompass both sides of the Atlantic.
- In July 2013 the first round of negotiations took place in Washington DC and in October 2013 the second round of negotiations is planned.

Differences in EU-US regulatory systems and the challenge of covering standards and regulations

It needs to be recognised that the EU and US regulatory systems are complex with many stakeholders involved, and that the regulatory systems are different from each other. In the US, US Congress has an important role to play in regulatory issues, through the committees of jurisdiction. The regulatory agencies in the US are independent but are overseen by the executive. The complex US picture is further complicated by the fact that in various policy fields, US States have the power to introduce laws and regulations separate from the federal level. In the EU regulatory system, primary legislation is with the Council and European Parliament, while comitology and

delegated acts lie with the European Commission. The EC has the negotiating mandate, given by the Council, but the EP as well as the Council can approve or reject the final deal altogether t. The EU member states and the EP are informed in detail about the negotiations and have access to negotiation documents.

The multiple layers of complexity, from standards to regulations to conformity assessments create another challenge to addressing the regulatory divergences that exist between the EU and US. Many efforts have been made in the past – either at the technical level or at the highest political level – to achieve more convergence with limited success. The dilemma lies therein that conformity assessments can be technically aligned but would still be based on different underlying goals policies aim to achieve. So any 'shock' to the regulatory system brought about by developments in national societies would create the potential for new regulatory divergences.

TTIP – a new style trade agreement

TTIP is a 'new style' trade agreement that contains an important element of 'regulatory cooperation' that goes beyond what has been included in more standard trade agreements before – with the possible exception of the EU-Canada Comprehensive Trade Agreement (CETA) where regulatory cooperation is included (Krstic, 2012).[1] The inclusion of regulatory cooperation has several important implications. Some implications are the following:

- Because of the component of regulatory alignment TTIP could lead to different economic outcomes than the traditional trade agreements. Contrary to tariff-driven trade agreements where those 'inside' the FTA gain and those 'outside' lose, regulatory alignment could also lead to cost gains for firms in third countries who could thus benefit.
- Because of the component of regulatory alignment, the EU and US political systems are engaged at a much more fundamental level than before. For example, in the US the House Ways & Means and Senate Finance Committee are committees of jurisdiction on trade policy – but TTIP goes beyond that if regulatory cooperation in – for example – financial services, energy, food safety or other areas are also discussed. This would involve many more House and Senate committees as well as a vast array of independent regulatory agencies.
- Because of the component of regulatory alignment, the expected societal impact of TTIP – apart from its sheer size as already explained above – could be much greater than the impact of a traditional trade agreement. This warrants an in-depth study of potential societal impacts of TTIP.
- Because of the component of regulatory alignment, focus on the details of what is discussed is important. The regulatory effect of TTIP depends on what is actually agreed. This is different from tariff reductions that are transparent and uni-dimensional, where – given the production structure of the economy – effects can be investigated more easily. Non-tariff measures are multi-dimensional (regulations, certification, conformity assessments) and much more difficult to analyse.

Civil society and TTIP

Civil society organisations play a very important role in voicing concerns of their constituents in particular and EU citizens in general. And as such, civil society will be involved and informed as much as possible throughout the unfolding of the TTIP negotiations. In light of the last two issues mentioned above with regard to the regulatory cooperation element that is part of the TTIP negotiations, information dissemination, discussions based on arguments and facts and transparency are crucial elements that need to be addressed.

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[1] Krstic, Stanko (2012), "Regulatory Cooperation to Remove Non-Tariff Barriers to Trade in Products: Key Challenges and Opp[ortunities for the Canada-EU Comprehensive Trade Agreement (CETA), *Legal Issues of Economic Integration*, Vol. 39, No. 1, pp. 3-28, 2012.

Over the last months, we have seen a strong increase in activity from civil society organisations regarding TTIP. This is a development that we welcome, and that we as Ecorys want to further facilitate through this Trade Sustainability Impact Assessment (Trade SIA) on TTIP. Since the start of the study, we have started to receive inputs from various stakeholders, have been invited for workshops and seminars and invite stakeholders to provide us with their inputs, concerns, and views on TTIP. A 'stakeholder' for Ecorys is any person who or any organisation that has a view on TTIP. We see debates and get views on food safety standards, GMOs, ISDS, overexploitation of natural resources, TTIP effect on CO2 emissions, etc. These are all important issues that deserve to be debated and see views of society reach the negotiators – it is that platform that Ecorys wants to provide through this Trade SIA.

1.2 Results on impact assessment studies so far

As mentioned in the previous section, the negotiations on the comprehensive trade and investment agreement currently taking place between the EU and the USA (TTIP) are a result of long and preparatory dialogues and cooperation. As the comprehensive cooperation between the EU and the US became more and more concrete over time, the need for independent studies examining the impact of such increased cooperation became more pressing. The discussions on increased cooperation between the EU and the US have often been backed with reports and statements from negotiating parties, but after the launch of the Transatlantic Economic Council (TEC) and the Transatlantic Economic Framework the European Commission started commissioning more independent studies that would simulate the potential impact of the increased cooperation. Since that time, a number of studies on the overall expected impacts from increased EU US cooperation in trade and investment have been published. These studies have mostly focused on impacts at macroeconomic level and were based on the best possible assumptions of the foreseen cooperation between the EU and the US at the time. Still, the scenarios studied and the economic modelling assumptions taken varied and, as a result, different estimations on the likely impacts of an EU US trade and investment agreement differ. Moreover, the debate on TTIP has been further fuelled by some studies that estimate the impact of an EU US agreement on Member State level. Examples are the contributions from Francois & Pindyuk (2011) for Austria, the Kommers-Kollegium for Sweden (2012), CEsifo for Germany (2013) and Ecorys for the Netherlands (2012). Some of them also report effects for the EU as a whole and the findings will be used – where relevant - for this Trade SIA.

Firstly, before the European Commission enters into official negotiations with any trading partner, they are obliged to conduct a Commission staff Impact Assessment. For the negotiations on the TTIP, this impact assessment was conducted in 2013 (EC, 2013). The assessment is conducted based on the EC's general impact assessment guidelines and bases its main impact assessment results on the CEPR (2013) study (see next paragraph). The impact assessment specifically focused on the motor vehicles, insurance and electronic equipment industries and evaluated the expected impacts in those sectors in more detail. According to the CEPR (2013) study, the motor vehicles and insurance industries in the EU are expected to expand, whereas the electronic equipment industry was expected to decline (see also results in Section 4.2).

Table 1.1 summarises the main impacts on macroeconomic level for the most commonly included indicators, both for the EU and for the US from the a selected number of studies. This table of results will be extended throughout the Trade SIA and the findings from these studies will be used in the assessment where relevant. The results in the table are a simplified representation of the wealth of information and results included in each of the studies, but the overall impact on GDP or

national income can be used to understand the differences in the models and assumptions. The numbers presented in the table represent the most ambitious scenarios taken in each study, but the results for all scenarios (even the most modest ones) are all positive for both the EU and the US. The studies differ in terms of the expected effects on third countries, where the Bertelsmann Stiftung (2013) finds relatively strong negative effects on third countries and the CEPR (2013) estimates mostly positive effects from a TTIP on third country markets. Rather than discussing which result is more likely to occur, we note – as stated above – that the benefits for third country markets critically depend on whether third-country spill-overs are expected and on the stringency of potential Rules of Origin applied in the agreement and the effects of standard setting in the regulatory component of the agreement. A common EU-US standard could become a de facto world standard.

The results on the EU and the US differ between the studies mostly due to differences in assumed liberalisation scenarios, as well as differences in the economic modelling techniques. Even though all studies apply Computable General Equilibrium (CGE) models of some sort, the different specifications and data sources used trigger different outcomes. All studies also recognise that in the most ambitious scenario, most of the tariffs applied on bilateral trade could be removed and that most of the gains in economic growth from the agreement stem from aligning NTBs (roughly speaking 80 percent due to NTM alignment and 20% due to tariff reduction).

Since these and other valuable contributions have already been made and are used by policy makers and the public, it is the aim of this Trade SIA to take the results from these studies as a basis and go beyond them by expanding on the expected social, environmental and human rights effects as well as providing more detail on the expected sectoral level impacts.

Table 1.1. Overview of key contributions to overall economic results of TTIP

Organisation	Title	Year	Country	Scope of the study	EU effects				US effects			
					GDP effect (%) *or* National income effect (%)	GDP effect (€) *or* National income effect (billion euro)	Export effect (%)	Import effect (%)	GDP effect (%) *or* National income effect (%)	GDP effect (€) *or* National income effect (billion euro)	Export effect (%)	Import effect (%)
Centre for Economic Policy Research	Reducing Transatlantic Barriers to Trade and Investment, An Economic Assessment	2013	EU, US, East Europe, Mediterranean, China, India, ASEAN, MERCOSUR, low income, Rest of World	Tariffs and non-tariff barriers.	0.48	119.2	5.91	5.11	0.39	94.9	4.75	8.02
Bertelsmann Stiftung	Transatlantic Trade and Investment Partnership (TTIP) Who benefits from a free deal?	2013	Germany, EU27, US, Canada, rest of the world	Tariffs and non-tariff barriers.	4.95				13.4			
ECORYS Nederland BV	Non-Tariff Measures in EU-US Trade and Investment – An Economic Analysis	2009	EU, US	Non-tariff barriers.	0.72	121.5	2.07	2.00	0.28	40.8	6.06	3.93

Organisation	Title	Year	Country	Scope of the study	GDP effect (%) *or* National income effect (%)	GDP effect (€) *or* National income effect (billion euro)	Export effect (%)	Import effect (%)	GDP effect (%) *or* National income effect (%)	GDP effect (€) *or* National income effect (billion euro)	Export effect (%)	Import effect (%)
ECORYS Nederland BV	The impact of FTAs in the OECD. The impact of an EU-US FTA, EU-Japan FTA and EU- Australia / New Zealand FTA	2009	Simulating multiple FTAs	Tariffs and non-tariff barriers.		34.9	1.60	1.60		24.1	5.70	3.70

2 General approach and conceptual framework

This chapter provides an introduction to the general approach of Trade Sustainability Impact Assessments (TSIAs) and details the specific overall methodological framework for this particular TSIA in support of the negotiations for a TTIP. Since this TSIA is different from a standard TSIA in some aspects, the general introduction (section 1.2) is kept short, whereas the overall approach to this specific TSIA is elaborated upon in more detail (section 2.2). The detailed approaches to the methodological elements of this TSIA are presented separately in the other chapters of this report.

2.1 General approach to TSIAs

The TSIA of a TTIP is conducted in line with the general guidelines from the EC on Trade SIAs. The overall approach to the implementation of the Trade SIA is divided into three linked phases:

- Overall analysis of the sustainability impacts arising from the implementation of a future TTIP agreement between the EU and the US;
- Sectoral Trade SIA;
- Proposals for policy recommendations and accompanying measures.

The current phase (inception) provides the basis for these three study phases. Our approach is based on the two methodological elements of a Trade SIA described in the ToR and the Trade SIA handbook[2]; being: 1) economic, environmental and social assessments as such; and 2) stakeholder consultations. The three phases are characterised by both quantitative and qualitative analyses and *throughout* the three phases, we will engage in continuous feedback and consultation with key stakeholders to collect input and to verify results and complement the analysis with their feedback.

Indeed, the key aspect of every TSIA is the interrelatedness of various methodologies to create a comprehensive impact assessment that is based on cutting-edge methodological techniques, as well as tested stakeholder consultation tools. The latter implies continuous interaction with key stakeholders through for example digital media and public meetings in order to: (1) elicit inputs that will facilitate the impact assessment, and (2) disseminate and raise awareness of the TTIP and the TSIA study results among key stakeholders. We thus invite all stakeholders (included in the preliminary stakeholder list provided in Annex A and stakeholders not included in this list yet) to provide feedback on the content of the study at any point in time of the study.

Next to the **inclusion of key stakeholders** in the process, every TSIA includes an analytical component. This concerns assessing the impact of trade policy changes, in this case the Transatlantic Trade and Investment Partnership, not only in **economic** terms, but also in **environmental** and **social** terms. These are the three sustainability pillars that should be included in every TSIA.

The proven Ecorys approach to these standard Trade SIA elements has been tested and improved over time through the implementation of various Trade SIAs in the past, notably for the FTAs between EU-Central America, EU-India, EU-ASEAN, EU-Ukraine, EU-Andean, EU- Georgia and

[2] Available at: http://trade.ec.europa.eu/doclib/docs/2006/march/tradoc_127974.pdf.

Moldova and most recently of the DCFTAs between the EU and Armenia and between the EU and Morocco and Tunisia. Table 2.1 below summarises the different study phases and related deliverables.

Table 2.1 Study phases and reporting

Phase	Deliverable
Phase 0 Inception	**Inception Report**
Phase 1 Overall analysis	**Interim Technical Report**
Phase 2 Sectoral analyses	**Final report**
Phase 3 Policy recommendations and flanking measures	

2.2 Overall approach for the implementation of the study

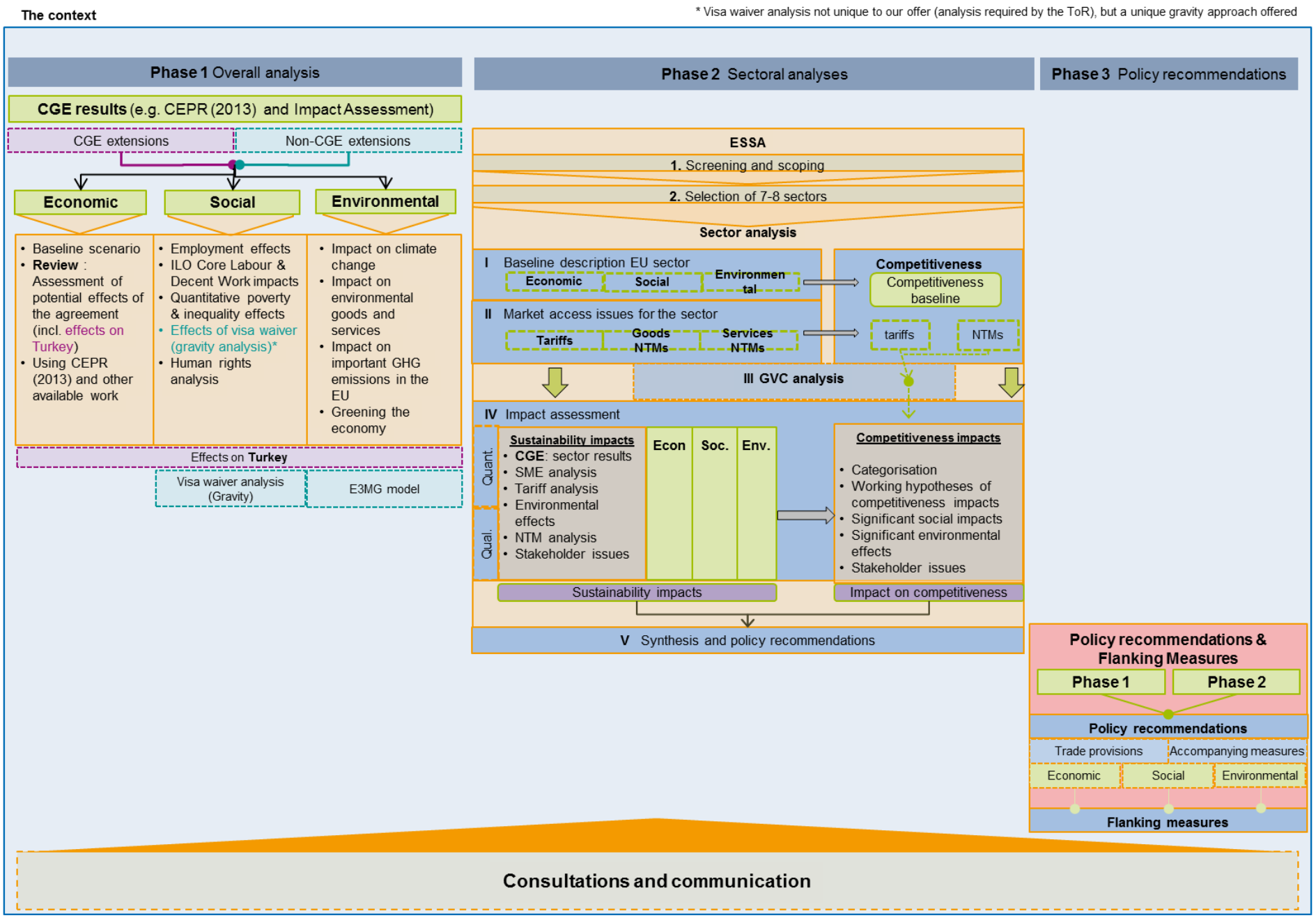
This particular Trade SIA conducted for the negotiations on a TTIP follows this general Trade SIA methodology and is structured along the dimensions and study phases introduced in the section above. However, in contrast to many of the previous TSIAs commissioned by the European Commission, this Trade SIA does not include an economic modelling exercise at the overall level since the Terms of References indicates that the existing economic analysis, in particular the recent study by the CEPR in 2013 already provides the overall economic impact assessment that is typically conducted in TSIAs. The specific terms of reference to this study particularly refers to the use of the CEPR (2013) as the basis of the overall economic analysis, supplemented – where relevant - by other available economic data. This study thus bases its overall quantitative economic impact results mainly on the CEPR (2013) study (and also uses other available data sources), rather than repeating the entire modelling exercise. Subsequently, however, we will go beyond the quantitative economic results found in the CEPR study and extend the overall analysis with additional social and environmental analyses. In addition more elaborate and focused sectoral analyses will be conducted with a specific emphasis on competitiveness impacts and on SMEs.

Our adapted approach to this special Trade SIA has been schematically presented in Figure 2.1. The overall methodology depicted in the project landscape applies aspects highlighted in the ToR and translates and adapts these into a framework provided in the TSIA Handbook. This Trade SIA fundamentally adheres to the principles of Trade SIAs, with analyses on overall sustainability effects and sectoral sustainability effects, but the difference with a regular Trade SIA is the emphasis on the phases. The current study focuses relatively heavily on the sector analyses as the overall quantitative economic analysis has already been conducted. As a result, we have developed a more extensive methodology to assess the effects of a TTIP on a sectoral level. This analysis is able to map changes in the three sustainability pillars and evaluate how these affect the overall competitive position of the sector (see chapter 3).

Lastly, the emphasis in this Trade SIA also differs with respect to the country focus. In previous Trade SIAs (e.g. in support of trade negotiations with the EU's neighbourhood countries), the most significant effects of the potential trade agreements were expected in the EU's trading partner country. Due to the significant size of the trading partner in the TTIP, the USA, significant effects are also expected to occur in the EU-28. As a result, both the overall and the sectoral analyses focus mostly on predicting in more detail the EU-side effects.

The details of the specific elements presented in the project landscape are summarised in the next section and explained in more detail in Chapters 3, 4 and 5.

Figure 2.1 The Project landscape



2.2.1 *Methodological analyses for the overall sustainability impact analyses (Phase 1)*

As illustrated in Figure 2.1, the overall analysis builds on the (results of the) impact assessment work by, amongst others, CEPR (2013), but extends the impact assessment on environmental and social indicators. The following analyses are part of the overall impact assessment (explained in more detail in Chapter 3):

1. Report the CGE effects on **Turkey;**
2. Extending the social and economic analysis by using a **unique gravity approach** to analyse the effects of **visa waiver reciprocity** as a means to look at the impact on mobility of people;
3. Performing a **quantitative social analysis of employment, wages and inequality** making use of the CEPR (2013) results;
4. Performing an additional social analysis at the EU level to show expected changes in **welfare**, based on aggregated household data;
5. Identifying **additional relevant social issues with a qualitative analysis** of reports and statistics. Specific case studies on the most significant issues likely to be impact by the TTIP (from the broad range of topics included in the Decent Work Agenda, ILO Core Labour Conventions etc.);
6. Performing a separate analysis on the effects of TTIP on **Human Rights** in the EU;
7. Analysing the environmental effects of the FTA through quantitative modelling. In combination with the CGE model, the **econometric E3ME model** will be used to calculate effects on CO_2 emissions and air pollution, energy use and other indicators;
8. Enriching the environmental analysis through qualitative research. The quantitative environmental indicators will be complemented by additional information and a qualitative analysis, looking at issues such as **biodiversity and harmonisation of regulation**.

2.2.2 *Methodological approach for the sectoral sustainability impact analyses (Phase 2)*

Results of the overall analysis in Phase 1 provide a basis and starting point for the in-depth impact analyses at sector level. In order to select up to eight sectors for the in-depth sectoral sustainability impact assessments (explained in more detail in Chapter 4), we will conduct a screening and scoping exercise. This will be based on an objective framework for selection that we have developed, and which includes **five criteria regarding the importance of a sector in EU US relations** (see Chapter 4). After selection of seven to eight sectors for in-depth analysis, the specific and detailed impacts on environmental, social and economic dimensions will be studied using the **Five- Step Ecorys Sector Sustainability Approach (ESSA):**

1. The first step concerns a baseline description of the selected sector in the EU (including current status, challenges and potential);
2. Subsequently an inventory of market access issues (tariff and non-tariff barriers) in trade between the EU and the US is conducted;
3. In the third step an overview of the sector in **global value chains** is made in order to understand the international inter-linkages between the EU and US sectors;
4. In the fourth step, this information is used to provide an impact assessment along the **sustainability dimensions** and to provide an estimated impact **on the change in competitiveness of the EU sector**;
5. In the fifth and final step, the trade-offs between different sustainable impacts are highlighted in the **synthesis**, resulting in balanced **policy recommendations**.

2.2.3 *Methodological approach for the formulation of policy recommendations and flanking measures (Phase 3)*

The aim of the final phase of the study is to provide policy recommendations that enhance the expected positive impacts of the proposed agreement and/or flanking measures that provide solutions to mitigate the expected negative effects of the proposed agreement. Ecorys' methodology for formulating policy recommendations was first applied during the Trade SIA for the FTA between the EU and Ukraine in 2007[3] and has continuously updated since. The key elements of this approach are:

- Formulating measures that can be realised either through an **economic** or **legal approach:**
  - Type of measures included in the legal approach are:
    - Command and Control measures;
    - Negligence and liability rules;
    - Enforcement of technical, sanitary or other standards.
  - Types of measures included in the economic approach are:
    - Financial measures;
    - Non-financial measures;
    - Economic incentives to adopt certain technical, sanitary and other standards.

More details on the approach to formulating policy recommendations will be provided in the final report.

2.2.4 *Methodological tools for consultations*

Regarding consultations, which form a crucial part of the TSIA, we note that we aim to engage with stakeholders throughout the various phases of the study. Our approach and methodology for the consultation process is based on the following key principles and methods and explained in more detail in chapter 5:

1. **Timely engagement of key stakeholders**, ensuring that they are included from the start of the study, creating ownership and support for the study and more broadly the Transatlantic Trade and Investment Partnership;
2. **Balanced approach**, making sure that stakeholders from various sections of society, including marginalised and vulnerable groups are included and their voices heard. Also ensuring the inclusion of government representatives, the European Parliament, international and regional organisations, so as to include complementary and broad knowledge and perspectives into the study;
3. **Interactivity**, making use of media and communication tools that are easily accessible and allow for interactive engagement of stakeholders ensuring that dialogue becomes a truly reciprocal, two-way process;
4. Direct, **face to face interaction** with key stakeholders and experts, e.g. through interviews, workshops and public meetings;
5. **Optimal use of existing networks and forums** to expand reach of the study and disseminate its results widely.

[3] Available at: http://trade.ec.europa.eu/doclib/docs/2008/january/tradoc_137597.pdf.

3 Specific approach to the overall analyses (Phase 1)

In this Chapter, we outline the methodological approach of the Trade SIA for TTIP for the overall analyses on the three sustainability dimensions - economic, social (including human rights) and environmental. As part of the overall analysis, we will study the impacts of the possible agreement at the aggregate, i.e. the macroeconomic level and sometimes delve into more detailed issues where relevant. The details of the specific approach for each of the sustainability dimensions are outlined below.

3.1 Economic analysis

As explained no CGE modelling exercise will be included in the study as it will draw on the results of such an exercise carried out by the CEPR and others recently. Instead, the results of this work will be used in the additional social, environmental and sectoral analyses. For a description of the results of the CEPR (2013) work, we refer to the discussion included in the CEPR (2013) study itself.

As mentioned in the previous section, we have however foreseen two extensions to the overall economic analysis in the context of this Trade SIA:

- We will report specific effects of the TTIP on **Turkey;**
- Establishing the impact of relaxing visa conditions between the EU and the US, which is a possible outcome of the negotiations.

Both are shortly explained below.

3.1.1 Reporting effects of the TTIP on Turkey

As Turkey is in a customs union with the EU, there is particular interest to study the effects of TTIP for Turkey in more detail (as also detailed in the ToR). To allow comparability with the European Commission Impact Assessment Report, we will use modelling results that are based on the CEPR (2013) study to study the impact of TTIP on Turkey. We will thus report on the impact of Turkey using results based on the CEPR (2013) work and using the economic indicators that are included in that impact assessment.

3.1.2 Visa waiver analysis

Visa requirements create a barrier for migration (short and long term). Requirements can be at two levels: general requirements for settlement and requirements for short term trips (i.e. up to 90 days). We will provide a quantitative estimation of lower entrance requirements (i.e. lower barriers) in general on migration flows. We then try to identify the possible effects of lower barriers with respect to short term movement of people (e.g. visa waiver) within that total effect. An increase in the movement of people between two countries, especially if this concerns non-recreational movement, in turn is expected to increase trade flows.

In theory, trade flows, FDI, and high skilled migration (expatriate workers or 'expats') flows are all simultaneously impacted in general equilibrium by absolute factor endowments (proxied by the two countries' GDPs), relative factor endowments, and bilateral trade, FDI and migration costs. These

costs include “natural” bilateral costs (such as distance) and “unnatural’ or “manmade” bilateral costs (such as NTMs for trade, bilateral investment policies, and bilateral migration policies such as visas).

Bergstrand, Egger and Larch (incomplete working paper, 2013) have a general equilibrium framework, very similar to Bergstrand and Egger (JIE, 2007) on trade and FDI, that also incorporates high skilled migration flows. That model only has two types of labour, imperfectly internationally mobile skilled workers (skilled migrants, or expats) and internationally immobile unskilled workers. Thus, it provides a general equilibrium model of trade flows and skilled migration flows. We will run gravity equations of migration flows[4] on GDPs, relative factor endowments and a measurement of visa barriers (or their converse, visa waivers). The gravity equations provide estimations of the relationship between home country *i*'s skilled migrant share and the supply of *i*'s high skilled migrants to *j*. It furthermore includes other proxies for bilateral migration costs. In that way, the impact of visa waivers (or conversely barriers) on migration flows can be determined. The predicted values of migration flows can consequently be used as determinants of trade flows, providing an estimation of the facilitating effect of lower visa barriers on trade.

To measure the impact of visa waivers (i.e. short term movement) we use The European Visa Database[5]. This database includes an index of visa requirements (the higher the index, the higher the barriers) and is available for the EU Schengen States, the UK and the US.

3.2 Social analysis

The approach for the social analysis comprises three main methods. First, a quantitative analysis of impacts related to employment, wages, household income and household expenditures will be carried out. Secondly, using qualitative analysis, relevant social issues in the EU will be discussed. Thirdly, an analysis on human rights will be carried out. Lastly, in the final report, we envisage formulating policy recommendations for the overall social analysis, based on the input from the above three methodological elements.

Two of the three analyses will focus on the EU. Only in the quantitative analysis (Section 3.2.1) the estimated impact on the US side will be discussed in detail (using existing modelling results) and a comparison will be made with the impact measure of the same indicators in the EU.

3.2.1 Quantitative social analysis

The quantitative approach for the social analysis is based on two main methods. First, we will make use of the output from the CGE model on economic impacts, and relate these to employment, wages and inequality. Second, the CGE modelling output is used as an input for the calculation of household welfare effects. Thus we will extend the CGE modelling results with additional analyses based on new data sources, mainly used for inequality estimations.

Social indicators based on the CGE modelling results

Effects of the TTIP include changes for individuals in terms of wages, employment and welfare in general. Many of these issues are included in the CGE model and can therefore be extracted from the CGE modelling results. However, the number of dimensions that are taken into account, such

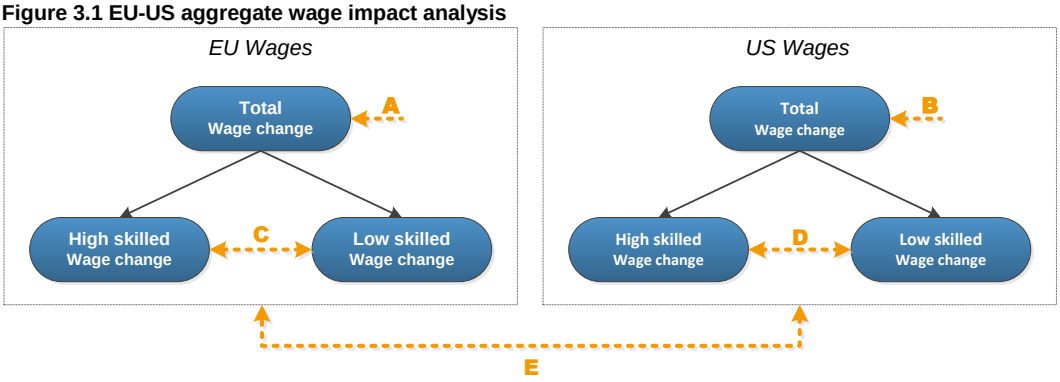
[4] We are currently exploring the OECD migration database to define the dependent variable, e.g. differentiation by skill level and sector.

[5] See http://www.mogenshobolth.dk/evd/background.aspx.

as the economic blocks (i.e. EU and US), a large number of sectors, higher and lower skill levels and two indicators (i.e. wages and employment), create a large number of relevant impact estimations. To ensure a structured and clear method for analysis and reporting of the CGE modelling results relevant for social impact assessment, we propose to categorise and report the results in three groups: EU-US aggregate analysis, inter-sector analysis and intra-sector analysis. All three are explained below.

EU-US aggregate analysis. For both the EU and the US, total changes in wages as a result of TTIP are estimated (A and B in Figure 3.1 below). Secondly, wage changes for different skill levels are compared (C and D); differences in wage changes between high skilled and low skilled are an indication for a change in inequality between these worker skill groups of. Lastly, a comparison between the two countries with respect to wage changes is carried out (E). The figure below provides a visual overview of the steps of this aggregate analysis.

Figure 3.1 EU-US aggregate wage impact analysis

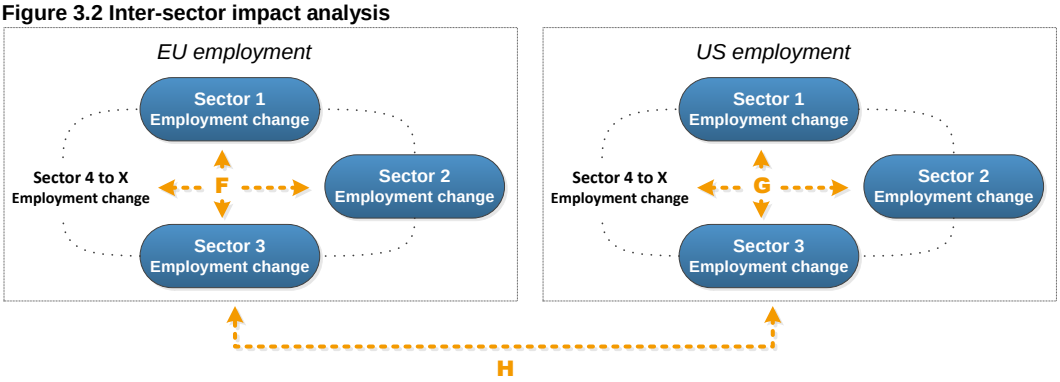


For the aggregate consumer welfare assessment, two indicators are included in the CGE modelling results and discussed separately:

1. Consumer prices. A change in consumer prices affects the limits of the product basket consumers can buy. As a result, consumer utility (the satisfaction consumers derive from a set of consumer goods) is affected; lower prices tend to increase consumer welfare and vice versa (keeping all other factors constant);
2. Equivalent variation. This is an indicator which measures the share of income needed to reach a change in utility equal to the change in utility as a result of the TTIP implementation.

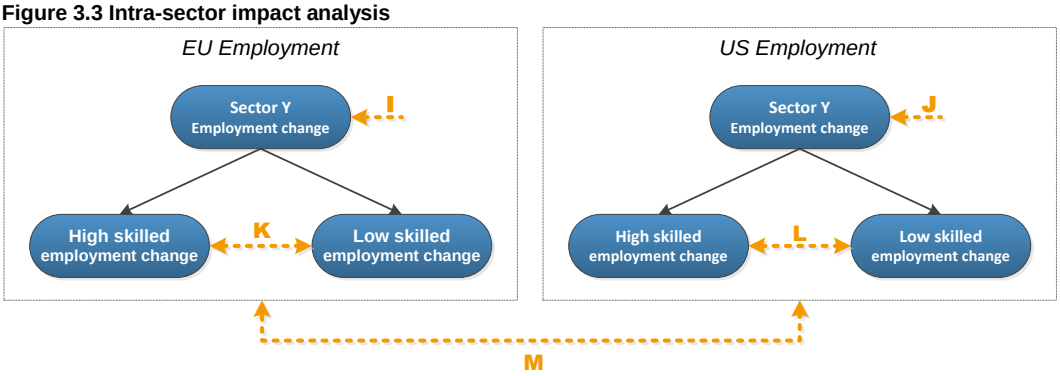
Inter-sector analysis. The CGE modelling results provide expected changes in employment (i.e. labour displacement) per sector. Differences between sectors with respect to labour displacement will be analysed and reported (F and G in Figure 3.2 below). The EU and the US results are then compared (H). It should be noted that employment change only refers to labour displacement. The CGE model is applied using the closure condition in which the economy's labour supply is exogenous (i.e. fixed) and wages can adjust. It is because of this condition of fixed labour supply that no conclusions can be drawn with respect to employment effects on a more aggregate level than the sector level. Similarly the model cannot provide conclusions with respect to changes in unemployment.

Figure 3.2 Inter-sector impact analysis



Intra-sector analysis. For each of the specific sectors chosen for the detailed analysis (see chapter 6), the changes in employment, both for the sectors as a whole (see Figure 3.3 below, I and J) as well as for the different skill levels within the sectors (K and L), will be analysed and reported. The differences between the EU and the US for each of these sectors will also be analysed (M).

Figure 3.3 Intra-sector impact analysis



Extension of the CGE modelling results

Two main aspects which directly influence household welfare and are potentially affected by TTIP will be analysed: expenditures on the one hand and wages and employment on the other. Household expenditures determine the total utility of its members and therefore have an effect on overall household welfare. An analysis of the effect of a TTIP on the level of poverty for a household and on inequality between the welfare of households will therefore take total expenditures into account. Wages and employment make up the income side of the effect on households.

Expenditure impacts. The CGE modelling results include estimations of consumer price changes. Using EUROSTAT data on mean consumption expenditure of private households[6], these consumer price changes can be linked to average expenditures per (detailed) product group. Under the (hypothetical) assumption that each household maintains the same consumption as before the TTIP, a new monetary value of the total consumption can be calculated, where the difference with the old monetary value of the total consumption is the expenditure impact of the TTIP. A higher monetary value implies that a household will have to spend more to be able to consume the same basket of goods as before the implementation of the TTIP. In this case, welfare will go down. A lower monetary value implies an increase in welfare. Details concerning the underlying EUROSTAT data are provided in the text box below.

[6] See http://epp.eurostat.ec.europa.eu/portal/page/portal/household_budget_surveys/Data/database.

EUROSTAT expenditure data

The EUROASTAT data on mean expenditures are aggregated data tables based on micro data from Household Budget Surveys (HBS) in Member States. The most recent HBS survey data available are from 2005. Because more recent data than 2005 are likely to be disseminated at a later stage of, possibly after, this analysis, the 2005 data will be used. Despite continuous improvements in creating consistency between the HBS surveys in each Member State, important differences in methodology still remain, making an analysis at EU level difficult and not possible within the scope of this project. Therefore, we will make use of the aggregates (consistent) expenditure tables available on the EUROSTAT website.

The tables contain the mean consumption expenditures by (COICOP) product group, by country and by several other indicators. The data are in EURO, representing the average monetary value that a population is spending on a certain product group.

The expenditure impact analysis will consist of two dimensions. The first dimension is the calculation of the total expenditure impact (i.e. a decrease or increase in welfare as a result of consumer price changes) for several groups of people:

- Total EU28: No division in sub-groups. All countries (with available data) and all citizens are taken into account;
- Income groups: The population is divided into several income groups[7]. For each income group, the expenditure effect is calculated. The differences in expenditure impact between the income groups will provide an indication of the TTIP impact on inequality (within the context of household consumption);
- Degree of urbanisation: The indicator of degree of urbanisation includes three urbanisation levels: Densely-populated area, intermediate urbanised area and thinly-populated area. Note that the use of the degree of urbanisation will depend on whether EUROSTAT will make mean expenditure data per product group per degree of urbanisation available.

The second dimension of the expenditure impact analysis will consist of a more detailed analysis of the total expenditure effects found. We will analyse which relevant product groups have had a large share in the found total effect. This is done by taking into account the expenditures for one product group as a share of the total expenditure (the larger the share of consumption of one product group, the larger the effect on welfare given a price change) and the price change as a result of the TTIP (the larger the price change, the larger the welfare effect given a certain consumption quantity of a product group).

Income impacts. Households can gain income through different channels, including wages, subsidies and income from financial investments. The CGE modelling results include changes in wages as a result of TTIP. Such data will be linked to EUROSTAT aggregated income data. Working under the (hypothetical) assumption that other types of income, we can then calculate in more detail the impacts on the income side of households. This will be done by using EUROSTAT SILC data[8] on income, in which income can split up into wages and non-wages. This distinction enables us to calculate the (monetary) change in total income as a result of a change in wages, i.e. the income impact. Details concerning the underlying EUROSTAT data are provided in the text box below.

[7] Available data is in income quintiles. For a more detailed analysis, A larger number (e.g. 10) of income groups is preferred. The number of income groups used will depend on the number made available by EUROSTAT upon request of Ecorys.

[8] See http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database.

EUROSTAT income SILC data

The European Union Statistics on Income and Living Conditions (EU-SILC) is micro-dataset, based on surveys in all Member States, concerning (monetary and non-monetary) indicators related to income, poverty, social exclusion and living conditions. Some of these indicators are used in the Europe 2020 strategy related to poverty reduction. The most recent SILC data available are from 2013, although the 2012 data is still more complete. In our analysis, we will use aggregated data tables. [9]

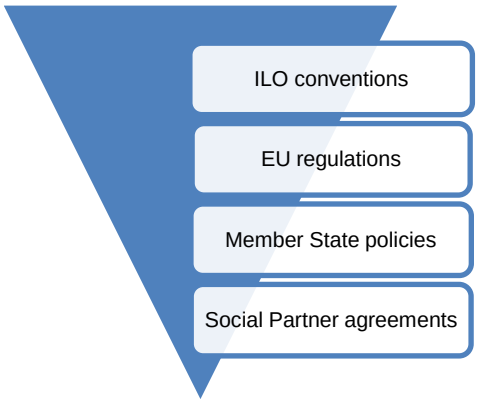
The income impact analysis will consist of an estimation of the changes in income as a result of the changes in wages. This will be done for several groups of people:

- Total EU28: No division in sub-groups. All countries (with available data) and all citizens are taken into account;
- Income groups: The population is divided into decile income groups. For each income group, the income effect is calculated. The differences in expenditure impact between the income groups will provide an indication of the TTIP impact on inequality (within the context of household income). We will not only provide the estimates change in income, but also provide an analysis of the share of wages in income for the different income groups. This can be used as in indicator for the significance of the impact within each group;
- Risk-at-poverty groups: The indicator of risk-at-poverty distinguishes between people with an income below 60 % of the national median equivalised disposable income after social transfers and those above that threshold line. We will analyse the differences between the two groups in terms of total change and in terms of the impact (i.e. share of wages in total income).

3.2.2 Part 2: Qualitative social analysis

As depicted in the following figure, the labour markets in the EU is governed at four levels, namely by the ILO, EU, Member States and Social Partners. Together they create the rules under which employers and the labour force operate on the labour market. In addition, governments are important actors on the labour market, both as an employer and as a regulator.

In the various complex constellations through which these actors operate on the labour markets in the EU, employers generally aim to have the flexibility to hire and fire employees in line with their business needs, whereas the labour force strive to achieve security of income and employment. This flexibility and security is dependent on the conventions, regulations, policies and agreements set at the various levels of governance. The EU labour markets are, in comparison with the US, characterised through a high level of regulation, therewith safeguarding security of employment and income, at the expense of more flexibility.



[9] Provided that these tables will be made available by EUROSTAT. According to EUROSTAT, the relevant data (e.g. division in groups) discussed in this paragraph should be possible to provide and should be able to be made available to Ecorys at an early stage of the interim phase.

A Free Trade Agreement between the EU and the US may influence existing rules of the labour markets in the EU, albeit to a limited extent. For example, an FTA is unlikely to lead to an un-ratification of ILO conventions, with the EU having ratified more core ILO conventions than the US. These conventions set amongst others the framework for the fundamental principles of rights at work. It furthermore is unlikely to significantly influence existing EU regulations, as they have undergone a significant and long-standing process before being approved and adopted by all Member States. These regulations play an important role in determining the foundations for safety, equality, anti-discrimination and other working conditions.

Some argue, the agreement may however, result in a different dynamic on Member States and social partners to create more flexibility in national labour law, reduce the burden on employers, reduce social protection arrangements, and provide other incentives to attract more American investment or to render EU companies more competitive on the US market. This would thus not remove the basic pillars of the decent work agenda in the EU, but may result in variations in compliance and implementation and provide pressure on the social dialogue.

In addition, the agreement is being concluded in a situation in which EU labour markets face multiple challenges. These challenges include:

- Rising unemployment rates;
- Rising shares of young people not in education, employment or training (NEET);
- Declining household disposable income levels;
- Rising risk-of-poverty among the working age population;
- Rising inequalities.

Since these issues touch upon different aspects of labour market regulation, they require different policy responses. In addition, their vulnerability to effects of the TTIP varies as well. Moreover, we are dealing with 28 different Member States in which these issues also occur to different extents. As such, it is not possible nor desirable to conduct analyses at EU 28 level. Instead we propose to work with case studies on social and employment topics that are most likely to be impacted by TTIP.

For the development of the case studies we have tried to take the key challenges mentioned above as much as possible into account. Furthermore, when developing the case studies we also established a link to the various decent work pillars.

There are differences in labour market regulations between the EU and the US. Because of these differences it is often concluded that the common denominator between these different issues could lead to a potential ‘race to the bottom’. This is used as an argument of Trade Unions and NGO’s for opposing the TTIP. This issue is therefore an essential component for the social impact assessment of TTIP. We propose to investigate the likeliness of such a 'race to the bottom' and look at what alternatives there are. In order to narrow down the research, this case study will look at the likelihood of lowering standards related to labour contracts in order to create more flexibility on the labour market. There exists already a tendency across the EU to lower these standards, in order to implement the flexicurity concept, but this tendency may be reinforced by the TTIP in order to attract American firms. The case study will thus focus on employment protection legislation, in particular hiring and firing rules.

The TTIP may furthermore influence the behaviour of employers and the labour force. One of the key questions in this regard is whether TTIP will result in more job creation, and if so, are these jobs

that EU citizens are able to fulfil. We therefore propose to furthermore investigate the potential impact of TTIP on:

2. Economic shifts and relocation of work, particularly with a view on job creation and opportunities for the low-skilled, youth and unemployed;
3. Mobility, especially in regards to filling bottleneck vacancies, matching skills to jobs and incentives for up-skilling/retraining.

The first case study reflects an assessment of the likelihood that standards on employment protection legislation are lowered in a selection of EU Member States. The second and the third case studies are related to potential shifts in employment. All case studies involve interviews with (a limited number of) EU-level social partners as well as desk research.

To the extent possible, the Trade SIA will also look into the mirror situation in the US. While full analysis of all US State level labour law is beyond the scope of this study, we will broadly describe the current situation in the US and assess a possible impact of TTIP on forming a joint EU-US agenda on labour issues that could have an impact in other bilateral and multilateral trade fora (this issue will be covered as part of the human rights analysis).

3.2.3 Part 3: Human rights analysis

Due to the potential size of the agreement, our approach to the Human Rights (HR) analysis in this study is to focus on the HR issues that are likely to be affected by the TTIP. We focus the HR analysis on the impacts expected in the EU, while not neglecting the potential impacts on important issues from the US perspective. As such, in the below, we detail a *prioritisation* approach since studying the impact on all HR issues in all EU Member States (and the US) would go beyond the scope of the study. We propose a solution where we focus on a few selected HR issues after a screening exercise that encompasses the EU as well as (to a more limited extent) the US. Including this screening exercise, our practical approach to the HR analysis consists of four steps. Each step is shortly detailed below.

***Step 1:** Identify the main HR issues likely to be affected by the Trade SIA – based on experience of analysing other Free Trade Agreements*

Based on the previous Trade SIA analyses, we will make a pre-selection of basic human rights that are most likely to be affected by the TTIP agreement. This approach will allow us to focus on the largest expected effects. We will take all human rights that we have considered in previous Trade SIAs conducted by Ecorys and then look at which ones are affected by trade agreements. Typically this would involve specific human rights more than others (e.g. social human rights). Those rights affected by broader institutional cooperation and not by the trade agreement per se would also be excluded (e.g. freedom of media or detention conditions).

***Step 2:** Derive main expected HR impacts of TTIP from economic and additional quantitative social analysis*

From a quantitative point of view, the study will look at expected economic effects of TTIP as already presented by the CEPR (2013) study. In addition, the HR analysis will base itself on the additional social quantitative analysis. These results will show - at the aggregate and at sector level - how TTIP could impact the EU and US. These combined results will provide the first step of looking into potential HR effects of the TTIP agreement – focusing on those human rights prioritised in Step 1. Here we should note that the depth of the HR analysis will 'suffer' to some extent from the mismatch between results from the economic impact assessment of the TTIP - which are mostly presented at EU level – and the source of HR issues, which are national. Concretely, HR are defined at a nation state level (i.e. EU Member State level) but the CGE results of CEPR (2013) do

not split out the expected economic impact per EU Member State. This is a mismatch that will mean that the HR analysis of the TTIP may have to be conducted at the aggregate EU level.

It is in this step that we will ensure the HR analysis is conducted in line with a basic HR approach. We will therefore consider in particular:

1. Fundamental rights liable to be affected by the TTIP (based on Step 1);
2. The degree of interference with the right(s) – based on Walker (2009)[10];
3. Necessity and proportionality of the interference in terms of policy options and objectives.

Step 3: *Focused screening of HR records of the EU*

The HR records of the EU Member States vary. Based on Steps 1 and 2, we will conduct a focused screening of the HR records of the EU Member States where we see that HR elements are likely to be affected by the TTIP (Steps 1 and 2). This focused screening will consist of: 1) Ratification of core HR treaties; 2) Short summary of implementation of core HR treaties in practice. This focused screening is important to help draft policy recommendations because it displays the degree of HR resilience present in a country in the face of potential effects.

Step 4: *Civil society consultations on the potential HR impact of TTIP*

We note that there is an overwhelming interest from the side of civil society and stakeholders in the TTIP in general, but also specifically in the HR effects of such an agreement. In line with the general requirement of the TSIA-methodological framework, we will engage with civil society on prioritised HR issues (based on step 1) related to the TTIP or on specific issues civil society brings to the fore. The discussions, comments and feedback received will serve as input for the HR part of the final report. We envisage engaging with stakeholders and civil society through discussions that could be launched via our interactive communication channels.

Step 5: *Draft policy recommendations and flanking measures*

Throughout the first four steps, we will gather information that underpins useful and concrete policy recommendations and flanking measures to enhance the positive and reduce the potential negative impact of TTIP on human rights.

3.2.4 Part 4: Policy recommendations

In a final section, both the qualitative and the quantitative analyses will be combined and will be used to formulate policy recommendations purely from a social analysis point of view. This synthesis exercise that combines the findings from the welfare assessment, the case studies and the human rights assessment will suggest suggestions of measures or avenues that the negotiators could take to enhance the expected positive social effects and mitigate the potential negative effects on the social domain in the EU arising from TTIP

3.3 Environmental analysis

3.3.1 Background and general approach

The environmental analysis will consist of a quantitative and a qualitative element. The quantitative part, on the one hand, will be mostly indicator-based, and the quantitative impact assessment will be based on modelling (CGE and E3ME). It thus captures the effects of the TTIP which arise through changes in economic activity and trade volumes. The qualitative part, on the other hand, will be focused on regulatory effects of the TTIP and analyse the impacts of the key regulatory

[10] Walker, S. (2009). The Future of Human Rights Impact Assessments of Trade Agreements, Intersentia.

issues on the main environmental issues covered in a typical SIA.

The analysis will focus on the EU (as a whole); only for very basic indicators, data for the US and/or ROW will be shown (such as CO_2 emissions, other GHG emissions, air pollutants). In the case of regulatory issues, a comparison between EU and US frameworks is a required part of the analysis, but the analysis of impacts will again concentrate on the EU.

The main environmental issues covered will be:

- Air pollution;
- Climate change (GHG emissions);
- Material use;
- Water and waste;
- Land use, ecosystems and biodiversity.

It has to be noted that the first three, with the most direct link to economic activity, can be analysed in most detail and with a more quantitative approach than the other topics.

The structure of the analysis is as follows:

1. The first step includes the description of a baseline, showing relevant current indicators on the main environmental issues;
2. In the second step, the quantitative impact assessment is performed, based on a combination of CGE and E3ME modelling. This will provide insights into the effects of TTIP on air pollution and climate change as well as on raw material use. We will also draw conclusions on the indirect environmental effects of certain sector developments, thus covering the main environmental issues through a causal chain analysis of quantitative results;
3. Finally, in the third step the environmental impacts of TTIP are approached from the regulatory perspective, looking at the major regulations likely to be affected by TTIP and presenting their expected impact on all environmental issues.

3.3.2 Baseline

The environmental baseline will be structured along the main environmental issues listed above, stating main performance indicators and briefly commenting on relevant policies.

Air pollution

Emission data for the major air pollutants will be sourced from the Emissions Database for Global Atmospheric Research (EDGAR)[11]. In terms of policies, the establishment of EDGAR itself is a good example of EU monitoring efforts. We will also provide a brief overview of Directive 2008/50/EC[12] on ambient air quality and cleaner air for Europe, which merged most of the previously existing European legislation into one document.

Climate change

We will present emissions of CO_2 and other greenhouse gases (also sourced from EDGAR), as well as figures for energy consumption (sourced from IEA data); the latter can be broken down by fuel, sector or fuel user, allowing more insight into the drivers of CO_2 emissions.[13] On the policy side, we will start with an overview of international commitments under the UNFCCC and Kyoto Protocol (and its extension), and then turn to EU policies and measures, covering both the EU ETS

[11] http://edgar.jrc.ec.europa.eu/index.php.

[12] Available at: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:152:0001:0044:EN:PDF.

[13] For a more detailed description of these variables and breakdowns, please refer to section 3.3.3, Table 3.1 and Table B.1.

and the measures for non-ETS sectors, such as energy efficiency, renewable energy, transport, etc. Given the importance of regulatory differences between the EU and the US in the climate policy field, a short description of main US climate policy actions and measures will follow.

Material use

Material use data can be presented for the EU, in terms of domestic material consumption (which can be broken down by domestic extraction and import / export of materials). The materials groups covered are food, feed, wood, construction minerals, industrial minerals, and metal ores. In terms of policies, we will give a general overview on environmentally relevant policy initiatives such as the hazardous substances directive, resource efficiency roadmap, biofuels regulation, etc.

Water and waste

Sourced from the WIOD database, 2009 data of blue, green and grey water use by broad economic sectors in the EU and US will be presented. In this categorization, blue water stands for consumption of surface and ground water; green water is the volume of rainwater consumed, mainly in crop production; and grey water is the volume of freshwater that is required to assimilate the load of pollutants based on existing ambient water quality standards.[14] The three indicators together thus give a good picture of both freshwater use and water pollution issues. The baseline will also outline the links between water pollution and other environmental issues or sectors (such as emissions to air, agricultural activity, or chemicals). Waste will be presented as another issue closely connected to water quality. In the baseline, we will show basic numbers on waste generation and municipal waste generation, sourced from the European Benchmark Indicators database[15].

Land use, ecosystems and biodiversity

We will cover these three issues in one section because they are so closely linked. The baseline description will include an overview of the main drivers behind land use and biodiversity loss, and the inter-linkages between the developments. In terms of data, information from Eurostat's Land Use and Land Cover Survey (LUCAS)[16] and WIOD data per sector can be used for land use, together with other agri-environmental indicators. We will use the Biodiversity Information System for Europe[17] for data on relevant species, habitat types and protected areas. The data can be combined with information on the Natura 2000 network and the Birds and Habitat directives, which provide further details on protected species. These policies influence ecosystems and biodiversity conservation mainly through the channel of agriculture and other land use. In addition, we will outline policies relevant for other drivers affecting ecosystems and biodiversity, such as fisheries.

For all environmental issues, we will name the main Multilateral Environmental Agreements (MEAs) in each area and indicate their ratification status for both EU and US. Moreover, the final paragraph of the baseline will highlight interactions between the different environmental issues, which will be useful for a causal chain analysis of TTIP environmental effects later in the assessment.

3.3.3 Quantitative analysis (CGE and E3ME model)

The quantitative analysis of the environmental impacts from the TTIP will be carried out using the E3ME model. The E3ME[18] model is an econometric model for the world capable of addressing

[14] See Aurélien Genty et al. (2012): Final Database of Environmental Satellite Accounts: Technical Report on their Compilation. WIOD Deliverable 4.6.

[15] http://www.pbl.nl/en/publications/2006/EuropeanBenchmarkIndicators, latest update 2006.

[16] Overview available at: http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-03-13-587/EN/KS-03-13-587-EN.PDF.

[17] http://biodiversity.europa.eu/.

[18] www.e3me.com.

issues that link developments and policies in the areas of energy, the environment and the economy.

Basic characteristics of the model

E3MG is a detailed model of over 60 sectors, compatible with ESA95 (Eurostat, 1995) accounting classifications, and with the disaggregation of the energy and energy-intensive industries, in which the energy-environment-economy interactions are central. This gives a strong degree of consistency between the economy and environment results.

E3ME provides a complete representation of the world's major economies, but it also links this to demand for energy and resulting emissions. The key features of the model can be summarised as:

- Including all EU Members explicitly, 3 EU candidate countries, 10 major economies outside Europe, plus 4 grouped regions, giving a global coverage with regions linked by trade;
- Focusing on the two-way linkages between the economy, energy system and environment;
- A detailed sectoral disaggregation, with 69 economic sectors (43 for non-European regions), linked by input-output relationships, and 22 users of 12 fuels;
- Its econometric specification and empirical grounding, allowing for short-term policy assessment as well as long-term analysis up to 2050.

For the environmental analysis, we will link the E3ME model to the CGE modelling output that was used to provide direct economic effects of the trade liberalisation scenarios. Although the E3ME includes trade flows, these are not defined bilaterally. It is therefore not as well equipped as the CGE model. However, the E3ME model structure and its details disaggregation allows for combining trade output from the CGE model to provide the E3 linkage analysis.

The following indicators from the CGE model are used:

- Change in exports;
- Change in import;
- Change in import prices (change in tariff)[19],

in order to provide:

- Energy consumption, by user group and by fuel;
- CO2 emissions of most energy-intensive sectors and of primary energy producing sectors;
- Impacts on climate change (GHG emissions) and local pollutants;
- Raw material consumption (EU only);
- Damage costs of GHG and air pollutants (EU only).

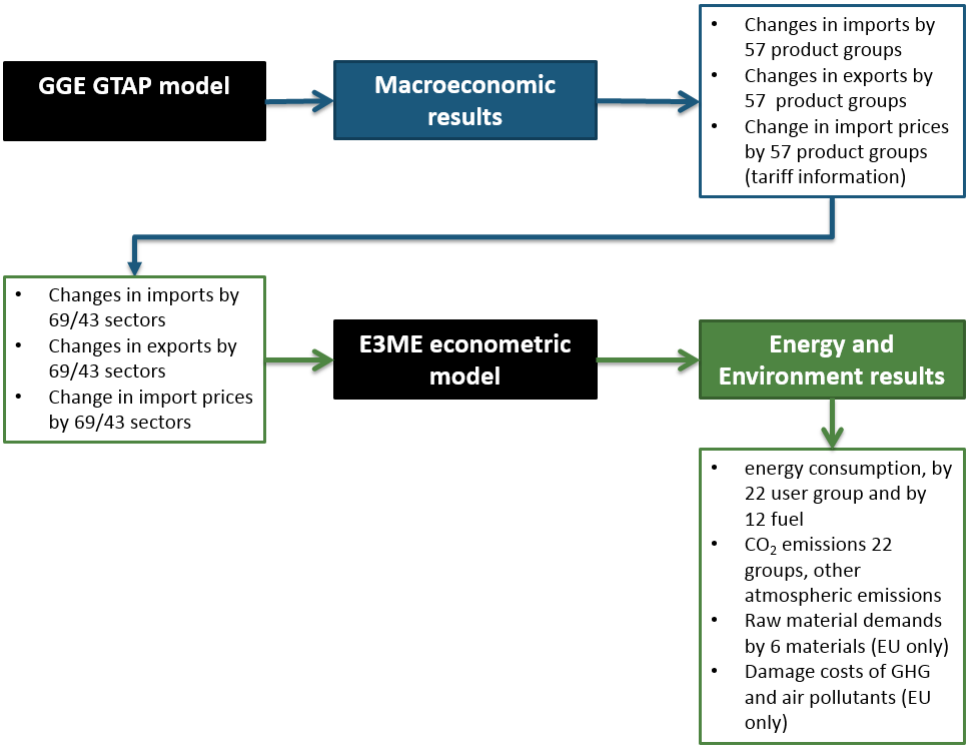
It is important that for this study E3ME will be configured to accept exogenous changes in the three variables listed above. To avoid double counting, these variables will be held as exogenous (for example, the change in import prices will already be factored into the change in import volumes). For this study we are using a one-way linkage involving the models being run sequentially without series of iterations between the two different modelling structures. This is partly to avoid the complexity issue but also to fit in the project timetable. It should be noted that this one-way linking the E3MG and CGE models approach has previously been applied successfully in the SIA of the trade negotiations between the EU and Canada[20].

Figure 3.4 summarises the links between the CGE GTAP model and the E3ME model.

[19] Export prices are not included as this would only affect export volumes, which are already captured. Import prices are included as they have secondary economic impacts, for example to consumer prices.

[20] Trade sustainability impact assessment (Trade SIA) relating to the negotiations of a comprehensive economic and trade agreement (CETA) between the European Union and Canada (DG Trade), 2011.

Figure 3.4 Links between CGE and E3ME



Data sources and the E3ME model baseline

The table below provides a list of data sources of the E3ME model.

Table 3.1 E3ME model data sources

Data	Source
Economic data	Eurostat, OECD, World Bank, UN, ADB, national statistical offices, World Input-Output database
Energy balances and prices	IEA
Emissions data	EDGAR
Emissions coefficients	Derived from EDGAR and economic data
External cost estimates for GHGs and air pollutants	ExternE/Ecosense http://www.externe.info/externe_2006/results.html
Material data	Material Flows Account, Eurostat

The model contains detailed sector level historical data up to 2010 for the US and latest data at macro level will be incorporated.

The E3ME model baseline for the EU is calibrated to *DG Energy's EU Energy Trends to 2030*[21] publication. For non-EU regions the model baseline projection is calibrated to the IEA's current policies scenario in the *World Energy Outlook 2012*[22] publication. The process of calibration allows comparison of model scenarios results to a published view of the baseline while solving the model endogenously.

[21] DG Energy (2010), European Commission http://ec.europa.eu/energy/observatory/trends_2030/doc/trends_to_2030_update_2009.pdf.

[22] International Energy Agency (2012), http://www.worldenergyoutlook.org/.

Link with CGE and sector definitions

For each EU-US SIA trade liberalisation scenario, three outputs from the CGE model will be translated to E3ME modelling inputs:

- Change in exports;
- Change in import;
- Change in import prices (change in tariff)[23].

Changes in exports and imports as a result of the TTIP will result in different economic activities and price levels in the US and the EU economies. These will be calculated based on results of the CGE model as described above. As imports and exports are a component of economic output, we intend to use CGE output figures as a validation variable to ensure the changes in export and import are entered correctly to the E3ME model. In addition to changes in imports and exports, changes in prices indirectly affect energy and material demand through the impacts they have on general inflation and industry price levels. This has an impact on household real spending power and industries' economic activities. Changes in economic activities determine the level of energy and material demand as economic sectors demand different levels of raw materials or energy inputs. Emissions results will follow energy results in the scenarios.

The disaggregation of the E3ME model allow CGE inputs to be entered at detailed NACE-2 digit level. The mapping of the CGE GTAP 57 sectors to the E3ME 69/43 sectors is relatively straight forward, using a set of converters. Table B.1 in Annex B provides a summary of the model sectors classification.

The conversion from the GTAP product groups to the E3ME sectors results in a loss of detail for agricultural products. However, this is less of an issue when looking at agriculture as an energy and material user. Table B.2 in Annex B summarises the energy and environmental classification in E3ME.

Outputs E3ME modelling

The environmental impacts from the E3ME model will be provided as percentage differences from the baseline and where appropriate as million tonnes of CO_2. The damage costs will be presented in millions of Euros in 2005 prices, as a result of applying the ExternE damage coefficients to the E3ME emission results. Note that the external cost coefficients separately cover impacts on human health and on biodiversity, enabling us to derive quantitative results on biodiversity effects due to air pollution.

Table 3.2 List of E3ME output

Indicator	Disaggregation	Unit
Energy consumption	By user and fuel	% change from baseline
CO_2 emissions	By user	% change from baseline $mtCO_2$
CO2 emissions	Decomposition of CO_2 emissions into scale, composition, and technique effect	% change from baseline $mtCO_2$
Other GHGs	Totals, by emission type	% change from baseline
Air pollutants	Totals, by emission type	% change from baseline
Damage costs of GHG emissions	Aggregate	€2005 m

[23] Export prices are not included as this would only affect export volumes, which are already captured. Import prices are included as they have secondary economic impacts, for example to consumer prices.

Indicator	Disaggregation	Unit
and air pollutants		
Raw material demand	Totals, by material types	% change from baseline

The model captures the scale, composition and technique effects simultaneously. This is due to the design of the E3ME model specifications. In the energy demand equations for example the scale effects will come from change in economic activity from energy users as a result of the trade agreement, the composition effects will come from a shift of relative weights of energy users resulting in different weights from different energy users and technique effects will come from different productivity in different sectors that can be attributed to the TTIP. The E3ME results are therefore a combination of these three effects. For this study, we will separate the effects by running the model under different hypothetical scenarios:

- For the scale effect, we will keep the sector composition constant and apply emission coefficients to economic activity;
- For the composition effect, we assume no change in overall economic activity and apply emission coefficients to economic activity of sectors;
- The technique effects will results as differences from modelling results and the scale and composition effects.

Additional analysis of quantitative results

The above results and the effects of the TTIP on economic sectors (directly from the CGE model) can be used in an additional causal chain analysis to derive indirect environmental effects. For example, agricultural output can influence fuel use (as captured in the E3ME model), but also water use and land use, and indirectly ecosystems. Similarly, emissions to air can have an effect on water quality. We will therefore conduct a more qualitative analysis of the quantitative results, using the information on important inter-linkages established in the baseline description.

Similarly, the assessment of environmental goods and services (EGS) will draw on the CGE model results for more aggregate sectors. We will attribute the EGS, as defined by Eurostat, to sectors within the CGE model and use the changes in output in these sectors to give a rough indication of the effects on total EGS. This analysis will be supplemented by a more qualitative assessment of impacts on specific EGS (if any) that result from changes in trade conditions. We will consolidate the results from the two approaches to give an estimate of overall impacts on the sector.

3.3.4 Qualitative analysis

The qualitative environmental analysis will combine regulatory issues of the TTIP with the environmental issues listed above. We will start from the question how the TTIP can have an effect through regulatory issues, and then scrutinise which environmental issues are possibly affected. From this general overview, a number of relevant case studies will be selected which will be analysed in detail. The advantage of this approach is that it makes a much more targeted analysis possible, focusing on the areas where the TTIP has the greatest leverage and providing more detail on the areas identified as most important.

How can TTIP have an effect (regulatory drivers)?

The main regulatory issues regarding the TTIP will be identified by reviewing the negotiations and relevant literature.[24] Relevance can also be determined by looking at previous trade disputes

[24] Examples of useful literature include: European Parliament (2013): Legal Implications of TTIP for the Acquis Communautaire in ENVI Relevant Sectors, IP/A/ENVI/ST/2013-09; Christiane Gerstetter / Nils Meyer-Ohlendorf (2013): Investor-state dispute settlement under TTIP – a risk for environmental regulation? Heinrich Böll Stiftung TTIP Series.

between the EU and US (under the WTO) over environmental / health regulation. Through triangulating of these findings with input from stakeholders, we will develop a long list of relevant regulatory issues related to the environment will be created.

In many cases, EU regulation can be regarded as more stringent; in the case of consumer protection issues, to some extent, this is due to the EU's "precautionary principle" implying a need for the producer to prove that substances or products are not dangerous.

A non-exhaustive and indicative list of preliminary examples of regulatory issues affecting the environment are:

- Chemicals (toxic substances) regulation – EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) vs. US TSCA (Toxic Substances Control Act);
- Genetically modified organisms (GMOs) – EU's GMO framework vs. US "substantial equivalence";
- Beef produced using growth hormones
- Services liberalisation (in a potential negative-list approach) may affect environmentally relevant utilities;
- Oil sands and shale oil – the EU's current and reviewed fuel quality directive (FQD) may have an impact on imports of oil from oil sands and shale oil, which is relevant especially because of the US refinery capacity for Canadian oil sands;[25]
- Aviation – the EU's plans to include international aviation under the EU ETS created major tensions between EU and US, but the issue can probably be regarded as settled under the ICAO (International Civil Aviation Organisation).

Another important part of the TTIP's effect are enforcement mechanisms; we will specifically discuss the way the ISDS works in the context of environmental regulation and to which extent the proposed improvements of the investment protection provisions could change the picture from an environmental point of view.

What does TTIP have an effect on (regulatory impacts)?

In a second step, the identified regulatory issues will be scrutinised with regard to their direct and indirect effects on the main environmental issues. For example, liberalisation efforts of public utility services could be expected to have an impact on water and waste issues, while disputes over the EU's fuel quality directive are related to climate change effects. A more indirect link is apparent in the example of regulation of chemicals or genetically modified organisms (GMOs) – the direct effect of a change in regulation would mostly be related to human, animal, and plant health, but we can also derive an indirect impact on biodiversity through a change in agricultural practices.

The analysis of potential impacts will rely on causal chain effects established in the baseline section. It will also be based on a review of literature on regulatory TTIP issues in the context of the environment domain and further research of the environmental issues from the perspective of regulation.[26]

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[25] See for general information on the FQD proposal: http://www.transportenvironment.org/sites/te/files/publications/Tarsands_briefing_T%26E_final.pdf.

[26] See for example:
- On the case of hazardous substances affecting water: EEA (2011): Hazardous substances in Europe's fresh and marine waters. An overview;
- On the case of shale oil / oil sands having a larger climate impact: http://www.transportenvironment.org/sites/te/files/publications/Tarsands_briefing_T%26E_final.pdf;
- For typical pressures on ecosystems and biodiversity: Publications on ecosystems protection, such as European Commission (2013): The economic benefits of the Natura 2000 network. Available at http://ec.europa.eu/environment/nature/natura2000/financing/docs/ENV-12-018_LR_Final1.pdf;

Overview of effects in long list

The results from the previous two steps will be summarized in an overview table showing the issues and expected effects. In addition, the long list will be used to select a short list for case studies; we therefore add a column showing the importance attached to a particular regulatory issue by environmental organizations / stakeholders (to be indicated on a scale of 1-3). The table below gives an indication of what such an overview could look like, with a few tentative examples.

Table 3.3 Overview of regulatory TTIP issues and effects - indicative

Regulatory issue	Expected effect on:					Importance for stakeholders
	Air pollution	Climate change	Material use	Water & waste	Land use, ecosystems, biodiversity	
Regulation of toxic substances (REACH vs. TSCA)	Toxic substances are partly released to air			Affects water quality, hazardous waste	Influence of water quality, waste discharge, and pesticide use on ecosystems and biodiversity	
Oil sands: reviewed fuel quality directive (FQD)		(Prohibitive?) price for oil sands can have effect on GHG emissions				
…			…			…

Case studies

Based on the long list, three cases will be selected for an in-depth assessment. We foresee the following selection criteria:

- Broad coverage of main environmental issues by the three cases (based on table above);
- Importance attached to the issue by environmental stakeholders (based on table above);
- Assessment of likelihood, size and relevance of impact of the TTIP on particular issues (based on the qualitative analysis described above).

The case studies will specify regulatory provisions and differences between the EU and the US. They will include the main views of different stakeholders as well as provide a detailed causal chain of direct and indirect environmental effects. The case studies also provide room to cover consumer health effects, which is not strictly an environmental topic, but has inter-linkages with environmental issues and is one of the biggest concerns in the debate.

3.3.5 Policy recommendations

In a final section, the environmental analysis will provide recommendations for the TTIP negotiations from an environmental perspective. The recommendations will be based both on the quantitative and the qualitative assessment. From the quantitative results, we will most likely derive recommendations with regard to certain environmentally intensive sectors, or give options of

- On the links between agriculture and environment: European Commission, DG AGRI (2006): Agriculture and the environment. Factsheet. Available at http://ec.europa.eu/agriculture/publi/fact/envir/2003_en.pdf.

addressing certain issues (such as climate change) in chapters of the agreement (e.g. by reference to Multilateral Environmental Agreements, or by a dedicated environmental / sustainability chapter). From the qualitative section, we will derive recommendations as to the direction of regulatory convergence that would be beneficial from an environmental perspective, as well as discuss the inclusion and format of Investor-State Dispute Settlement provisions in the TTIP from the point of view of environmental protection.

4 Specific approach to the sector analyses (Phase 2)

In this chapter, we outline our specific approach to the sectoral Trade SIA (Phase 2). The overall approach explained that the emphasis of this Trade SIA is rather on the sectoral level impacts as compared to the macroeconomic impacts. For the overall economic impact analysis and to the extent feasible, we will use available quantitative modelling results on sector level from the CEPR 2013 study to provide an analysis of sector-specific impacts, but we will focus in more depth on a selected number of sectors (maximum 8). As such, the selection of sectors that will be studied in more detailed need to be selected objectively (see section 4.2.1) and the methodology for assessing the impact of TTIP on the selected sectors should take into account the specificities of EU US trade and derive impacts on the three sustainability pillars (see section 4.2.3). In the next section, a short introduction to the sector analyses is provided.

4.1 Overall approach to the sector analyses

Available research and studies on the potential impacts of the TTIP on the EU and US economies have focused mainly on the macroeconomic and broad sectoral level (see e.g. CEPR (2013); the Bertelsmann Stiftung (2013), Ecorys (2009). However considering the debate about TTIP among civil society, policy makers, the media, business and economists, it becomes clear that the sustainability impact assessment can derive additional value from analysing the detailed sector level impacts. The ToR for the present study also clearly emphasises the need for a more in-depth analysis of specific sectors and attributes great importance to the sector analyses in this Trade SIA.

The in-depth sector studies will enable a deeper understanding of how the TTIP may impact sustainability issues within and across sectors and at grassroots-levels. In addition, the analyses should enable the identification of particular areas of concern or interest that may require specific attention in the negotiation process or warrant the development of flanking measures and implementation support.

In light of this need for a stronger focus on sector level impacts, we have developed an approach that goes beyond the 'standard' sector analysis in Trade SIAs and consists of:

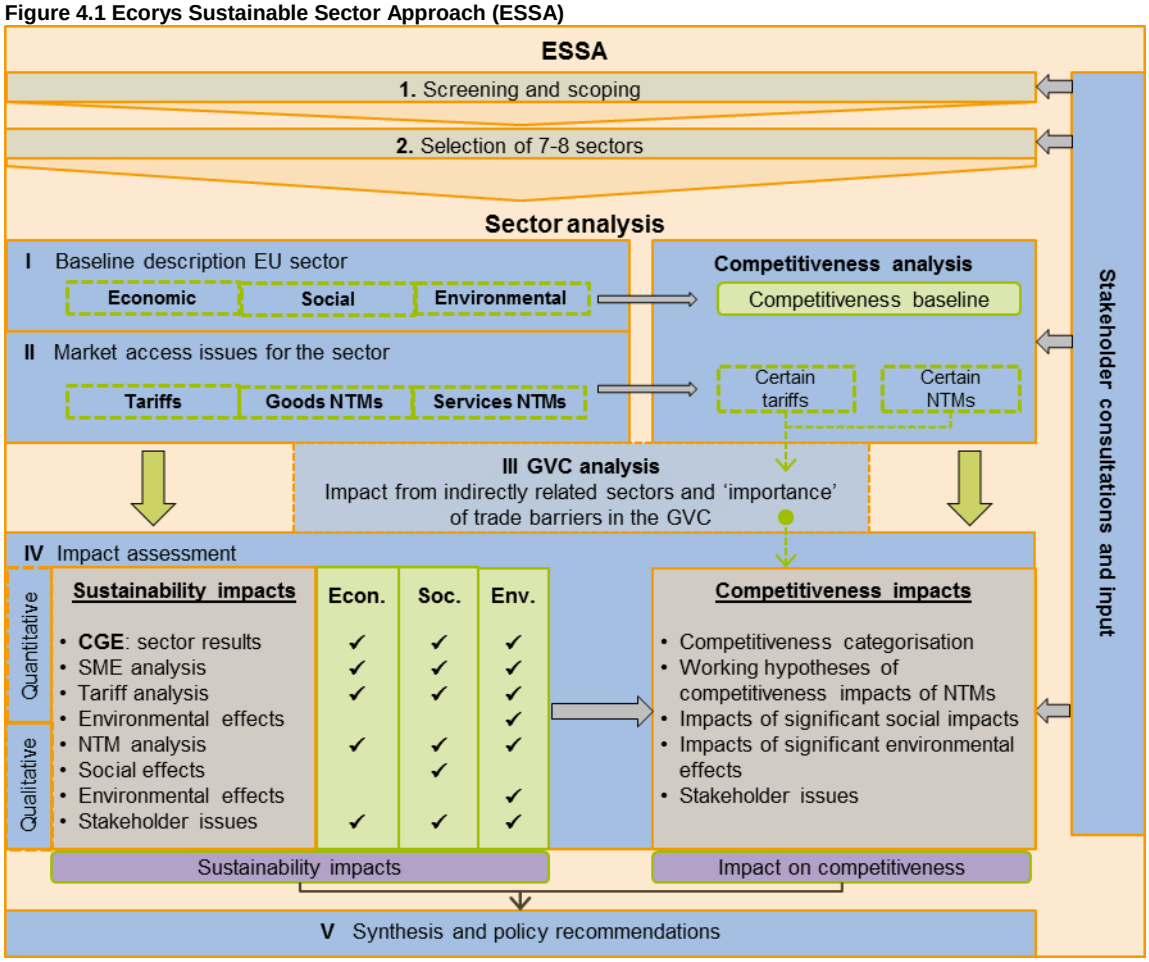
- An objective approach to the selection of sectors that should be studied in this Trade SIA, based on five sector selection criteria;
- A focus on the impacts at sector level for the EU (production based in the EU and related effects in the EU);
- An innovative and comprehensive methodology taking into account the nature and configuration of the Global Value Chain (GVC)[27] in which specific sectors operate as well as the specific sector-related environmental, social and economic impacts;
- A special focus on the impacts on the possible change in the competitive position of the EU sector, especially versus the US sector.

This new and comprehensive approach to the detailed sector analyses in Trade SIAs – the Ecorys Sustainable Sector Approach (**ESSA**) – is schematically presented in Figure 4.1. The five steps (that are preceded by a screening and scoping exercise to select 7-8 sectors for in-depth analysis)

[27] Only for sectors with a narrow-enough sector definition.

that form the ESSA very shortly explained below the picture and elaborated upon in more detail in sections 4.2 and 4.3.

Figure 4.1 Ecorys Sustainable Sector Approach (ESSA)



Source: Own illustration.

The sectoral Trade SIA is shaped by the selection of seven to eight sectors for in-depth analysis (see section 4.2). These seven to eight sectors will be selected through a **screening and scoping exercise**, based on the following five criteria:

1. Initial importance of sector for the economy;
2. Expected economic impact of the TTIP;
3. Expected social, environmental and human rights impact of the TTIP;
4. Stakeholder issues of special importance;
5. Strategic importance of sector / issue in the negotiations.

Once the sectors are selected, we will conduct an in-depth sectoral analysis based on the following five interlinked steps of analysis (explained in more detail in section 4.3):

1. **Baseline description of the sector from an EU perspective**. This includes a basic description of the sector using economic indicators (such as number of firms, turnover, sales, value chain, SMEs), social indicators (e.g. employment, type of employment, labour conditions) and environmental indicators (energy use, waste, water etc.). Also a basic overview of the competitive position of the sector (competitiveness baseline) is given, which forms the basis for the competitiveness assessment;
2. **Market access issues in the sector.** Secondly, an inventory of the existing market access issues related to tariff and non-tariff barriers in trade in the sector between the EU and the US will be made (also using the SME survey to identify barriers that are particularly difficult for

SMEs). This results in an overview of the type of barriers and an estimation of whether they are going to be tackled (and how) in the TTIP;

3. **Global Value Chain (GVC) analysis.** An optional element (depending on the aggregation of the sector definition, to be defined at the sector selection assessment)[28] of the sectoral analysis is the mapping of the EU sector in a GVC context. The various activities performed within the value chain to produce a final product in the EU in a certain sector are analysed on the basis of the World Input-Output database. In this way, the origin of the 'sourcing' (the buying of intermediate inputs to produce a final product) in various stages in the value chain is identified, which makes clear how much US inputs, EU inputs and Rest of the World inputs are needed to produce an EU made final product in the sector. Understanding the 'strength' of the EU US intermediate input links (including services) also helps in understanding the impact of trade barriers in related sectors (indirectly linked);
4. **Impact Assessment.** Using the inputs from the baseline (step 1) and from the trade barrier assessment (step 2), combined with additional input on the expected impacts from interviews, sector experts and consultations, the likely **sustainability impact** of the TTIP on the EU sector will be established. The sector-level impact results from the CEPR (2013) will be used as starting point and cross-checked with the impact analysis, based on Causal Chain Analysis (CCA). Secondly, the outcomes of the sustainability impact assessment will feed into – together with the GVC analysis if conducted – the **competitiveness impacts** assessment. Using CCA, the expected sustainability impacts and possibly GVC impacts from indirectly related industries will be cross-examined with the baseline competitive position in the sector to understand whether the TTIP will have any impact on the competitive position of the EU sector;
5. **Synthesis and policy recommendations.** The last step will provide a conclusion from the analysis and provide an overview of the possible trade-offs between the three sustainability indicators. A short comparison between the sustainability impacts (step 4) and the competitiveness impacts (step 5) will be drawn and policy recommendations formulated.

4.2 Sector selection

The aggregate macroeconomic studies have already shown that the potential impact from the TTIP on the economies of the EU and the US as a whole is likely to be significant, across all sectors. The potential size of the agreement could be reason enough to look into every sector to understand the impacts better but in this Trade SIA we will focus on the sectors where the most substantial (positive or negative) impacts are expected are studied. In total, we will analyse seven to eight sectors in more detail and during the impact assessment we will focus on the impacts on the sectors in the EU.

The ToR already specifies three sectors to be studied in more detail. The remaining four to five sectors are selected on the basis of objective selection criteria. The three sectors that were already selected in the ToR are:

1. Motor vehicles;
2. Insurance services;
3. Electrical and electronic equipment.

The remaining four to five sectors are selected on the basis of the following criteria:

[28] For highly aggregated sectors, this analysis will not be feasible due to the enlargement of the scope of the potential number of trade barriers to look into. In addition, the higher the aggregation of the sector scope, the more resources are needed for the other steps in the ESSA.

1. **Initial importance of the sector for the EU economy**
   The potential impact of TTIP on economic sectors differs with the importance and position of this sector in the economy; e.g. a small change for an important sector (in terms of value added or employment) might cause more impact, i.e. a larger job impact or a more pronounced environmental impact, than a large change for a very small sector at sub-national level. As such, percentage changes have to be interpreted in combination with a given sector's initial position in the economy. In order to do so, we look at all sectors' shares in *value added, employment* and *export value (based on value added input)*.

2. **Expected economic impact of the TTIP**
   For this criterion, we take the available CGE results as the starting point, which help to detect economic effects at the sectoral level. Due to the properties of the CGE model used by CEPR (2013), it is ensured that the 'enabling nature' of certain facilitating sectors, e.g. transport, is taken into account in the results as interlinkages between sectors are taken into account. The specific impact indicators that are used for this criterion are (in line with criterion 1): *expected change in output, employment and trade to the US.*

3. **Expected social, environmental and human rights impact of the TTIP**
   The third criterion that plays an important role in the sector selection methodology are the expected impacts from an environmental, social and human rights point of view on sectoral level. The indicators for these criteria can be less clearly established since at this stage of the study, the additional environmental and social analyses have not been performed yet. As a result, we have composed an expert panel consisting of two environmental experts, two US experts, two social experts and one human rights expert to predict the significant impacts on these sustainability pillars from a sectoral point of view.

4. **Stakeholder issues of special importance**
   This criterion aims to flag the issues of specific importance for the various stakeholders involved in the TTIP process. In order to record the feedback from stakeholders, the entire list of preliminarily identified stakeholders (see chapter 5) have been invited to give their feedback on the sector selection and indicate max. three sectors that according to them should be selected for further analysis. Stakeholders have been invited twice to contribute.

5. **Strategic importance of sector / issue in the negotiations**
   To ensure that the Trade SIA study remains relevant to the TTIP negotiation process, the importance of specific sectors / issues to the reality of the TTIP process and negotiations is also one of the screening criteria. This criterion takes into account specific offensive or defensive interests of both negotiating parties or sectors / issues which are perceived as vulnerable or in need of special attention in relation to possible flanking measures. Input for this criterion is delivered by suggestions, comments and feedback from the main negotiators on specific issues.

The outcome of this screening and scoping exercise can be found per indicator in the subsections below. Section 4.2.6 provides the synthesis and proposes seven to eight sectors for in-depth analysis.

4.2.1 Criterion 1: Initial importance of the sector for the EU economy

The initial importance of EU sectors for the entire EU economy is established through GTAP 8.0 data, which reflect 2007 data. Though they are not entirely recent, the data allow for a consistent identification of the important sectors both for this criterion as well as for criteria 2, which is based on the exact same database and sector aggregation.

The most important sectors in terms of value added, share of employment and the share of total value of exports that the sector exported to the US, based on value added (thus taking into account that certain sectors provide inputs for other sectors) are presented in Table 4.1.

Table 4.1 Selected sectors for criterion 1, sorted on value added share in the EU

	Criterion 1: Importance for the EU economy			
Sector	% VA in the EU	Employment Less skilled	Employment More skilled	Export value added share to U.S.
Other services	33.4%	36.7%	48.0%	8.6%
Business services	23.6%	11.0%	17.5%	12.3%
Construction	7.8%	10.0%	4.2%	0.4%
Other machinery	4.3%	5.9%	4.8%	16.3%
Finance & insurance	4.2%	3.5%	5.5%	14.6%
Personal services	3.4%	2.6%	4.1%	1.8%
Chemicals	3.2%	3.5%	2.8%	11.2%
Processed foods	3.1%	3.8%	1.6%	4.7%
Other manufactures	3.0%	4.6%	1.7%	4.9%
Metals and metal products	2.9%	4.4%	2.0%	2.5%
Communications	2.5%	1.8%	2.8%	1.0%
Wood and paper products	2.4%	3.2%	1.6%	2.6%
Agriculture, Forestry and Fisheries	2.0%	3.5%	0.3%	2.1%
Motor vehicles	1.6%	2.5%	1.3%	7.1%
Other (remaining) sectors	2.6%	3.0%	1.7%	10.0%

Source: GTAP 8.0 database and CEPR (2013).

The table highlights significant sectors for every indicator by colouring the cells[29]. The sectors not shown in the table jointly represent less than 3% of EU value added and employment. They are thus not considered significantly important in terms of size.

The most significant sectors in terms of value added are the *other services* and *business services* sector, which is not surprising since the first includes public workers and the second a large range of business services, not grouped under the other services sectors in the table. In terms of trade importance, the sectors *other machinery, finance & insurance* (finance has value added export share of 7.5% and insurance of 7.1%) and *chemicals* show strong export performance with the US and also employ a significant amount of workers and value added. *Motor vehicles* shows strong export performance, but ranks rather low in terms of value added creation, which proves the globally fragmented nature of the industry. The sectors *processed foods* and *metals* are potentially important as they employ a relatively large share of unskilled workers in the EU and also export a significant amount of goods to the US.

4.2.2 Criterion 2: Expected economic impact of TTIP

The expected impact from the TTIP is taken from the CEPR (2013) study, which provides the basis for the current Trade SIA also. Table 4.2 shows the expected impacts of the TTIP on output,

[29] Criteria for value added and employment are: Dark: >10%,Medium: >2.5%. For export share: Dark: >8%, Medium: >5%.

employment and exports at a sectoral level to the US in 2027 in the ambitious scenario (modelled with 20% spill-over effects). The numbers in the table should be interpreted as changes to the baseline scenario (no TTIP) in 2027, except for the export figures. These represent the Euro amount yearly incremental exports expected in the ambitious scenario. Using absolute numbers give the advantage that the size of the existing trade flows is taken into account.

Table 4.2 Criterion 2: Expected impact from the TTIP[30]

	Criterion 2: Impact from TTIP (ambitious scenario) (CEPR, 2013)			
Sector	Output % change, 2027	Employment, LS % change, 2027	Employment, HS % change, 2027	EU exports to US million €, 2027
Other transport equipment	-0.1%	-0.2%	-0.2%	87,358
Chemicals	0.4%	0.1%	0.1%	29,895
Processed foods	0.6%	0.3%	0.3%	13,405
Metals and metal products	-1.5%	-1.6%	-1.6%	12,516
Other manufactures	0.8%	0.5%	0.5%	11,132
Motor vehicles	1.5%	1.3%	1.3%	9,037
Other machinery	0.4%	0.2%	0.2%	7,448
Finance	0.4%	0.1%	0.1%	3,517
Insurance	0.8%	0.6%	0.6%	3,333
Wood and paper products	0.1%	-0.2%	-0.2%	3,209
Electrical machinery	-7.3%	-7.0%	-7.0%	2,555
Agriculture, Forestry and Fisheries	0.1%	0.1%	0.1%	1,743
Business services	0.3%	-0.2%	-0.2%	1,545
Air transport	0.4%	0.1%	0.1%	333
Personal services	0.3%	-0.1%	0.0%	228

Source: CEPR (2013).

The table shows that the *other transport equipment* sector actually is expected to increase bilateral export most significantly, but at the same time reduce output and employment marginally in the EU. This interesting result is largely driven by a reduction in bilateral tariffs. *Chemicals* is the second largest beneficiary of the TTIP in terms of bilateral export growth and is also expected to grow by 0.4% annually after the TTIP is concluded. Most significantly growing sectors in terms of value added and employment are the *other manufactures* (largely driven by a removal of tariffs) and *motor vehicles* sectors. The *electrical machinery* sector is expected to significantly lose from TTIP, but is not considered for the screening and scoping since the sector has already been selected for in-depth analysis. The *metals* sector is also worth highlighting since it is expected to contract significantly as a result of the TTIP. Since trade is still expected to grow significantly, but both employment and value added expected to contract, the sector is a candidate for in-depth analysis.

4.2.3 Criterion 3: Expected social, environmental and human rights impact of TTIP

The expected social, environmental and human rights impacts at sector level of the TTIP are hard to predict. Even more so, the additional social, human rights and environmental analyses have not

[30] Similar colour coding schemes apply as in criterion 1.

been carried out yet in the inception phase. As a result, the human rights, social and environmental experts from the study team (2 from the US, 4 from the EU) have provided their expert opinion on the expected impact of the TTIP on social, environmental and human rights indicators. The results are summarised in Table B.3 in Annex B. However, in the table below, the sectors for which most significant impacts are expected are summarised.

Table 4.3 Criterion 3: Expected social, environmental and human rights

Sector	Social and human rights			Environmental	
	Impact	Impact HR	Comments	Impact	Comments
Agriculture, Forestry and Fisheries	✓✓	✓✓	Highly protected in some sub-sectors and socially sensitive. Low mobility of labour and pressure on workers and farmers. Heterogeneity in EU in terms of size, structure, competitiveness warrants further analysis. Fear of lowering standards by consumers.	✓✓	Given the protected nature of agriculture and its impact on land use this is important. Each of these is a basic sector with major environmental implications. Agriculture poses a number of water quality and climate risks, while stresses on forestry and fisheries affect key resources.
Processed foods	✓✓	✓✓	Sector highly protected (tariffs, NTBs) and competition between US and EU is high. Risk of pressure on workers (wages,…) with heterogeneous labour conditions inside EU. Additionally, fear of lowering standards by consumers. Food safety concerns need to be addressed via enhanced SPS procedures and standards.	✓	Will affect land-use issues and the food processing sector is a major user of water and generates waste.
Chemicals	✓		More competitive pressures on labour and localisation of plants expected.	✓✓	Currently US firms have a large advantage due to low energy prices and large pollutant source.

Motor vehicles	✓✓		More US competition will be expected and competition with emerging countries (incl. Korea) intensified, which might induce social problems in some countries (France, Italy,...). The effects of an investment agreement have to be considered.	✓	Regulations on emission standards etc. Also opportunity to advance fuel economy standards and encourage cooperation on R&D on new engine technologies.

4.2.4 *Criterion 4: Stakeholder issues of special importance*

As explained throughout this inception report, the feedback from and issues raised by stakeholders is considered a very important element of the Trade SIA. As a result, already in the inception phase the study team compiled a large list of stakeholders involved in the TTIP and invited them to contribute to the sector selection in the inception phase. By means of a newsletter with detailed instructions, stakeholders were able to submit three sectors that according to them should be analysed in more detail in the sectoral Trade SIA. Based on popular request, the deadline for submitting feedback on the sector selection process had been extended by another week. In total, 26 unique responses from stakeholders have been received on the sectoral selection process.

Table 4.4 Input from stakeholders on sector selection process

Sector	**Criterion 4: Stakeholder importance**	
	Submissions received	Issues mentioned
Agriculture, Forestry and Fisheries	**8**	**Food safety, animal welfare, egg industry, import dependency on vital food ingredients, maize, soybean and rice, starch industry, illegal wildlife trade.**
Other primary sectors	**4**	**Ethanol industry (unfair competition).**
Processed foods	**5**	**Dairy sector, cane sugar, alcohol & tobacco industry, food safety and standards.**
Other manufactures	1	Textiles and clothing (protectionist market).
Chemicals	**5**	**REACH (major trade barrier), pharmaceuticals, scope for efficiencies in conformity assessments and inspections, shale gas, environmental impacts, animal testing.**
Metals and metal products	1	Efficiency gains in regulatory approximation
Construction	1	Possible negative effect on health and safety standards for workers in the EU.
Water transport	**2**	Jones act.
Air transport	**3**	**Foreign ownership issues in the US market.**
Communications	1	ICT sector (scope for regulatory alignment).
Finance	**2**	**Large standard-setting potential, but job quality and quantity concerns.**
Insurance	**2**	**State-level regulations in the US.**
Business services	1	State-level regulations in the US.
Personal services	1	Health and safety concerns in hair & beauty sector.

Other services	**3**	Call for eliminating the public sector from TTIP.
Horizontal issues	**5**	**Buy American Act, cross border flow of data, IPR, GIs, public procurement, ISDS**

Table 4.4 lists the sectors for which most direct input has been received, including the broad topics particularly mentioned. The entire list of responses received from civil society are included in the stakeholder log in Annex C. From this succinct overview, we can clearly see an interested from civil society in the *agricultural, forestry and fisheries* sectors, *processed food* sectors and *chemicals* sectors. The reasons that justify a more in-depth analysis include concerns on food standards and safety and specific impacts expected in the diary, egg and crop industries. For the chemicals industry, REACH seems a particularly interesting aspect to analyse and the pharmaceuticals market was specifically mentioned. The ethanol industry was also mentioned often, due to the danger of not operating in a level playing field. *Services sectors* also come out significantly. Much feedback received will be very useful for the implementation of the sector analyses, once the sectors are selected as most input provided detailed feedback on specific issues.

4.2.5 Criterion 5: Strategic importance of sector / issue in the negotiations

Lastly, based on the inputs received from the Steering Committee during and after the Kick-off meeting of the project, we learnt that the following sectors seem to be of interest to the negotiators for more in-depth analysis:

- Agriculture;
- Machinery;
- Medical devices;
- Chemicals (including pharmaceuticals);
- Financial services;
- Textiles & clothing.

4.2.6 Synthesis and sector selection

Having thoroughly assessed the results in the previous sections for the five selection criteria, we are able to make a proposal for the **additional four to five sectors** (with three sectors already selected) that could be selected for further in-depth analysis. The proposal of sectors to be selected is based on an equal weighing of the different criteria and also takes into account a potential focus on particular subsectors that could be included in the somewhat broader sector listing in the table below. Table 4.5 below is a summarised version of the overall synthesis table (Table B.4), provided in Annex B, that provides the details behind the different scores. In addition, the previous sections also provide greater detail into the justification of 'ticks' given to particular sectors.

Table 4.5 Summary table – sector selection

Sectors	Criterion 1: Importance for the EU economy	Criterion 2: Expected impacts from TTIP	Criterion 3: Expected social (incl. HR) impact	Criterion 3: Expected environmental impact	Criterion 4: Stakeholder importance	Criterion 5: Importance in negotiations	Total
Agriculture, Forestry and Fisheries	✓		✓✓	✓✓	✓✓	✓	✓✓
Other primary sectors				✓✓	✓		
Processed foods	✓	✓	✓✓	✓	✓✓	✓	✓✓✓
Other manufactures	✓	✓✓	✓	✓	✓	✓	✓✓
Wood and paper products	✓			✓			
Chemicals	✓✓	✓	✓	✓✓	✓✓	✓	✓✓✓
Metals and metal products	✓	✓✓	✓	✓	✓		✓✓
Motor vehicles	✓	✓✓	✓✓	✓			✓✓✓
Other transport equipment		✓	✓				
Electrical machinery		✓✓		✓	✓	✓	✓✓✓
Other machinery	✓✓	✓				✓	✓✓
Construction	✓✓			✓	✓		✓
Water transport							
Air transport					✓		
Communications	✓						
Finance	✓		✓		✓	✓	✓✓
Insurance		✓			✓		✓✓✓
Business services	✓✓					✓	
Personal services	✓				✓		
Other services	✓✓				✓		

The following three sectors were already pre-selected for in-depth analysis in the ToR:

1. Insurance services;
2. Motor vehicles;
3. Electrical machinery and electronic equipment.

Based on the above input, we propose to study the following four or five additional sectors for in-depth analysis (from this short list below):

4. Processed foods;
5. Financial services;
6. Chemicals (incl. pharmaceuticals);

7. Wearing apparel (part other manufactures);
8. Mechanical engineering (machinery).

This proposal should now be discussed with Civil Society and the Steering Committee in order to agree on a final sector selection at the final inception stage.

4.3 Approach to the sector analyses

Figure 4.1 introduced the five main steps taken in the ESSA in order to arrive at the potential impacts of TTIP on all sustainability dimensions at sector level. The approach to the sector analysis has been developed based on Ecorys' extensive experience with impact assessments in the field of industrial policy[31] as well on the methodology outline in the competitiveness proofing guidelines of DG Enterprise & Industry[32]. We present the details of the specific steps and activities undertaken as part of the sector analysis below and specifically refer to the link with the impact assessment guidelines in section 4.3.5.

4.3.1 Step 1: Baseline description

The first step in ESSA is developing a comprehensive baseline description of the sector in the EU. This baseline reflects the situation in the sector before the TTIP is introduced and represents the current situation in the sector from an **economic, social** and **environmental** point of view. This step is crucial since it provides the basis and the starting point for assessing the impact of any changes in the trade policy or regulatory environment. From the economic perspective, the baseline comprises the structure and competitive position of the sector. It studies the value chain, trade patterns, technological developments and trends in investments. The social and environmental baseline of the sector will include quantitative descriptive data on indicators such as employment, skill levels, energy use and water use. The social and environmental baseline also include developments on qualitative indicators such as developments in labour conditions, composition of the work force, regional employment, rights at work as well as trends in the sector. Lastly, the baseline description of the EU sector is completed by relevant (i.e. when input is objective and contributing to the analysis of the baseline) input from civil society and other stakeholders, who can give more detailed insights into the most sensitive and pressing issues in the sector, either economic, social or environmental. Table 4.6 summarises the suggestions for the key indicators to be studied in the first step of ESSA.

Competitiveness baseline

Some of these indicators mentioned above will provide input for short, but indicative baseline competitiveness assessment: what is the EU's sector competitive position vis-à-vis the US and other relevant competitors? The baseline description could be extended with some key competitiveness indicators such as Revealed Comparative Advantage and productivity measures. The suggested indicators for the competitiveness baseline are included in Table 4.6.

[31] Particularly through Framework Contracts with DG Enterprise & Industry on Industrial Competitiveness and Market Performance.

[32] Commission staff working document SEC (2012) 91 final, *OPERATIONAL GUIDANCE FOR ASSESSING IMPACTS ON SECTORAL COMPETITIVENESS WITHIN THE COMMISSION IMPACT ASSESSMENT SYSTEM,* available at: http://ec.europa.eu/smart-regulation/impact/key_docs/docs/sec_2012_0091_en.pdf.

Data sources

The information and data sources that will be used for the baseline analysis include a variety of quantitative and comparable data sources as well as the qualitative input from the sector experts that are part of the study team. The key data sources that will be used for the baseline are:

- Eurostat (e.g. Structural Business Statistics);
- WIOD (energy use, incl. US);

Table 4.6 ESSA Baseline description indicators

Economic	Social	Environmental
Structure of the market (number of firms, size of firms, etc.).	Employment.	Use of different energy sources in the sector.
Overview of the value chain.	Quality of jobs (skills).	Waste generation.
Turnover, output, value added.	Labour conditions, rights at work, unionisation.	Water consumption.
Trade patterns (export, import, particular products traded).	Gender equality, minimum wage, youth employment.	Baseline data from the E3ME model.
Investments (FDI).	Other labour issues.	Other relevant environmental pressures.
Sales and retail data (Euromonitor).		
SMEs.		
Relevant input from civil society on any of the above topics		
Competitiveness baseline		
- Labour productivity and (if possible) capital productivity - Revealed Comparative Advantages.	-Comparison of hours worked versus labour compensation. - Description of sectoral trends in terms of developing strengths, weaknesses, opportunities and threats.	- Developments of the prices of outputs in the sector. - Innovation and technological developments.

- EU KLEMS (labour productivity, hours worked, employment, incl. US);
- COMTRADE (trade data, incl. US);
- Consolidated Data on International Trade in Services v.8.8 (TSD, incl. US)[33];
- SME survey (see Annex D);
- Sector reports (industry associations);
- Euromonitor's Passport database (retail data).

4.3.2 Step 2: Market access issues

The second step in ESSA aims to obtain a comprehensive overview of the most significant issues in EU US trade and investment that deter market access in either market. As such, this second step of the analysis aims to provide an overview of the present tariff and non-tariff barriers to trade in the sector between the EU and the US. Additionally, investment related barriers will be studied if these are deemed significant. Concretely, the following issues will be covered in the analysis:

- Identification and description of current market access issues: tariff lines, services trade barriers, non-tariff measures;
- Categorisation of the identified market access issues, into one of three possible groups:

[33] Francois & Pindyuk (2013). Consolidated Data on International Trade in Services v.8.8. IIDE Discussion Paper 2013001.

1. Direct sector specific market access issues (i.e. issues directly linked to the sector and its products and services), including identification whether specifically burdensome for SMEs based on results from the SME survey
2. Indirect cross-sectoral issues affecting many sectors (i.e. issues not specific to a sector, but of relevance for the sector being analysed);
3. *For the sectors that will include GVC analysis:* Market access issues in intermediary / linked sectors (i.e. issues that affect other sectors that are important parts of the value/supply chain of the sector being analysed). Only trade barriers identified in other sectoral analyses or identified in information sources (incl. interviews) related to the main sector of analysis are included in this category (not to broaden the scope too much).

- Establishment of whether the NTMs identified have a cost effect, economic rent effect or both;
- Prioritisation of the market access issues found, making use of *inter alia* inputs from civil society and key stakeholders.

As part of this second step of the analysis we will also categorise each of the most significant tariff and non-tariff barriers identified according to the **priority** of the trade barrier and the estimated 'broad' impact of the trade barrier (based on the indication whether it has a cost effect, economic rent effect or both). This categorisation will be based on sector expert's opinion and stakeholder input. This information on the trade barriers will critically feed into the impact assessment, which will further trace the impact of the trade barrier applying causal chain analysis. This **prioritisation** of trade barriers is needed to keep the analysis comprehensive.

Data sources

A (non-exhaustive) list of data sources that will be used to identify the tariff and non-tariff barriers in the sector is presented below:

- NTM Trains;
- Market Access Database;
- I-TRIPS (WTO);
- Ecorys EU US NTM database;
- World Bank Services Trade Restrictiveness Index (STRI);
- OECD STRI;[34]
- TRAINS tariff database;
- WTO IDB tariffs database;
- Interview and sector expert input;
- Civil society and stakeholder input.

4.3.3 Step 3: Global Value Chain analysis (optional)

As introduced at the start of the chapter, for selected sectors (for a limited set of subsectors when the sector aggregation is too broad) a comprehensive overview of the position of the EU sector in the global value chains is provided. When assessing the sustainability impact of the expected trade and trade-related provisions in TTIP on the competitiveness of the selected EU sectors, it is important to take into account that the production structure of certain EU sectors is international or even global in nature, implying that production does not only depend on firms located in the EU and materials sourced from the EU. Rather, production patterns are increasingly based on fragmented value chains that integrate different production activities across the globe. As a result, the final output of a sector in the EU is likely to have used a large share of foreign inputs, ranging from raw material inputs to intermediate goods and services. This view on the functioning of EU economic sectors is especially relevant in the context of this study since the value chains related to the

[34] Depending on launch of the database, expected May 2014.

production of European goods and services often have strong and important links to US based activities that feed into the production of – what will ultimately be – European final products (and vice versa). This is also clearly reflected in the high share of intra-industry trade, which is generally characteristic of trade between countries of similar levels of development and with similar economic structures such as the EU and US. Given the size of transatlantic trade and investment flows, a trade agreement that is negotiated across sectors and covering a variety of trade and investment related topics (in this case the TTIP) is likely to not only have a **direct impact** on the trade in final goods and services in a sector, but also a very important **indirect impact** of removing trade barriers in sectors that supply intermediate goods and services to other sectors producing final goods, which will in turn be impacted. As a result, an understanding of the various activities in the value chain of the sector under investigation is crucial and is established as part of step 1 (see above). The academic justification for adopting this GVC approach is provided in Box 4.1.

Box 4.1 Global value chain competitiveness in academic literature

The inspiration for this approach to assessing competitiveness comes from a growing body of literature that places global value chains at the core of the analysis of industry or sector performance. Notably the contribution by Timmer et al. (2013)[35] provides useful guiding principles for such an analysis. They introduce a new indicator called global value chain income, which decomposes the value of a final product into the value added by each activity and country involved in the production process of that final product. While the importance of the concept of GVCs as the organising principle of global production for an increasing number of final goods has been recognised for some time now, the recent release of the World Input-Output database (WIOD)[36] has made it possible to also quantify the global relationships in value chains. The most recent version of the WIOD database (with data from 2011) will therefore be the prime source for our GVC impact analysis.

The GVC analysis takes the mapping of the value chain one step further in order to facilitate an even better impact assessment of the provisions that could be negotiated under the TTIP and concomitantly a deeper competitiveness assessment, by:

1. Creating an overview of the GVCs in which European and US activities are integrated, focusing on the backward and forward linkages between the EU and the US GVC activities;
2. Preparing a rough overview of the intermediate inputs needed in the production of similar final goods in the EU and the US and establishing the relative share of these inputs in the total cost of producing the final good in the EU and the US;
3. Assessing the importance of intermediate inputs sourced from the US (and from the EU), as compared to intermediate inputs sourced from within the EU or from the Rest of the World;
4. Assessing the impact of trade barriers in related sectors or activities to the impact on the GVC in which EU firms are active (for a limited number sectors if sector aggregation is broad).

This overview will provide a comprehensive picture of the importance of intra-industry trade in a variety of goods and services related to the production of final goods in a given European – or US in the case of sales of European intermediary products – sector. It will also support the impact assessment and the related assessment on the possible change in competitiveness as a result of TTIP by taking into account direct impacts from trade and trade-related provisions on the sector under consideration, as well as the most significant indirect impacts from TTIP provisions further up- or downstream in the GVC of this sector. It is useful to note here that economic sector results that are presented in the CEPR (2013) report are also based on a similar logic and the model employed has taken these direct and indirect linkages into account. However, this GVC analysis

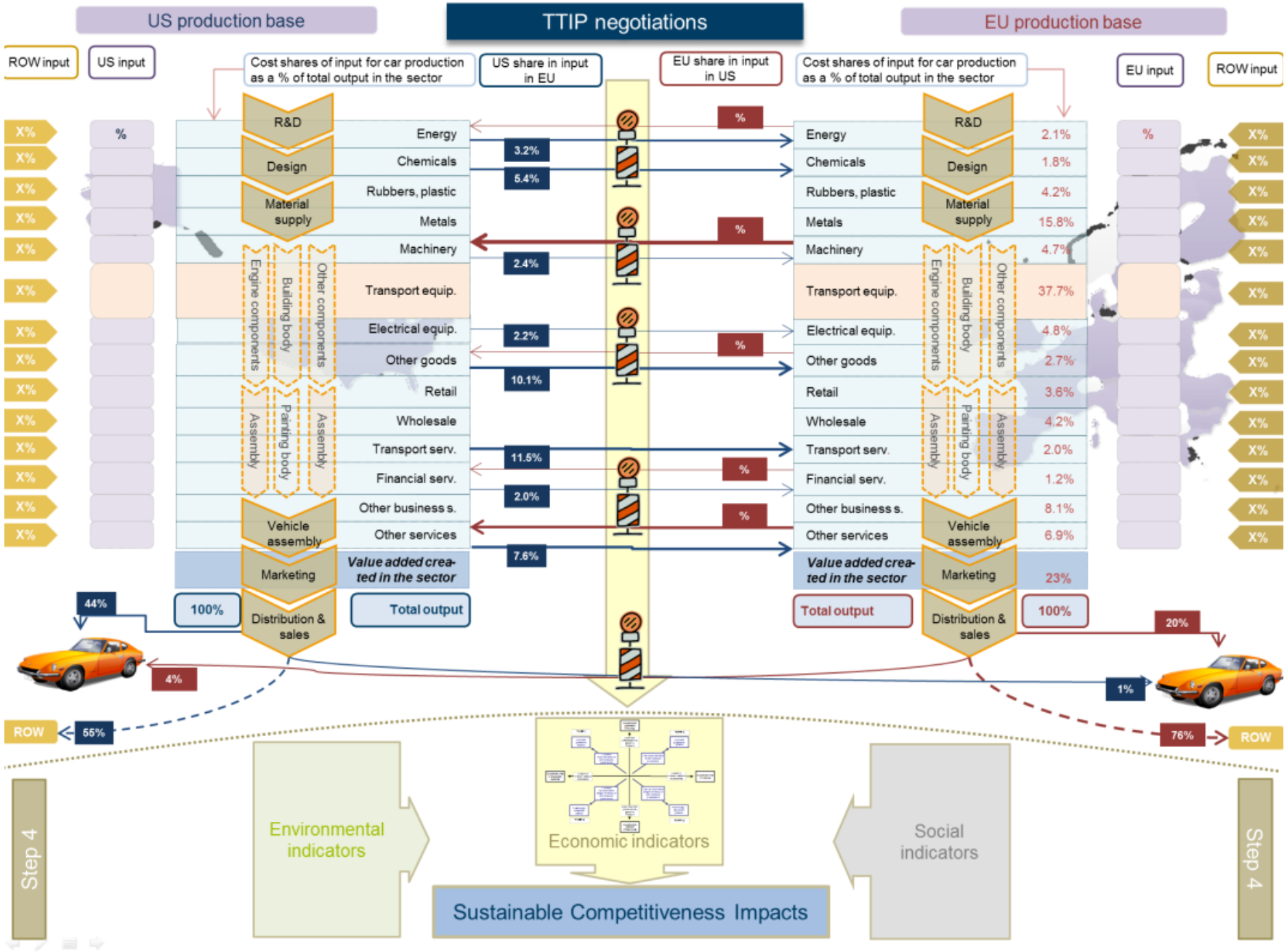
[35] Timmer, M., Los, B., Stehrer, R., de Vries, G., 2013, *Fragmentation, Incomes and Jobs. An analysis of European Competitiveness.* GGDC Research Memorandum 130.

[36] Timmer, M.P. (ed. 2012), *The World input-Output Database (WIOD): Contents, Sources, and Methods,* WIOD working paper nr. 10.

zooms in on those linkages and makes them apparent. This will allow us track the economic impact of specific trade barriers identified in the sector along the GVC and accordingly the expected changes in the **social** and **environmental** indicators across the value chain.

The four elements introduced above are explained in more detail below.

Figure 4.2 Global Value Chain Competitiveness and sustainability impacts of TTIP



Overview of global value chain relationships

In Figure 4.2, we present the overview of how we will map a specific sector under investigation in relation to the GVCs in which it is active. The percentages shown in the figure are illustrative of the kind of descriptive account that we will provide of the EU sector from a global value chain perspective. We have taken the example of the **automotive industry**, where the value chain of producing a car (a final good) serves as the reference point of analysis. It could also be that a selected sector is an intermediary goods sector in which your starting 'perspective' is different.

Using the data from the WIOD database, we will establish the relative importance of different intermediate goods and services in the production of a final good as well as the intermediate global linkages, as follows:

- We will select approximately 10 goods and services industries that are important (read provide inputs) in the value chain of a specific sector, based on their share of the total production costs of the final product (as a % of total output in the sector). *Note that an exact match of the different value chain activities cannot be made with WIOD data and a proxy of types of goods and services is used*[37]*.* This is done both from the EU and the US perspective, which means that we will provide the overview of the relevant cost shares for intermediate inputs in both the EU and US, thus allowing us to identify possible divergences in costs of different goods and services for the production of a given final good;
- In turn, for each intermediate input, we will analyse the share of EU-28, US and rest of the world sourcing; in Figure 4.2 this is presented by the dark blue and red arrows (EU and US sourcing), by the purple rectangles (sourcing from within the EU-28 or from the US), and in the brown/yellow box arrows at the edges of the picture (intermediate inputs sourced from the rest of the world). Thus we will provide insight into the significance of the EU-US links in the value chain of the sector being assessed;
- In the next step we will consider the trade and trade-related provisions that could be subject of the TTIP negotiations. We will focus on those trade barriers (tariff and non-tariff barrier) that hamper trade in intermediate goods/services *and* in final products/services. Trade barriers in the picture are represented by  . We will take into account the fact that intermediate goods and services may cross the ocean multiple times before a final good is sold either in the EU or in the US. By focusing on trade barriers from a GVC perspective, a number of trade barriers could play a role in hampering trade in final goods:
  - Trade barriers on trade in final goods and services in the sector (as identified in step 2);
  - Trade barriers on trade in intermediate products from interrelated sectors (as identified in step 2 in case the interrelated sector is also chosen for in-depth analysis).
- Since we know the importance of the EU US links of intermediary and final products (as compared to domestic or RoW sourcing as explained above), we can also infer the importance of a specific trade barrier identified. Trade barriers on trade in less-frequently traded goods or services should have less of an impact than trade barriers identified in more-frequently traded products. This allows us to assess and estimate the effects of such barriers on the competitiveness of the sector from a value chain perspective (in step 4). It is unrealistic to take into account all trade barriers affecting the value chain in the EU. We will thus only select the most significant trade barriers to study in more detail in the impact assessment (step 4).

[37] WIOD includes 35 economic sectors, which by definition due to their level of aggregation will not always represent exact value chain activities.

4.3.4 *Step 4:Sustainability Impact Assessment*

The preparatory work performed in steps 1 to 2 (or 3[38]) will enable us to perform an impact assessment, using both quantitative and qualitative techniques. Having established the baseline of the sector on economic, social and environmental grounds (step 1) and having created the inventory of market access issues (step 2) allows us to assess the potential impact of removing certain trade barriers or adopting trade-related provisions in the TTIP. In the fourth step of the analysis, all results (economic, social and environmental) from the CEPR (2013) impact assessment at sector level, as well as other available data, will be thoroughly analysed and evaluated in order to establish the **sustainability impact assessment**. The analyses performed as part of steps 1-3 above will provide additional insights into the expected impacts of TTIP at sector level and will either provide further clarification about the CEPR (2013) sectoral results or explain expected deviations from the results based on our in-depth analysis. Secondly, the results from the **sustainability impact assessment,** together with the competitiveness baseline established in step 1 and the optional GVC analysis conducted in step 3, will be used to also produce a competitiveness impact assessment of TTIP on the sector under investigation.

Sustainability impact assessment

Economic impact assessment

The economic impact assessment will largely be based on the combination of two strands of analyses. Firstly, an analysis and critical review of the predicted economic effects by the CGE analysis provided in CEPR (2013) (as well as potentially other studies): the impact of the predicted change in trade flows, change in value added, change in employment and other indicators available in the CEPR (2013) assessment for the overall performance of the EU sector. Secondly, using Causal Chain Analysis on the most significant trade barriers identified in the sector in step 2, prioritised either by civil society input, sector expert input and/or the GVC analysis, the economic analysis also establishes the economic impacts beyond the quantitative indications given by the CEPR (2013) model. Depending on the type of trade barriers removed, the impact of the TTIP on **(production) cost structures, innovative capacity, quality of products, competition, trade** and related indicators will be established. The SME Survey will also be used to better understand the impact of the TTIP on SMEs in the EU.

Social impact assessment

The impact assessment viewed from the social perspective focuses on the expected impacts from the identification of the potential removal of trade barriers (from step 2 and/or step 3) and the associated impacts on social indicators, including (but not limited to) **employment, skills, labour mobility, labour conditions, human rights, consumer protection** and **health and safety standards.**

The expected social impacts at sector level are likely to be largely indirect in nature since the direct effect of TTIP will work through the removal of trade barriers at sector level. The social impact assessment will focus on the identification of social issues that are directly related to changes in the EU market place due to the removal of trade barriers in a certain sector. Particular attention will be paid to the more 'intangible' impacts on health and consumer welfare that relate to approximation of standards or regulation. While comprehensive quantification of these effects is unlikely to be possible, taken the issues into consideration in a more qualitative manner in the synopsis of the impact assessment is important to provide the full picture on the expected sustainability impacts at sector level.

[38] We reiterate that the execution of the third step of ESSA (GVC analysis) is not, strictly speaking needed, to conduct the impact assessment. The GVC supports a deeper competitiveness analysis.

Environmental impact assessment

The environmental impact assessment will benefit from the additional overall analysis performed using the E3ME model and by the additional overall qualitative analysis (see section 3.3.3 and 3.3.4), as well as some of the environmental output indicators generated by the CEPR (2013) model and other CGE models (if relevant), such as CO_2 emissions. The extent to which the results from the additional overall environmental analysis can be used for the sectoral impact assessments is explained in section 3.3.5.

Similar to the social impact assessment at sector level, the environmental impacts from trade barrier reduction are indirect (unless a trade barrier is an environmental measure) and could potentially also have an opposite effect to the economic impact at sector level. In the environmental impact assessment, the sectoral outcomes from the E3ME modelling will be evaluated critically against the trade barrier assessment from steps 1-3 and additional environmental pressures from addressing trade barriers identified in step 2 or from stakeholder input will be taken into account in the environmental impact assessment. The environmental impact assessment will also identify where relevant pressures or impact on environmental indicators that can only be assessed qualitatively such as soil degradation, biodiversity, animal welfare and – if not possible quantitatively – waste generation and water quality pressures.

A summary of indicators resulting from the overall impact assessments (economic, social and environmental) that can be studied is listed in the table below. We have explicitly included the input from civil society or stakeholders since there might be additional indicators that are relevant to include and can be brought up during consultations.

Table 4.7 Possible impact assessment indicators at sector level

Economic	Social	Environmental
Value added and output changes	Employment changes, high-skilled/low-skilled	Energy consumption changes (E3ME).
Bilateral and overall trade changes	Consumer health and safety.	CO2 emissions (E3ME).
Consumer/Producer price changes – if available	Decent Work, Labour Standards, Labour Rights.	Type of fuel use changes.
Impacts on SMEs.	Human Rights.	Waste generation, water demand, water quality, soil.
		Other relevant environmental pressures if relevant, including animal welfare, biodiversity.
Relevant input from civil society on any of the above topics		

Competitiveness impacts

The final part of the impact assessment synthesizes the expected economic, environmental and social impacts from the sustainability impact assessment above with the competiveness baseline established in step 1 and, if relevant, the GVC analysis conducted in step 3. Even though the most likely factors that might drive a change in the competitive position of the EU sector from the TTIP are the removal of trade barriers, certain social or environmental provisions included might also change the competitive position of the EU industry. The outcomes of the impact assessment will be screened for their impact on the competitive impact of the sector (or in more detail of the GVC if step 3 is provided).

Though indirectly the effect of the removal of certain trade barriers in the TTIP is already included in the CGE assessment of e.g. CEPR on sectoral level[39], the in-depth analysis conducted in this Trade SIA might give more detailed information on a sectoral level which warrants a further competitiveness analysis. In order to do so, we developed a framework to study in more detail the effect of addressing non-tariff barriers on the competitive position of a sector.

After the assessment of the relevant trade barriers (step 2), the products provided in the sector can be classified based on a competitiveness framework developed in the Ecorys study (2010) '*Non-tariff measures in EU-US Trade investment: An economic analysis'*. The overview and knowledge of the EU GVC provides additional insight since the different activities performed in the value chain could be classified using the framework as well. The framework provides a simplified structure for analysis based on the categorisation of sectors according to 'relevant trade characteristics' and 'product(ion) characteristics', as follows:

1. Trade characteristics:
   a. Goods and services traded at distance: location of 'production' is unimportant. Development, production, and distribution of products in close proximity to the market is not necessary (significant) commercial presence within the market is not a pre-requisite for trade[40];
   b. Goods and services traded at (geographical) proximity: location of 'production' is important. Development, production, and distribution can require being close to the market (e.g. transport costs, speed of delivery, and interaction with the client can be important). By implication, commercial presence within the market is required for trade to take place.

2. Product(ion) characteristics:
   a. Standardised/scalable goods and services: products are standardised (i.e. demand / product characteristics are the same across markets) and/or production processes are characterised by high level of fixed/sunk costs (e.g. large capital or R&D investment). Competition is focussed mainly on price (i.e. low costs / production efficiency are key drivers of competitiveness);
   b. Customised/non scalable goods and services: products are non-standard or customised (i.e. demand / product characteristics are segmented) and/or production processes are characterised by high intensity of specific assets (e.g. knowledge, skills, technology). Competition is focussed mainly on product 'quality' (i.e. innovation / product effectiveness are key drivers of competitiveness).

From the above, a simple typology of sectors from a trade / investment and competition / competitiveness perspective can be derived. This typology is presented in Table 4.8 below.

[39] Changes in output and trade performance also reflect changes in competitive positions.

[40] Note: even for products and services traded at distance, commercial presence may be important; for example provision of accompanying services (after sales, customer support, maintenance, etc.) supplied alongside goods.

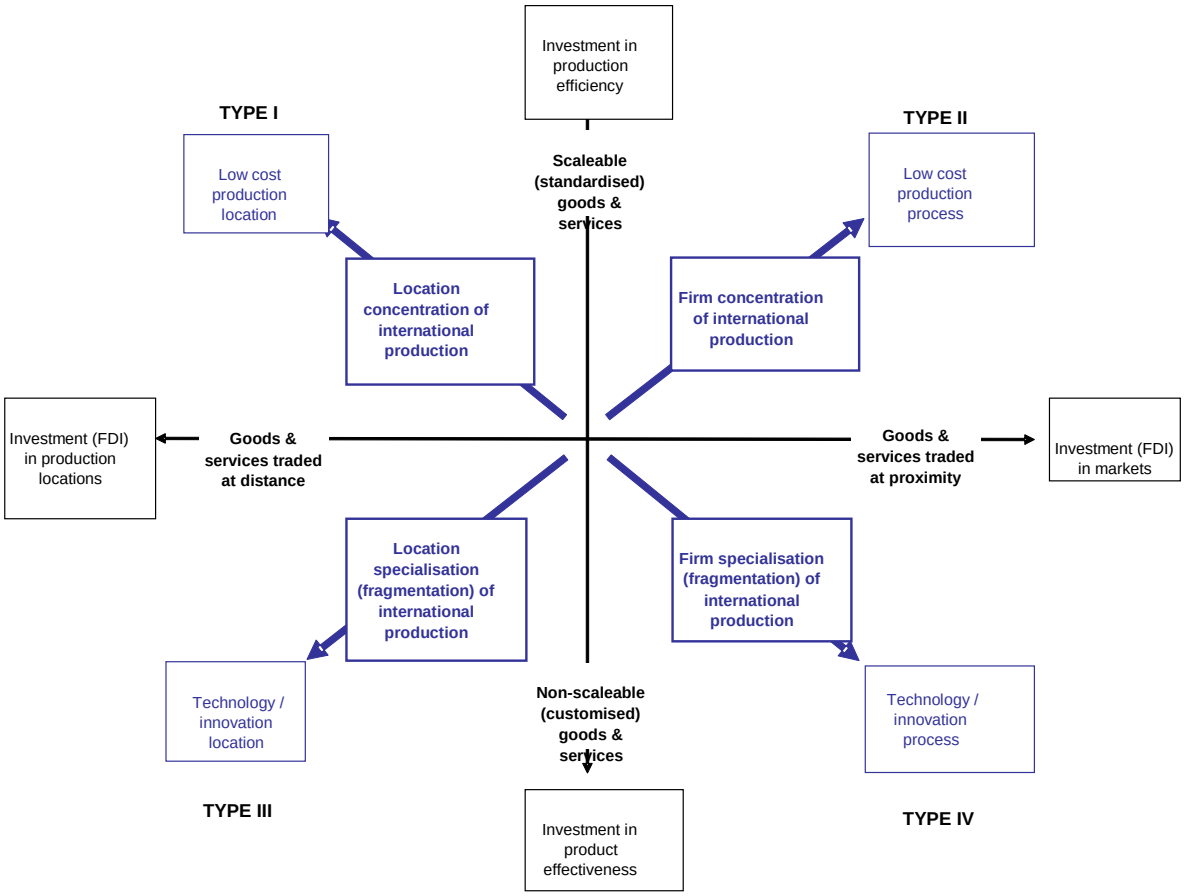
Table 4.8 Competitiveness typologies based on trade and product(ion) perspectives

		Trade characteristics	
		Trade at distance	**Trade at proximity**
Product(ion) characteristics	**Standardised / scalable**	**Type I** Costs of production are key competitiveness driver: ⇨ **production efficiency**	**Type II** Cost of production and cost of delivery/supply (within market) are key competitiveness drivers: ⇨ **production efficiency** ⇨ **supply efficiency**
	Customised / non-scalable	**Type III** Product attributes (innovation, technology etc.) are key competitiveness drivers: ⇨ **product effectiveness**	**Type IV** Product attributes and quality of delivery/supply (within market) are key competitiveness drivers: ⇨ **product effectiveness** ⇨ **supply effectiveness**

This competitiveness categorisation will help us determine the impact on the change in competitiveness of the sector due to TTIP. For each of the 'types', we can establish basic working hypotheses of the (*a priori*) outcomes of reduction in 'type-relevant' trade barriers in terms of shifts in the location of production and between producers/firms, as follows:

1. **Type I:** removal of trade barriers favours the relative competitive position of lower cost production locations (i.e. increased geographical concentration of international production) resulting in increased cross-border movements of products. Increased investment in low cost production locations aimed at exploiting location-specific production efficiency;
2. **Type II:** removal of trade barriers favours the relative competitive position of producers/firms with lower cost production process (i.e. increased firm concentration of production within international markets) and promotes the expansion of (foreign) commercial presence. Increased investment in international markets aimed at exploiting producer/firm-specific production efficiency;
3. **Type III:** removal of trade barriers favours locations with higher 'quality' production attributes (e.g. innovation, technology, design capacity). Tendency towards production location specialisation and fragmentation of international production resulting in increased cross-border movements of products. Increased investment in high 'quality' production locations aimed at exploiting location-specific production effectiveness;
4. **Type IV:** removal of trade barriers favours producers/firms with higher 'quality' production processes (e.g. innovation, technology, design capacity). Tendency towards firm specialisation and fragmentation of international production and expansion of (foreign) commercial presence. Increased investment in international markets aimed at exploiting production/firm-specific production effectiveness.

Figure 4.3 Possible trajectories following removal (or reduction) of trade barriers



For each of the four types outlined above, we can then establish basic working hypotheses on the relevance of different forms of trade barriers as illustrated in Table 4.9 below.

Table 4.9 Basic working hypotheses of different forms of trade barriers per type

	Type I	Type II	Type III	Type IV
	Distance	Proximity	Distance	Proximity
	Scalable	Scalable	Non-scalable	Non-scalable
Trade Measures				
Measures (general) raising relative cost of supply to market (i.e. pre-border and border measures) of 'foreign' producers.	High	Low	Medium	Low
Measures (general) raising relative cost of supply within markets (i.e. post-border measures) of 'foreign' suppliers.	Medium	High	Low	Medium
Cost reducing measures supporting 'domestic' producers	High	High	Low	Low
Technology / innovation measures supporting 'domestic' producers	Variable (R&D expenditures in total costs)		High	High
Product-specific standards (e.g. divergence of standards)	Medium	Low	High	Medium
Market-specific standards (e.g. consumer protection)	Low	Medium	Medium	High

	Type I	Type II	Type III	Type IV
…				
Investment Measures				
Restrictions on foreign ownership	Low	High	Low	High
Protection of IPR - products (patents etc.)	Low	Low	High	High
Protection of IPR - knowledge (copyright etc.)	Low	Low	Medium	High

Using the input from stakeholders, additional interviews with external sector experts and sector experts as part of the study team, we will apply causal chain analysis and the frameworks outlined above to arrive at the impacts on competitiveness of expected changes in trade and trade-related provisions.

4.3.5 ESSA Step V: Synthesis and policy recommendations

In conclusion, there are multiple aspects of the TTIP – with various economic, social, environmental objectives – that could impact on competitiveness of EU sectors. This impact could take the form of enhancing / diminishing relative competitive situation of EU vis-à-vis US (or vice versa). But it may well play out between respectively the EU and the US vis-à-vis third countries.

The ESSA analysis performed in steps 1-4 above provides a solid basis for a broad and comprehensive understanding of the most important issues that could be impacted by TTIP. Since the economic impacts (e.g. on firms or in terms of consumer prices) do not always have to be in line with the social or environmental effects (which could be negative, while economic effects are positive), it is important to provide a synthesis and concluding section on the possible trade-offs involved in removing trade or trade-related barriers in sectors through the TTIP. In this way, policy makers are able to make evidence based decisions, based on identified impacts across all sustainability dimensions.

It is important to note that the sustainable competitiveness dimension could also be used as a very rough classification of standards potentially included in the TTIP. Policy objectives can also be classified in economic, social and environmental dimensions. From the sector-specific analysis in general and competitiveness analysis in particular, we will draw policy recommendations for the negotiations and if warranted for flanking measures.

5 Consultation plan and stakeholders

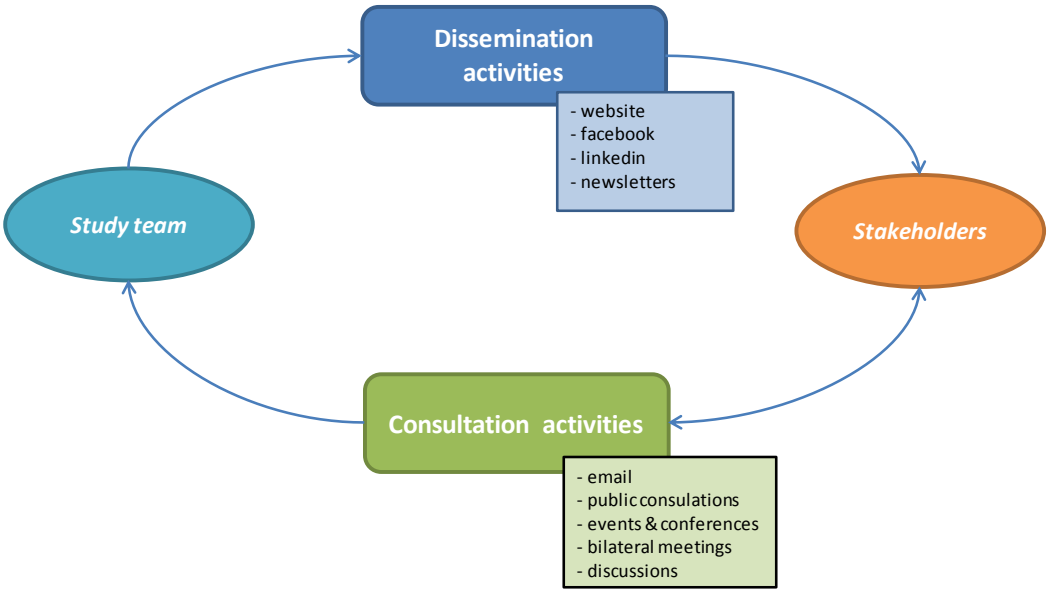
In this chapter we present our stakeholder consultation plan and targeted stakeholders, as key elements of this study. We start by introducing the c*onsultation plan* for this study. We then turn to presenting the (non-exhaustive) list of *relevant stakeholders* identified so far. The list is work in progress and will be continuously expanded, updated and/or adjusted as needed.

We then turn to the *activities conducted so far* before looking forward at the planning of further *activities and tools in development*. One such action will be to directly involve *small and medium sized enterprises (SMEs)* in the study.

5.1 Consultation plan

The consultation plan is based on two main types of activities: Dissemination and consultation. This division ensures that relevant information and important study findings and results will be available to the stakeholders and that their views and issues are taken into account.

The following diagram illustrates the interaction between the different activities, the specific tools through which we intend to implement the activities (in the boxes) and the actors. Underneath the diagram the aims of the two main activities are described in greater detail, while in the following sections (5.3 and 5.4) the different tools are further explained.



Dissemination activities

In order to communicate the main study issues, news and deliverables we have created the necessary environment to effectively disseminate information.

Dissemination activities aim to raise awareness and inform stakeholders of the latest developments in the study and how to get involved. Such activities are key in order to not only inform stakeholders of the existence of the study itself, but also to keep them updated about the latest developments

and important outcomes and results. Due to the nature of dissemination activities we consider dissemination an *outward* activity.

Consultation activities

The consultations should also include more interactive engagement with the stakeholders and the wider community. For this reasons several tools have been / will be developed and set-up with the aim to **promote dialogue on the TTIP** among its key stakeholders.

This will be achieved by creating platforms where stakeholder opinions and issues are clearly taken into account and which facilitate the exchange of ideas between the study team and stakeholders as well as among stakeholders.

We consider these activities as *inward* activities since the opinion and views of the stakeholders are brought in to enrich the study by informing our analyses and the various selection moments in the study.

5.2 Relevant stakeholders

We have identified a total of 355 stakeholders that could be of interest for this study. Out of those we have selected a total of **278 stakeholders to be contacted**[41]. The full list can be found in Annex A.

It should be noted at this point that this is a working list with the aim of being as inclusive as possible. Therefore if stakeholders are identified or contact us with a serious interest in the study they will of course be included.

The team therefore welcomes suggestions for other stakeholders to include and will actively continue to expand the list in order to ensure that all sides (business, environmental, social and other) are represented sufficiently and in a balanced manner.

In the table below we illustrate the distribution of the different stakeholders that have already been contacted, or that have contacted us:

	Number of stakeholders		
	EU	**US**	**Transatlantic**
Business/industry	183	2	3
Environmental	24	0	1
Social	30	1	2
Other	22	4	6
Total (focused)	**259**	**7**	**12**

On top of the active engagement with these stakeholders, we have started to engage in a bilateral contact with several stakeholders from each of the four categories. For more information please see 5.3.

[41] The remaining were often national members of other umbrella organisations already included.

5.3 Consultation activities conducted to date

We have so far created the necessary facilities in order to perform dissemination activities as well as the first tools to engage in consultations[42].

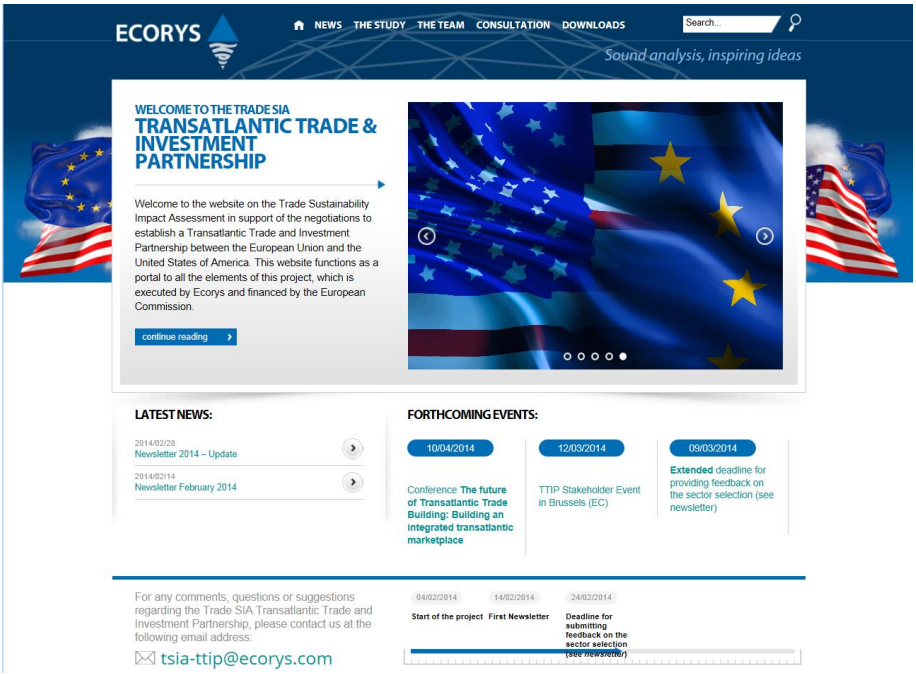
Dissemination activities

The following dissemination tools have already been developed and are operational:

1. Website

We have designed and created a specific website for this study that can be found on: http://www.trade-sia.com/ttip/

The website has been designed as an overall introduction to the study, as well as the TTIP more generally. It also functions as a central reference point, from where any relevant outputs of the study can be downloaded and where (in a later stage) discussion can be facilitated by the team. Below is a screen shot of the website that is already online.

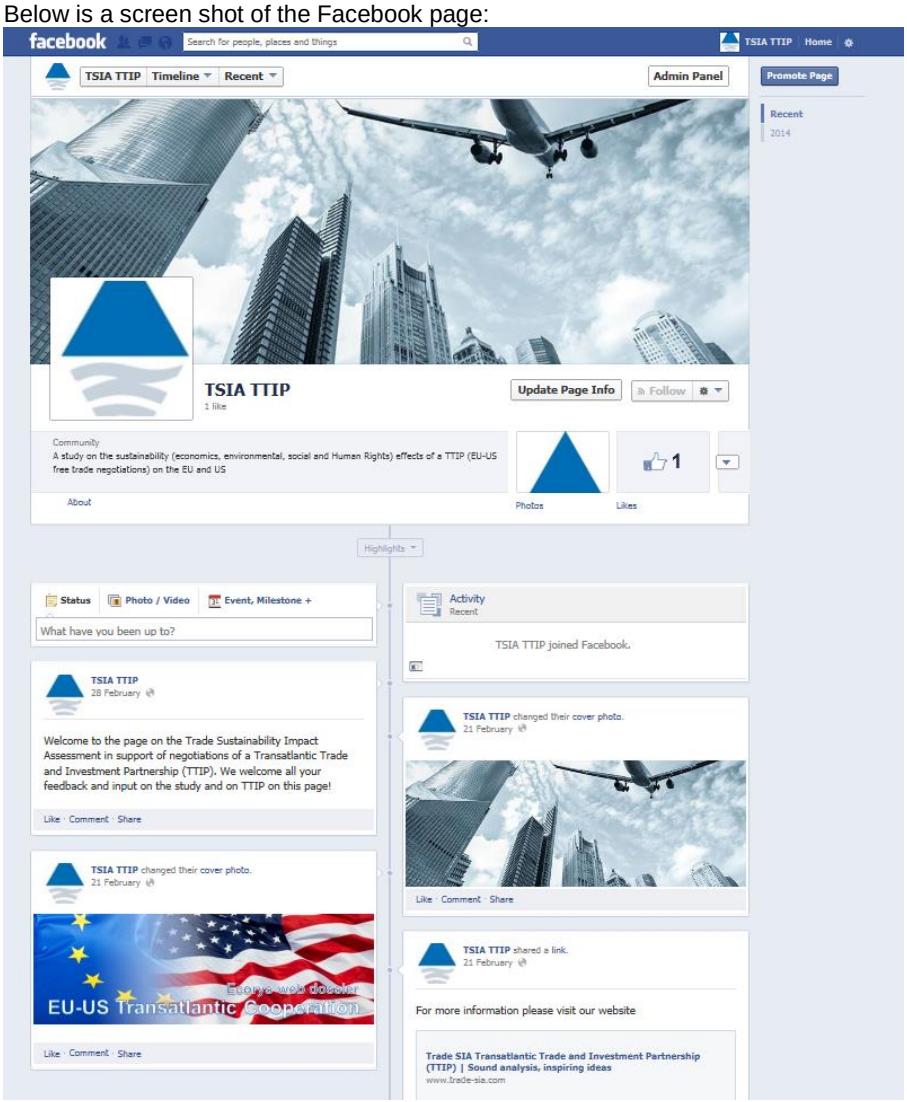


2. Facebook

We have created a dedicated page on Facebook that functions as an extension of the website, highlighting the main news and updates on the study and linking its members to additional sources of information regarding the TTIP. Moreover, members of the page can leave comments and engage in discussions. We will encourage stakeholders to use and follow the website by inviting them to "like" it. The page can be found at: https://www.facebook.com/pages/TSIA-TTIP/1393067380960562?ref=hl.

[42] For more information on the two different activities please see chapter 5.3.

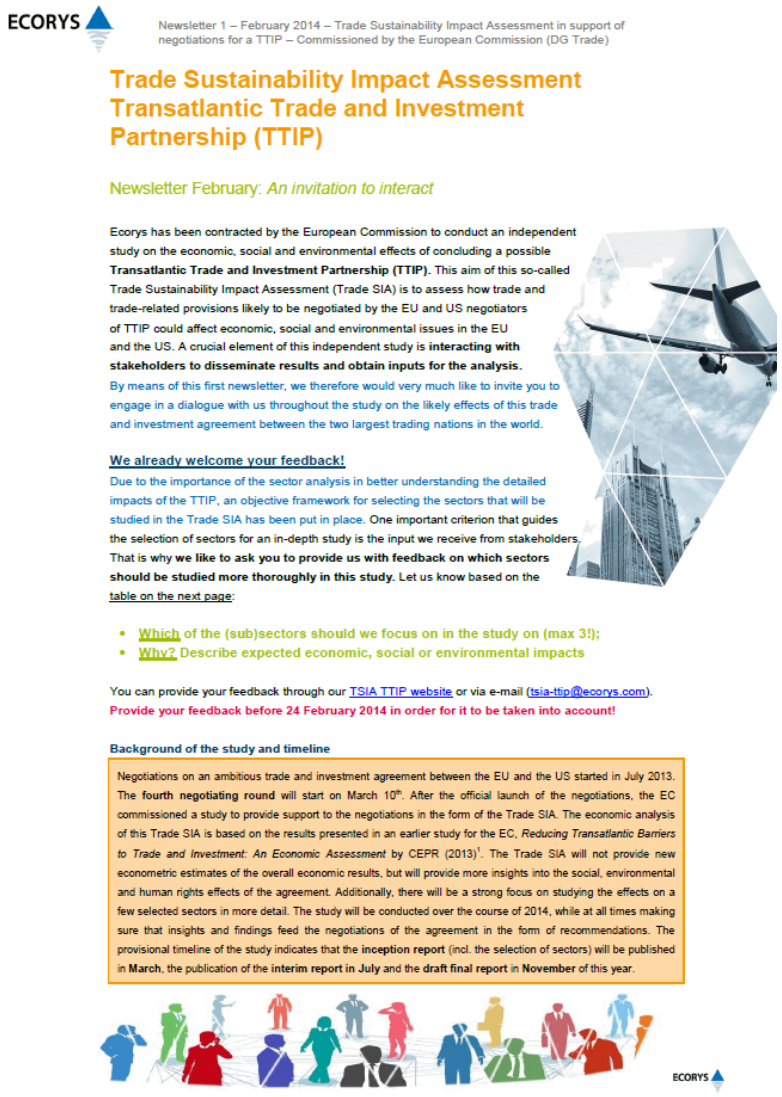
Below is a screen shot of the Facebook page:



3. Newsletter

The newsletter has already been a crucial instrument in alerting all the stakeholders to the study, introducing its aims and inviting stakeholders to submit contributions. We envisage the regular publication of the newsletter and will send it to our stakeholder on the mailing list.

The newsletter is another extension of the website with a specific function to update and raise awareness. Below is the first page of the first newsletter from February 2014 (a full copy can be found at the download section of the website):



ECORYS

Newsletter 1 – February 2014 – Trade Sustainability Impact Assessment in support of negotiations for a TTIP – Commissioned by the European Commission (DG Trade)

Trade Sustainability Impact Assessment Transatlantic Trade and Investment Partnership (TTIP)

Newsletter February: *An invitation to interact*

Ecorys has been contracted by the European Commission to conduct an independent study on the economic, social and environmental effects of concluding a possible **Transatlantic Trade and Investment Partnership (TTIP).** This aim of this so-called Trade Sustainability Impact Assessment (Trade SIA) is to assess how trade and trade-related provisions likely to be negotiated by the EU and US negotiators of TTIP could affect economic, social and environmental issues in the EU and the US. A crucial element of this independent study is **interacting with stakeholders to disseminate results and obtain inputs for the analysis.** By means of this first newsletter, we therefore would very much like to invite you to engage in a dialogue with us throughout the study on the likely effects of this trade and investment agreement between the two largest trading nations in the world.

We already welcome your feedback!

Due to the importance of the sector analysis in better understanding the detailed impacts of the TTIP, an objective framework for selecting the sectors that will be studied in the Trade SIA has been put in place. One important criterion that guides the selection of sectors for an in-depth study is the input we receive from stakeholders. That is why **we like to ask you to provide us with feedback on which sectors should be studied more thoroughly in this study.** Let us know based on the table on the next page:

- **Which of the (sub)sectors should we focus on in the study on (max 3!);**
- **Why? Describe expected economic, social or environmental impacts**

You can provide your feedback through our TSIA TTIP website or via e-mail (tsia-ttip@ecorys.com).
Provide your feedback before 24 February 2014 in order for it to be taken into account!

Background of the study and timeline

Negotiations on an ambitious trade and investment agreement between the EU and the US started in July 2013. The **fourth negotiating round** will start on March 10th. After the official launch of the negotiations, the EC commissioned a study to provide support to the negotiations in the form of the Trade SIA. The economic analysis of this Trade SIA is based on the results presented in an earlier study for the EC, *Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment* by CEPR (2013)[1]. The Trade SIA will not provide new econometric estimates of the overall economic results, but will provide more insights into the social, environmental and human rights effects of the agreement. Additionally, there will be a strong focus on studying the effects on a few selected sectors in more detail. The study will be conducted over the course of 2014, while at all times making sure that insights and findings feed the negotiations of the agreement in the form of recommendations. The provisional timeline of the study indicates that the **inception report** (incl. the selection of sectors) will be published in **March**, the publication of the **interim report in July** and the **draft final report** in **November** of this year.

ECORYS

Consultation activities

So far we have operationalized the following tools (with others being prepared):

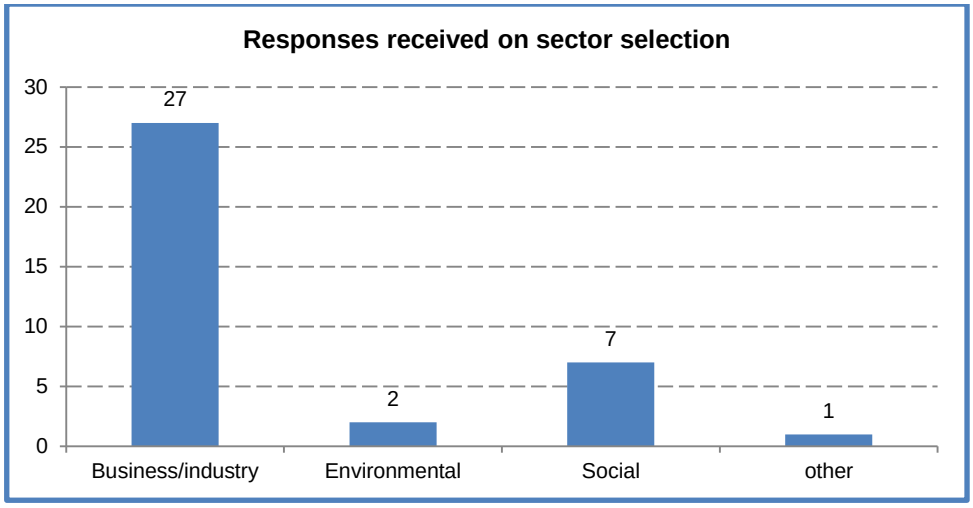
1. Dedicated email

We have created a specific email address that is monitored by the study team and that functions as a central contact point for all stakeholders for this study. The address is: tsia-ttip@ecorys.com.

The email is the easiest form of communication for our stakeholders and allows for comments, questions as well highlighting relevant sources. The consultation team responds to every email and keeps a log of all the issues and questions coming in. The latest log can be found in Annex B “Input from civil society”.

As of the 15th February we have received a total of 37 responses, all of which have been replied to.

From the graph below it becomes clear that business/industry stakeholders have been the most active in commenting on the first newsletter, together with social stakeholders.



5.4 Activities and tools in development

While several tools have already been developed and are operational, we will continue to both develop these existing tools further and to develop new tools to further facilitate and complement the process.

Dissemination activities

The specific tools used in the performance of these activities have already been explained in the previous section (5.2). In addition to these tools, we will set up a LinkedIn account dedicated to the study.

LinkedIn

Much like the Facebook tool, we envisage to set up a LinkedIn TTIP page, to reach and allow those without Facebook, or with a preference for LinkedIn to participate as well. The LinkedIn account will also function as an extension of the website, providing latest news, updates and relevant links. It will be one of the platforms that will facilitate stakeholder *discussions* and debate.

Consultation activities

Besides the dedicated email address we intend to use the following additional tools for consultation:

1. Public consultations

Two meetings will be organised by the European Commission, where we will present and discuss first the inception report and then the draft final report.

In addition we intend to attend stakeholder meetings organised by the European Commission DG Trade, such as the one held in Brussels on the 12th March in an observer role, recording the positions of different stakeholders. Attending such meetings will allow the team to meet directly with the stakeholders that most actively communicate with also the European Commission on the TTIP. This way we can ensure that they are also kept informed about the latest developments of our study, as well as directly hear their opinions, issues and interact with them (e.g. invite them for face-to-face interviews).

2. Events and Conferences

During the inception phase we have already attended several (non-DG Trade organised) events and conferences. Such meetings present an opportunity to not only introduce our

general study to a new audience, but in a similar way to reach out to new / different stakeholders.

We intend to attend more such strategic events and conferences in order to expand and deepen our stakeholder coverage, possibly hear new / different views and perspectives and engage in direct interaction with such stakeholders.

3. Bilateral meetings

It is of particular importance to get a balanced and in-depth perspective on the different (possibly opposing) views and opinions on the TTIP. Therefore bilateral face-to-face meetings and discussions will be organised with a balanced and representative number of stakeholders (to be defined in the course of the study, depending on the analysis). We have already begun a series of direct meetings with several stakeholders as a way to gather their initial inputs. From the first interviews we have been able to already gather a significant amount of detailed information, and have managed to increase stakeholder interest to participate in the study process, and the TTIP negotiations in general.

We intend to continue with such meetings throughout the study as additional information gathering.

4. Discussions

We intend to create several platforms (e.g. on the website, our Facebook page and LinkedIn), where discussion between the stakeholders amongst themselves as well as the study team can take place.

To start a discussion the study team might place a specific question or an issue on e.g. the website and invite stakeholders (possibly through other channels, such as email or the newsletter) to comment on the question or issue and engage in the further discussion.[43] There would be a codex and oversight of acceptable comments to ensure that the discussion stays on track of the question/issue.

Such discussions are an effective way for the team to gather a wide spectrum of answers on specific issues and respond to them in a public manner for many stakeholders to benefit from. It is also chance for the stakeholders to interact with each other on the subject further encouraging stakeholder interaction.

5.5 Small and medium sized enterprises (SMEs)

Involving SMEs in the study and assessing the TTIP impact on these businesses is important as SMEs represent a major part of the economy in both the EU and the US. Therefore, we will make sure that SMEs are sufficiently represented in our general stakeholder consultation process, including the public meetings in Brussels and online discussions on our social media.

However, the most important tool for obtaining knowledge about SMEs and the expected TTIP impact on them is the SME survey, which has been tested and improved during previous and

[43] The technical arrangements how to do so are currently being explored. A technically easy solution is to allow the stakeholder to submit their comments through their Facebook or LinkedIn account that would be then collected by the website and shown there.

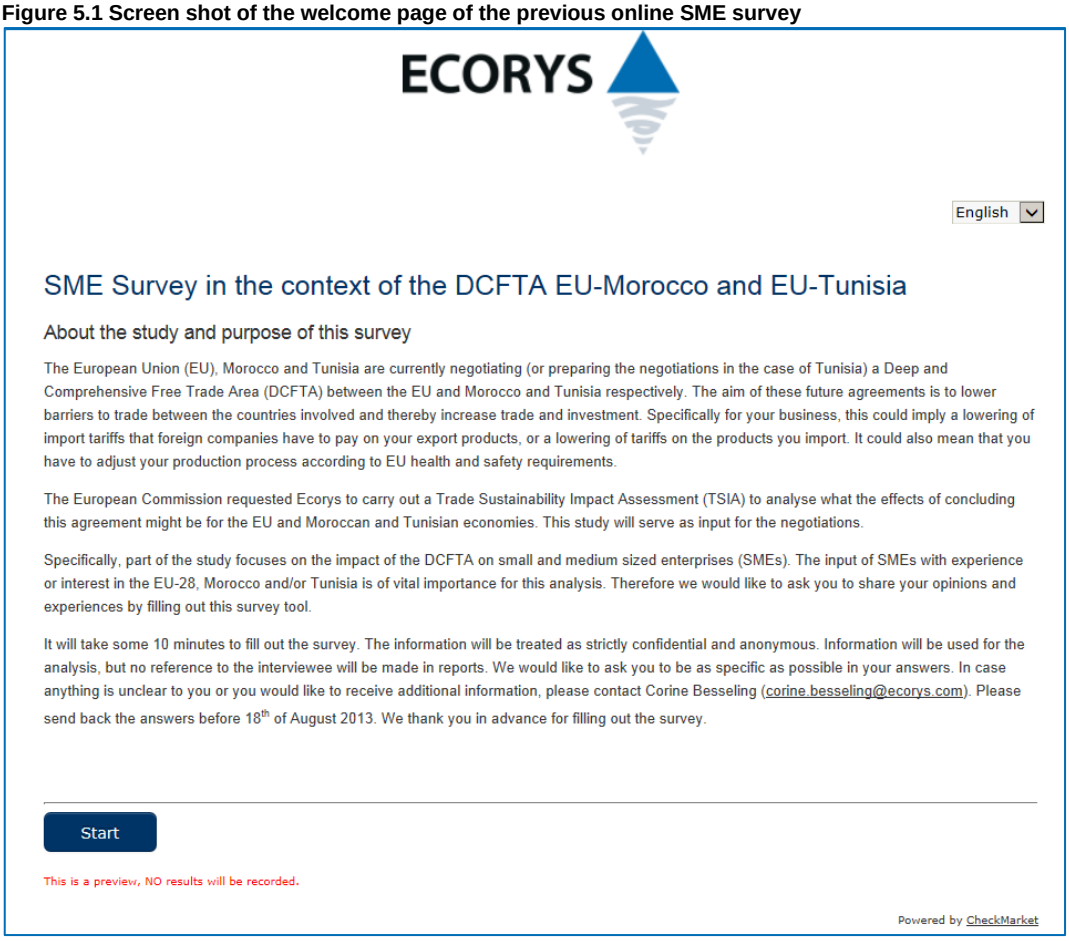
ongoing Trade SIAs[44]. Figure 5.1 below shows a screenshot of a previous SME survey in the context of the EU-Morocco and EU-Tunisia DCFTA respectively.

The questionnaire for the SME survey can be found in Annex D. For dissemination of the survey and collecting the data, we will use the online survey tool of CheckMarket.[45] Ecorys has successfully implemented many online surveys in the past with this commonly used tool.

Several measures will be taken to maximise the response rate:

- The opening page will clearly explain the background of the study and the purpose of the SME survey. It will emphasize the relevance of the project and of filling in the questionnaire, and thereby encourage SMEs to fill out the online survey. The opening page will also emphasize the anonymous and confidential character of the questionnaire;
- The number of questions will be limited, in order to minimize the risk of partially filled questionnaires;
- Predominantly, the questions will have a 'closed' character (multiple choice questions). This increases comparability of the results and makes it easier and faster to fill in for the respondents;
- We will ensure utmost confidentiality;
- The responses on the survey will be monitored closely so that additional mailings to non-respondents can be made timely. Sufficient time will be planned for the participants to respond to the first request and the reminder.

Figure 5.1 Screen shot of the welcome page of the previous online SME survey



[44] Trade SIA EU-Morocco/Tunisia, Trade SIA EU-Egypt/Jordan.

[45] https://www.checkmarket.com/.

The survey link will be disseminated by DG ENTR through an SME Panel, that runs through the partner network of Enterprise Europe Network (EEN). EEN has partners in the EU as well as in the US. In total this network consists of about 600 private sector support organisations. These organisations are asked to forward the survey link to the SMEs in their region. Furthermore, Ecorys will clearly communicate the survey link in the Newsletters, on the dedicated website and on social media.

Immediately after approval of the questionnaire, we will design the online tool and launch the online survey, so that it will be open throughout the largest part of the study and a maximum of responses can be received. In the interim technical report, we will give an update on the responses received until then. In the final report, the survey responses will be fully integrated in the sector analyses.

It should be noted that the official EU size class definition of SMEs differs from the US definition[46]. In the US, SMEs include companies with up to 300 employees, while in the EU the cut-off is at 250 employees. For the analysis, we will take the EU definition. By including a question about number of employees, we will be able to categorise the responding companies correctly.

[46] http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/annual-report-smes-2013_en.pdf.

6 Planning and deliverables

6.1 Planning

In Table 6.1 below, we provide a preliminary outline of the planning of the remainder of the study (and most important upcoming dates).

Table 6.1 Planning of the study

Activity	Leaders	Deadline
Kick-off meeting	EC and Ecorys	4 February 2014
Minutes kick-off meeting for steering committee	Ecorys	11 February 2014
Draft inception report	**Ecorys**	**17 March 2014**
Online publication of draft inception report after approval by EC	**Ecorys**	**26 March 2014**
Steering committee meeting	EC & Ecorys	1 April 2014
Civil society dialogue (debriefing 4th round and SIA)	EC & Ecorys	1 April 2014
Revised draft inception report (final inception report)	Ecorys	15 April 2014
Approval inception report	EC	28 April 2014
Draft Interim Technical Report	**Ecorys**	**July 2014**
Online publication of draft interim technical report after approval by EC	**Ecorys**	**July 2014**
Revised draft interim technical report	Ecorys	August 2014
Approval interim technical report	EC	September 2014
Draft Final Report	**Ecorys**	**November 2014**
Online publication of draft final report	**Ecorys**	**November 2014**
Civil society dialogue	EC & Ecorys	November 2014
Revised draft final report	Ecorys	December 2014
Approval revised draft final report	EC	December 2014
Delivery of final report (paper version)	**Ecorys**	**December 2014**

6.2 Expected content for the future deliverables

The Trade SIA on TTIP foresees the publication of two additional reports until the end of the project: an interim technical report (including preliminary findings) and a final report. The suggested content of the two reports are given below.

6.2.1 Interim technical report

- **A short executive summary including the main findings**
- Preliminary results on the **visa waiver gravity estimations**
- A short case study on the effects expected on Turkey, depending on the availability of the CGE results in the interim phase
- **Additional quantitative analysis of social** CGE results and additional welfare analysis. Also reporting of results on complementary qualitative analysis on the three cases studies proposed;

- Assessment of the **impact of TTIP on human rights** starting with the CEPR results and assessing those human rights most likely to be affected by the agreement;
- Analysis of the **environmental effects of TTIP** through a combination of quantitative analysis on air pollution with the E3MG model and a more qualitative analysis for other environmental indicators, including a specific focus on environmental goods and services;
- **Progress and preliminary results on the sectoral in-depth analysis,** providing the first draft for Steps 1, 2 and 3 (if applicable) of the ESSA;
- **A comprehensive overview of the inputs** received from external stakeholders to feed the social, environmental, and Sectoral TSIA of the study.
- **Preliminary results on the SME survey**
- A **roadmap** that establishes a work-plan towards the final report.

The report will be maximum 200 pages long, excluding annexes.

6.2.2 Final report

- An executive summary detailing the main findings of the study
- A description of the Trade SIA methodology used, including the methodology for Phase 3
- The **full results on the sectoral impact assessments** as described in chapter 4
- The final results obtained from the SME survey
- A **set of policy recommendations**; and **flanking policy measures** (negotiation-related as well as broader policies) that may mitigate negative impacts identified in the analysis and enhance positive and sustainability impacts. These flanking measures may relate to internal policy, capacity building or international regulation;
- A **final overview of potential impacts on an overall level for the social, environmental and human rights analyses,** based on both the additional quantitative and qualitative exercises.
- An extensive overview of the implementation of the stakeholder consultation plan:
  - Outline of contacts in the EU and the US
  - Overview of attended conferences, meetings and presentations
  - Overview of interviews and ad-hoc meetings with selected stakeholders
  - Overview of the feedback received and use of digital consultation channels
- Conclusions
- A briefing note of maximum 2 pages including the methodology, main findings and conclusions

The final report will have a maximum of 200 pages, excluding annexes.

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Annex A: List of identified stakeholders

EU Stakeholders

Category of stakeholders	Organisation
Business/industry	• EUROPEAN ELECTRONIC COMPONENT MANUFACTURERS ASSOCIATION; • EUROPEAN APPAREL AND TEXTILE CONFEDERATION; • spiritsEUROPE; • Bureau Européen de l'Agriculture Française; • European Association of Internet Services Providers; • Committee for European Construction Equipment; • Confederation of European Community Cigarette Manufacturers; • Association des Constructeurs Européens d'Automobiles; • Association of Professional Wireless Production Technologies; • EUROCHAMBRES – Association of European Chambers of Commerce and Industry; • ASSUC- European Association of Sugar Traders; • EUROCINEMA (Association de producteurs de cinéma et de télévision); • CEMA - European Agricultural Machinery; • COMITE EUROPEEN des FABRICANTS de SUCRE; • European Patent Office; • Insurance Europe; • European Broadcasting Union - Union Européenne de Radio-Télévision AISBL; • BUSINESSEUROPE; • Industrial Ethanol Association; • European Dairy Association aisbl; • Zentralverband Elektrotechnik- und Elektronikindustrie e.V.; • Federation of European Rice Millers; • Representing the European Petroleum Industry; • DIGITALEUROPE; • European Cocoa Association; • The International Federation of Inspection Agencies; • Freshfel Europe - the forum for the European fresh fruits and vegetables chain; • CIRFS: European Man-made Fibres Association; • European Telecommunications Network Operators' Association; • European Committee for Standardization; • Comité Européen des Entreprises Vins; • CECED (European Committee of Domestic Equipment Manufacturers); • International Trademark Association; • European Organisation for Security; • European Producers Union of Renewable Ethanol; • FoodDrinkEurope; • International Federation of Reproduction Rights; • TUSIAD; • European Biodiesel Board; • Association des Constructeurs Européens d'Automobiles. • European Banking Federation;

Category of stakeholders	Organisation
	• European Services Strategy Unit (funded); • EUROPEAN SERVICES FORUM; • Association de l'Aviculture; • EUROPEAN ASSOCIATION OF DAIRY TRADE; • FoodServiceEurope; • European Federation of Origin Wines; • ASSOCIATION EUROPÉENNE DU COMMERCE DE FRUITS ET LÉGUMES DE L'UE; • Agriculture and Horticulture Development Board; • Union Européenne du Commerce du Bétail et des Métiers de la Viande; • European Generic medicines Association; • Comité Européen des Entreprises Vins; • UNIFE; • EuroCommerce; • European Chemical Industry Council; • Central Europe Energy Partners; • Eucomed; • CELCAA; • European Crop Protection Association; • Verband der Chemischen Industrie e.V.; • PROFEL - European Association of Fruit and Vegetable Processors; • Confédération Européenne des Associations de Petites et Moyennes Entreprises; • European Federation of Pharmaceutical Industries and Associations; • Fertilizers Europe; • European Round Table of Industrialists; • Federation of the European Sporting Goods Industry; • European Branded Clothing Alliance; • European Federation of Origin Wines; • AeroSpace and Defence Industries Association of Europe; • UEAPME aisbl European Association of Craft, Small and Medium-Sized Enterprises; • Female Europeans of Medium and Small Enterprises – FEM; • EPSU European Federation of Public Service Unions; • Airports Council International Europe; • Confederation of European Paper Industries; • European Aggregates Association; • European Apparel and Textile Organisation EURATEX; • International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk; • European Association of Mining Industries; • Acetyls Sector group; • Active Pharmaceutical Ingredients Committee; • European Association for the Protection of Encrypted Works and Services; • European Confederation of Iron and Steel Industries; • European Construction Industry Federation; • European Coordination of Independent Producers; • European Federation of Cleaning Industries; • European Industrial Minerals Association; • EUnited Robotics;

Category of stakeholders	Organisation
	• ORGALIME; • European Small Business Alliance; • Bio-based Industries Consortium; • European Association of the Machine Tool Industries; • Council of European Employers of the Metal, Engineering and Technology-Based Industries; • The European region of the International Co-operative Alliance; • Young Entrepreneurs for Europe; • European Confederation of Junior Enterprises; • European Family Businesses; • European Association for Bioindustries; • European Federation of Biotechnology Section of Applied Biocatalysis; • Lighting Europe; • European Committee for Electrotechnical Standardization; • European Aluminium Association; • European Power Tool Association; • European Diisocyanate and Polyol Producers Association; • European Federation of Foundation Contractors; • European Automobile Manufacturers' Association; • UNIFE -The European Rail Industry; • European Furniture Manufacturers Federation; • ECCIA; • CECRA; • Fédération Internationale du Recyclage; • Plastics Recylers Europe; • Independent Retail Europe; • European Retail Round Table; • Direct Selling Europe AISBL; • Ecommerce Europe; • European DIY Retail Association; • European Franchise Federation; • European Association of Chemical Distributors; • TIA; • European Competitive Telecommunications Association; • European Textile Collectivities Association; • European Association of Fashion retailers; • European Control Manufacturers Association; • European Brands Association; • Association of European manufacturers of sporting ammunition; • European Federation of the Footwear industry; • European Federation of woodworking industries; • Cerame – Unie; • Confederation of European Paper Industry; • European Association of Automotive suppliers; • Digital Europe - ICT and consumer electronics industry association; • Association of European Heating Industry; • European Industrial Gases Association; • Eurometal; • European Telecommunications Standards Institute;

Category of stakeholders	Organisation
	• Eurometaux; • European Satellite Operator's Association; • Eurospace - Trade association of the European space industry; • European Aerosol Association; • GIRP - European Association of Pharmaceutical Full-time wholesalers; • IMA Europe - Industrial Minerals Association; • MARCOGAZ; • Primary Food Processors; • Association of European Airlines; • European Travel Agents' and Tour Operators' Associations; • European Travel Commission; • European Federation for Farm and Village Tourism EuroGites; • Confederation of National Hotel and Restaurant Associations in the EC and EEA; • European Federation for Construction Chemicals; • European Committee of Environmental Technology Suppliers Association; • European Federation of National Associations of Water and Waste Water Services; • European Business Services Round Table; • CEN-CENELEC; • CEMBUREAU; • Glass Alliance Europe; • ENPA European Newspaper Publishers' Association; • Family Business Network International; • CEFIC; • Nanofutures; • European Builders Confederation; • European Federation of Engineering Consultancy Associations; • European Property Federation; • European Concrete Paving Association; • Union Européenne des Promoteurs-Constructeurs; • EURISY; • European Association of Mutual Guarantee Societies; • EPRA; • European Generic Medicines Association (EGA); • European Bioplastics e.V.; • IFIEC Europe; • EURATEX; • EUROPIA – European Petroleum Industry Association; • EU-China Link; • Ebay; • European Union of Wholesale with Eggs, Egg Products, Poultry and Game; • FTI Consulting; • ETNO; • Cane Sugar Producers of the French Outermost Region La Réunion.
Environmental	• Bellona Europa; • Eurogroup for Animals; • Friends of the Earth Europe; • International Fund for Animal Welfare; • European Environmental Bureau; • Humane Society International;

Category of stakeholders	Organisation
	• Compassion in World Farming; • WWF European Policy Programme; • World Society for the Protection of Animals; • Transport and Environment (European Federation for Transport and Environment); • European Society for Biomaterials; • European Technology Platform for Sustainable Chemistry; • European Council for an Energy Efficient Economy; • European Alliance of Companies for Energy Efficiency in Buildings; • HELIO International; • International Network for Sustainable Energy; • European Water Association; • European Federation of Clean Air and Environmental Protection Associations; • European Renewable Energy Council; • Fédération Européenne des Activités de la Dépollution et de l'Environnement; • Megtec Environmental; • European Environmental Bureau; • Greenpeace; • CCAP-EU; • European Alliance to Save Energy (EU-ASE).
Social	• European Public Health Alliance; • International Trade Union Confederation; • CEEP - European Centre of Employers and Enterprises providing Public Services; • EUROPEAN TRADE UNION CONFEDERATION; • Oxfam solidarité; • Verbraucherzentrale Bundesverband; • Platform of European Social NGOs; • LO - The Swedish Trade Union Confederation; • Confédération des Syndicats Chrétiens; • Heinrich Böll Stiftung e.V.; • Bundesarbeitskammer Österreich; • British Medical Association; • Koepel van de Vlaamse Noord-Zuidbeweging - 11.11.11; • Stichting Health Action International; • Fondazione Giacomo Brodolini; • APRODEV; • Eurocadres; • UNI Europa; • ETF European Transport Workers' Federation; • European Federation of Food, Agriculture and Tourism Trade Unions; • European Confederation of Executives and Managerial Staff; • Confederation of National Associations of Tanners and Dressers of the European Community; • European Chemical Employers Group; • European Federation of Accountants and Auditors for small and medium-sized enterprises; • European Council of Civil Engineers; • European Association of Electrical Contractors; • European Federation of Trade Unions in Food, Agriculture and Tourism sector; • CECODHAS - Housing Europe - European federation of public, cooperative and

Category of stakeholders	Organisation
	social housing; • European Arts and Entertainment Alliance; • European Confederation of Police; • European Federation of Building and Woodworkers; • European Federation of Journalists; • European Federation for Industry and Manufacturing workers; • European trade union federation for services and communication; • European Trade Union Committee for Education; • Confederation of Christian Trade Unions; • European Trade Union Confederation.
Other	• airwatch (funded); • Quaker Council for European Affairs; • Transatlantic Consumer Dialogue; • European Economic and Social Committee (EESC); • Bureau Européen des Unions de Consommateurs; • European Digital Rights; • European Policy Centre; • Beryllium Science & Technology Association; • European Association for the Co-ordination of Consumer Representation in Standardisation; • Euro Coop - European Community of Consumer Cooperatives; • European Quality Association for Recycling; • European Factories of the future and research association; • Synesis / Kilometro Rosso; • EMIRAcle European Manufacturing and Innovation Research Association; • ERPC European Research Programme Consulting GmbH; • Greenovate! Europe EEIG; • NEL; • Central European Institute of Technology; • FTP - Forest-based Sector Technology Platform; • European Travel & Tourism Action Group; • The European Consumer Organisation; • European Privacy Association ASBL; • EUMAT - European Technology Platform for Advanced Engineering Materials and Technologies (p/a KMM-VIN AISBL); • European Association of Research and Technology Organisations; • European Regions Research and Innovation Network.

US Stakeholders

Category of stakeholders	Organisation
Business/industry	• US Chamber of Commerce; • American Chamber of Commerce.
Environmental	
Social	• AFL CIO.
Other	• American Council of Consumer Interests; • Consumer Federation of America;

Category of stakeholders	Organisation
	• German Marshall Fund of the United States; • Centre for Transatlantic Relations; • Harvard Business School; • National Consumers League; • Public Citizen.

Trans-Atlantic Stakeholders

Category of stakeholders	Organisation
Business/industry	• Transatlantic Policy Network; • Business Coalition for Transatlantic Trade; • American European Business Association.
Environmental	• WWF.
Social	• Oxfam International; • Health Action Partnership International.
Other	• Human Rights Watch; • Consumer International; • Atlantic-Community.org; • Atlantic Council; • Transatlantic Consumer Dialog; • Trans-Atlantic Business Council.

Annex B: Additional tables and figures

Table B.1 List of E3ME energy and environment classification

E3ME- 12 fuels	E3ME-22 Energy users	E3ME-6 Raw materials	E3ME- 16 Material Users
1 Hard coal	1 Power own use & transformation	1 Food	1 Agriculture
2 Other coal	2 Rest of energy branch	2 Feed	2 Mining
3 Crude oil	3 Iron and steel	3 Wood	3 Energy
4 Heavy fuel oil	4 Non-ferrous metals	4 Construction minerals	4 Food, Drink & Tobacco
5 Middle distillates	5 Chemicals	5 Industrial minerals	5 Wood and Paper
6 Other gas	6 Non-metallic minerals	6 Ores	6 Chemicals
7 Natural gas	7 Ore-extraction (non-energy)		7 Non-metallic Minerals
8 Electricity	8 Food, drink and tobacco		8 Basic Metals
9 Heat	9 Textiles, clothing & footwear		9 Engineering etc.
10 Combustible waste	10 Paper and pulp		10 Other Industry
11 Biofuels	11 Engineering etc.		11 Construction
12 Hydrogen	12 Other industry		12 Transport
	13 Construction		13 Services
	14 Rail transport		14 Households
	15 Road transport		15 Unallocated
	16 Air transport		16 Blank
	17 Other transport services		
	18 Households		
	19 Agriculture, forestry, etc.		
	20 Fishing		
	21 Other final use		
	22 Unallocated		

Table B.2 List of GTAP products and E3ME sectors classification

GTAP-57 products	E3ME-69 sectors	E3ME-43 sectors
Paddy rice	1 Crops, animals, etc.	1 Agriculture etc.
Wheat	2 Forestry & logging	2 Coal
Cereal grains nec	3 Fishing	3 Oil & Gas etc.
Vegetables, fruit, nuts	4 Coal	4 Other Mining
Oil seeds	5 Oil and Gas	5 Food, Drink & Tob.
Sugar cane, sugar beet	6 Other mining	6 Text., Cloth. & Leath
Plant-based fibers	7 Food, drink & tobacco	7 Wood & Paper
Crops nec	8 Textiles & leather	8 Printing & Publishing
Bovine cattle, sheep and goats, horses	9 Wood & wood prods	9 Manuf. Fuels
Animal products nec	10 Paper & paper prods	10 Pharmaceuticals
Raw milk	11 Printing & reproduction	11 Chemicals nes
Wool, silk-worm cocoons	12 Coke & ref petroleum	12 Rubber & Plastics

GTAP-57 products	E3ME-69 sectors	E3ME-43 sectors
Forestry	13 Other chemicals	13 Non-Met. Min. Prods.
Fishing	14 Pharmaceuticals	14 Basic Metals
Coal	15 Rubber & plastic products	15 Metal Goods
Oil	16 Non-metallic mineral prods	16 Mech. Engineering
Gas	17 Basic metals	17 Electronics
Minerals nec	18 Fabricated metal prods	18 Elec. Eng. & Instrum.
Bovine meat products	19 Computer, optical & electronic	19 Motor Vehicles
Meat products nec	20 Electrical equipment	20 Oth. Transp. Equip.
Vegetable oils and fats	21 Other machinery & equipment	21 Manuf. nes
Dairy products	22 Motor vehicles	22 Electricity
Processed rice	23 Other transport equipment	23 Gas Supply
Sugar	24 Furniture; other manufacturing	24 Water Supply
Food products nec	25 Repair & installation machinery	25 Construction
Beverages and tobacco products	26 Electricity	26 Distribution
Textiles	27 Gas, steam & air conditioning	27 Retailing
Wearing apparel	28 Water, treatment &supply	28 Hotels & Catering
Leather products	29 Sewerage & waste management	29 Land Transport etc.
Mineral products nec	30 Construction	30 Water Transport
Manufactures nec	31 Wholesale/retail motor vehicles	31 Air Transport
Wood products	32 Wholesale excl. motor vehicles	32 Communications
Paper products, publishing	33 Retail excluding motor vehicles	33 Banking & Finance
Petroleum, coal products	34 Land transport, pipelines	34 Insurance
Chemical, rubber, plastic products	35 Water transport	35 Computing Services
Ferrous metals	36 Air transport	36 Prof. Services
Metals nec	37 Warehousing	37 Other Bus. Services
Metal products	38 Postal & courier activities	38 Public Admin. & Def.
Motor vehicles and parts	39 Accommodation & food services	39 Education
Transport equipment nec	40 Publishing activities	40 Health & Social Work
Electronic equipment	41 Motion picture, video, television	41 Misc. Services
Machinery and equipment nec	42 Telecommunications	42 Unallocated
Construction	43 Computer programming, info serv.	43 Forestry
Water transport	44 Financial services	
Air transport	45 Insurance	
Communication	46 Aux to financial services	
Financial services nec	47 Real estate	
Insurance	48 Imputed rents	
Business services nec	49 Legal, account, & consulting services	
Recreational and other services	50 Architectural & engineering	
Public Administration, Defense, Edu., Health	51 R&D	
Dwellings	52 Advertising & market research	
Electricity	53 Other professiona	
Gas manufacture, distribution	54 Rental & leasing	
Water	55 Employment activities	

GTAP-57 products	E3ME-69 sectors	E3ME-43 sectors
Trade	56 Travel agency	
Transport nec	57 Security & investigation, etc.	
	58 Public administration & defence	
	59 Education	
	60 Human health activities	
	61 Residential care	
	62 Creative, arts, recreational	
	63 Sports activities	
	64 Membership organisations	
	65 Repair computers & personal goods	
	66 Other personal services	
	67 Households as employers	
	68 Extraterritorial organisations	
	69 Unallocated/Dwellings	

Table B.3 Expert panel input on sector selection

Sectors	Social and human rights Impact			Environmental		-
	Impact	HR	Comments	Impact	Comments	
Agriculture, Forestry and Fisheries	✓✓	✓✓	Highly protected in some sub-sectors and socially sensitive. Low mobility of labour and pressure on workers and farmers. Heterogeneity in EU in terms of size, structure, competitiveness warrants further analysis. Fear of lowering standards by consumers.	✓✓	Given the protected nature of agriculture and its impact on land use this is important. Each of these is a basic sector with major environmental implications. Agriculture poses a number of water quality and climate risks, while stresses on forestry and fisheries affect key resources.	6
Other primary sectors				✓✓	Cheap gas in the US has pushed coal and LNG into Europe. Use of coal and oil poses climate risks as well as stresses on water and air quality.	2
Processed foods	✓✓	✓✓	Sector highly protected (tariffs, NTBs) and competition between US and EU is high. Risk of	✓	Will affect land-use issues and the food processing sector is a major user of water and	5

Sectors	Social and human rights			Environmental		-
	Impact	Impact HR	Comments	Impact	Comments	
			pressure on workers (wages,…) with heterogeneous labour conditions inside EU. Additionally, fear of lowering standards by consumers. Food safety concerns need to be addressed via enhanced SPS procedures and standards.		generates waste.	
Other manufactures	✓		More competitive pressures on labour expected.	✓	Non-metallic minerals is one of the most energy-carbon intensive sectors. Waste and water pressures largely controlled in the EU.	**2**
Wood and paper products				✓	Energy-intensive and there might be issues to do with sustainable forestry, but probably not priority. Also contributor to water pollution.	**1**
Chemicals	✓		More competitive pressures on labour and localisation of plants expected.	✓✓	Currently US firms have a large advantage due to low energy prices and large pollutant source.	**3**
Metals and metal products	✓		More competitive pressures on labour in a regressive sector. Sectorial unemployment.	✓	Energy and carbon-intensive sector.	**2**
Motor vehicles	✓✓		More US competition will be expected and competition with emerging countries (incl. Korea) intensified, which might induce social problems in some countries (France, Italy,...). The effects of an investment agreement have to be considered.	✓	Regulations on emission standards etc. Also opportunity to advance fuel economy standards and encourage cooperation on R&D on new engine technologies.	**3**
Other transport equipment	✓		Relatively similar effects could be expected as in the motor vehicles sector			**1**

Sectors	Social and human rights Impact	Impact HR	Comments	Environmental Impact	Comments	_
Electrical machinery					Possible impacts expected from the waste side and the WEEE directive in the EU.	
Other machinery						
Construction			Marginal effects in a sector naturally protected. The effects of an agreement on investment might be raised.	✓	Buildings regulations for energy efficiency will likely be a key component of meeting carbon targets. Activity disturb habitat, cause air and water pollution, and generate large amounts of waste.	**1**
Water transport						
Air transport						
Communications						
Finance	✓		Leading sector in services, especially in some countries (UK) with a large uncertainty on the level of employment after the last financial crisis. High sensitivity of the sector. The specific negotiation on financial services will be key.			**1**
Insurance						
Business services						
Personal services						
Other services						

Table B.4 Sector selection table

Sector classification		Criterion 1: Importance for the EU economy				Criterion 2: Impact from TTIP (ambitious scenario) (CEPR, 2013)				Criterion 3: Expected social (incl. HR) impact	Criterion 3: Expected environmental impact	Criterion 4: Stakeholder importance	Criterion 5: Importance in negotiations	Total importance
GTAP-57	CEPR (2013)	% VA in the EU	Employment Less skilled	Employment More skilled	Export value added share to U.S.	Output % change, 2027	Employment, LS % change, 2027	Employment, HS % change, 2027	EU exports to US million €, 2027	Expected impact	Expected impact			
Paddy rice	Agriculture, Forestry and Fisheries	2.0%	3.5%	0.3%	2.1%	0.1%	0.1%	0.1%	1,743	✓✓	✓✓	✓✓	✓	✓✓
Wheat														
Cereal grains nec														
Vegetables, fruit, nuts														
Oil seeds														
Sugar cane, sugar beet														
Plant-based fibers														
Crops nec														
Bovine cattle, sheep and goats														
Animal products nec														
Raw milk														
Wool, silk-worm cocoons														
Forestry														
Fishing														
Coal	Other primary sectors	0.8%	0.4%	0.3%	1.7%	0.0%	0.0%	0.0%	55		✓✓	✓		✓
Oil														
Gas														
Minerals nec														
Bovine meat products	Processed foods	3.1%	3.8%	1.6%	4.7%	0.6%	0.3%	0.3%	13,405	✓✓	✓	✓✓	✓	✓✓✓
Meat products nec														
Vegetable oils and fats														
Dairy products														
Processed rice														
Sugar														
Food products nec														
Beverages and tobacco products														
Textiles	Other manufactures	3.0%	4.6%	1.7%	4.9%	0.8%	0.5%	0.5%	11,132	✓	✓	✓	✓	✓✓
Wearing apparel														
Leather products														
Mineral products nec														
Manufactures nec														
Wood products	Wood and paper products	2.4%	3.2%	1.6%	2.6%	0.1%	-0.2%	-0.2%	3,209		✓			
Paper products, publishing														
Petroleum, coal products	Chemicals	3.2%	3.5%	2.8%	11.2%	0.4%	0.1%	0.1%	29,895	✓	✓✓	✓✓	✓	✓✓✓
Chemical, rubber, plastic products														
Ferrous metals	Metals and metal products	2.9%	4.4%	2.0%	2.5%	-1.5%	-1.6%	-1.6%	12,516	✓	✓	✓		✓✓
Metals nec														
Metal products														
Motor vehicles and parts	Motor vehicles	1.6%	2.5%	1.3%	7.1%	1.5%	1.3%	1.3%	9,037	✓✓	✓			✓✓✓
Transport equipment nec	Other transport equipment	0.6%	1.0%	0.5%	4.9%	-0.1%	-0.2%	-0.2%	87,358	✓				
Electronic equipment	Electrical machinery	0.8%	0.9%	0.7%	0.9%	-7.3%	-7.0%	-7.0%	2,555					✓✓✓
Machinery and equipment nec	Other machinery	4.3%	5.9%	4.8%	16.3%	0.4%	0.2%	0.2%	7,448				✓	✓✓
Construction	Construction	7.8%	10.0%	4.2%	0.4%	0.5%	0.2%	0.2%	71		✓	✓		✓
Water transport	Water transport	0.3%	0.3%	0.1%	0.0%	1.0%	0.4%	0.4%	23					
Air transport	Air transport	0.3%	0.5%	0.2%	2.4%	0.4%	0.1%	0.1%	333			✓		
Communication	Communications	2.5%	1.8%	2.8%	1.0%	0.2%	-0.2%	-0.1%	51					
Financial services nec	Finance	4.2%	3.5%	5.5%	7.5%	0.4%	0.1%	0.1%	3,517	✓		✓	✓	✓✓
Insurance	Insurance				7.1%	0.8%	0.6%	0.6%	3,333			✓		✓✓✓
Business services nec	Business services	23.6%	11.0%	17.5%	12.3%	0.3%	-0.2%	-0.2%	1,545				✓	
Recreational and other services	Personal services	3.4%	2.6%	4.1%	1.8%	0.3%	-0.1%	0.0%	228			✓		
Public Administration, Defense, Edu., Health	Other services	33.4%	36.7%	48.0%	8.6%	0.3%	0.1%	0.1%	-491			✓		
Dwellings														
Electricity														
Gas manufacture, distribution														
Water														
Trade														
Transport nec														

Annex C: Input from civil society

Name	Organisation	Main Comment	Ecorys response
Pieter Depous	European Environmental Bureau	Suggest that a closer look is taken at how a number of horizontal instruments such as ISDS, regulatory cooperation and mechanism to make it a 'living agreement' will impact the way regulations will be written and the impacts this will have on achieving key environmental objectives.	Response thanking for the input. Feedback will be taken into account.
Zadrozny Thomas	NANOfutures Association	We wish to add our feedback on the sector of materials and nanotechnology.	Response thanking for the input. Feedback will be taken into account.
Leonardo Palumbo	European Public Health Alliance	The horizontal instruments such as ISDS and regulatory cooperation could have serious repurcussions on acheiving health objectives. I attach a briefing that outlines some of our areas of concern.	Response thanking for the input. Feedback will be taken into account.
Hanne Melin	Ebay	We have over the last two years worked with a team of external economists from Geneva University, Oxford University and Sidley Austin. There are two findings that stand out: - How online marketplaces (representing the combination of the Internet and digital services) reduce the negative effect that geographical distance has on international trade. - How firms of all sizes, using online marketplaces, embrace fundamentally different trade patterns compared to traditional trade – they trade directly with customers in a very large number of different markets, they usually start selling a variety of products and specialize as they grow, their chances of survival are higher and they are able to gain market shares faster.	We appreciate your input on the topic of an inclusive and sustainable trade agreement, by engaging micro and small enterprises more into trade. It is possible indeed that this dimension of analysis will be studied more in the study. We can also imagine that the presence of micro and small enterprises in international trade is more likely in some sectors rather than others.
Pascale Rouhier	European Liaison Committee for the Agricultural and Agri-food Trade	Many thanks for your email and information; CELCAA is very interested and would like to see many sectors we represent being included in the study. Could you specify from us how many sectors we could request?	Response explaining that several sectors can be chosen and that we welcome their input with an explanation why they are important to TTIP.
Mark Williams	European Union of Wholesale with Eggs, Egg Products, Poultry and Game	Please find attached the submission of EUWEP (European Union of Wholesale with Eggs, Egg Products, Poultry and Game) in respect of ECORYS request for submissions on the economic, social and environmental impact of the proposed TTIP agreement. Also attached further studies	Asked for specific clarifications on the main issues & specific questions
Johnny Pring	FTI Consulting	I am contacting you on behalf of our client IFIA regarding the request for feedback on your Trade Sustainability Impact Assessment on TTIP. Would it be possible for IFIA to submit its	Yes, it is possible to submit feedback by the stated date.

Name	Organisation	Main Comment	Ecorys response
		feedback on Monday 24th February?	
Mr. Kerneis	European Services Forum	Some of the political issues are now left to address: - Market access: 1. Maritime transport. Jones act (EU company cannot own a shipping company). 2. Airlines and air transport. Not possible for a foreign company to own an airline in the US. 3. Professional services. These are regulated on the state level, engineers/architects etc. are not allowed in in some states. 4. Public procurement in services. E.g. Construction services. The Buy American Act still prohibits most of the sectors. - Regulatory cooperation. We have the feeling that the focus is on standards and conformity assessments (the easy parts). Regulation in services sectors is a big issue, because TTIP will have an important influence on future cooperation in this field. - Insurance has a state-level problem too. Financial services is also sensitive because they want their financial bodies strictly independent. We want particularly more focus on financial services. The trade in these is more than 75% of world trade! The bilateral approach here will really be standard setting! - Cross border data flow is of course a huge issue (third pillar: IPR, GIs, petition, SoEs, data issues). This will affect the ICT business of course. He thinks that not anything is going to happen here. I hope that data issues will be tackled outside the agreement. ESF is of the opinion that you can achieve the same results with a positive list compared with a negative list approach.	Bilateral contact and interview instead of a written response.
Alice O'Donovan	Eucolait	Eucolait is the European association of dairy trade, representing importers, exporters and wholesalers of dairy commodities and dairy products. We hereby submit our response for the call for input into the focus sectors for the TTIP Trade SIA, which you will find attached to this email.	Response thanking for the input. Feedback will be taken into account.
Jonathan Nguyen	UNIFE - the European Rail Industry	Many thanks for your request. From what I understand, the rail sector as such has not been identified as one of the potential key sectors in the list you have attached to your email. UNIFE members are quite active in the US and could certainly benefit from an improved trade relationship between the EU and the US. Could you please let me know whether a contribution from our side, although our sector is not identified, could be useful to you?	We apologise for the unclarity in the sector details. As a matter of fact, the rail sector is included in the sector focus, but 'hidden' under the 'Transport nec (not elsewhere specified)' sector. We would thus very much welcome your feedback about any potential impacts from TTIP on this sector before coming Monday COB.
Gloria Gabellini	Coceral	I would like to submit here enclosed COCERAL inputs referring to your invitation to interact on the TTIP TSIA sectors for analysis. Thanking you in advance for your attention, I remain at your disposal for any further clarification.	Response thanking for the input. Feedback will be taken into account.
Jonathan Nguyen	UNIFE - the European Rail Industry	Thank you for the clarifications. I would like to share with you our Position Paper on TTIP, which explains the possible benefits that the industry could gain from the TTIP negotiations, both in terms	Response thanking for the input. Feedback will be taken into account.

Name	Organisation	Main Comment	Ecorys response
		of public procurement and in terms of standards and regulations. I remain at your disposal should you need more information.	
Michele Anselme	EUROCOTON	I am glad to inform you that the Textile and Clothing industrial sector is certainly able to provide you with valuable input in order hopefully to be selected by your team for an impact assessment of the TTIP. However, as Eurocoton represents only part of the textile sector, the undersigned has forwarded to Euratex, the umbrella Organization for the whole apparel and textile industry pipeline in Europe, to which Eurocoton is a full European Branch member, in order to participate to Ecorys study, and of course, Eurocoton will be more than happy to cooperate together with Euratex. You will receive within the time allotted the first contribution of Euratex on behalf of the EU Textile and Apparel Industry.	Response thanking him for forwarding to the right people and invited him to stay in touch and look at the website.
Hilary Reid Evans	International Federation of Inspection Agencies	IFIA (the International Federation of Inspection Agencies) believes that the following three sectors are in their entirety worthy of further study in the Trade SIA: Other Primary Sectors Chemicals Metals and Minerals Products. Each of these sectors provides input to almost every industrial process. Further harmonisation in these sectors would have a beneficial and leveraged economic benefit across a wide range of activities. In addition, these sectors operate in substantially globalised markets so that improved harmonisation would reap benefits beyond the US and EU. Improved and harmonised controls in relation to the extraction of commodities and their processing would have clear beneficial environmental impacts. Please do not hesitate to contact me if you have any queries.	Response thanking for the input. Feedback will be taken into account.
Francesco Marchi	Euratex	EURATEX as the sole political voice of the European Textile and Clothing industry would like to provide you with valuable input in order hopefully to be selected by Ecorys for an in-depth sectoral impact assessment in the context of the TTIP.	Response thanking for the input. Feedback will be taken into account.
Penny Clarke	European Federation of Pubic Services Unions	The deadline for comments is rather short, but I send you the brief report of the latest discussion we organised on trade and public services. This gives links to different papers and research that raise many concerns regarding the impact of trade agreements on public services. Our starting point to assess this impact is the values and principles that the EU should adhere too in its internal and external policy, as illustrated in different legal provisions in the Treaty. This means the EU should promote the solidarity mechanisms that are essential to the development of public services that are available to all, of high quality and ensure good employment conditions (as referred to Protocol on services of general interest, Charter of fundamental rights etc) and ensure that Member States (and local authorities) have wide discretion in organisation these services (subsidiarity principle e.g. in healthcare and, we would add, social services). The	Response thanking for the input. Feedback will be taken into account.

Name	Organisation	Main Comment	Ecorys response
		attached report gives information as to why we think that TTIP must not include public services, as this will make it harder for the EU to respect the objectives it has set itself.	
Cedric Cabanne	Eurogroup for Animals	- Sector : Agriculture, Forestry and Fisheries o Bovine cattle, sheep and goats, horses, pigs and poultry and animals products (e.g. milk and egg) should be selected for a more in-depth analysis. TTIP is likely to increase trade in agricultural products including meat, egg, or milk products. The EU has made tremendous progress in the area of farm animal welfare, with bans or restrictions on most extreme confinement systems (barren battery cages, sow stalls, and veal crates) having come into effect within the past few years[1]. Also, the 2009 Treaty of Lisbon explicitly states "(…) the Union and the Member States shall, since animals are sentient beings, pay full regard to the welfare requirements of animals (…)"[2]. Regulations related to products from farm animals differ between the two trading partners. Unlike the EU, the only US federal regulation relevant to animal welfare is the Humane Slaughter Act[3] which applies to only one day of the animal's life. J18In the US, most farm animals are concentrated in large numbers in small and confined housing. The EU system varies in that small and medium-size farms coexist with large scale industry reflecting EU economic needs and the values of its citizens. Intensive confinement of farm animals can also have negative public health implications. For instance, [4] high stocking densities have been associated with an elevated risk of infecting animals with a number of parasites and pathogens that can affect humans. Overall, there is a need to evaluate the impact of Trade in particular in the area of animal welfare in the EU. The SIA should investigate on the efforts made by the EU. Will EU regulations be breached by more trade of US animals and animal products? Will TTIP have an impact on the Transatlantic regulatory convergence, in the area of farm animal welfare? The SIA will pay particular attention to the rearing, transport, slaughtering of farm animals. The SIA will also investigate possible impact on animals and products not allowed to be placed on the EU market, such as cloned farm animals, offspring & products derived (semen and embryos, meat and dairy). o Fishing and Wildlife (as animal product nec) -including marine wildlife- should be selected for a more in-depth analysis. The in-depth analysis needs to focus on illegal wildlife trade which has become a threat for transatlantic partners (in the US, illegal wildlife crime could be worth as much as $20 billion per year[5]). Also, it is important to evaluate the impact of the Free Trade Agreement on the conservation and management measures of marine species (e.g. turtles, sharks, and marine mammals).	Response thanking for the input. Feedback will be taken into account.

Name	Organisation	Main Comment	Ecorys response
		Furthermore, the impact assessment needs to identify indicators such as fisheries subsidies and illegal, unreported and unregulated (IUU) fishing, illegal wildlife trade given the fact that the EU and the US have policies. Finally, the SIA must identify Multilateral Environment Agreement (MEAs), programs (such as the ones set by Regional Fisheries Management Organisations) and possible areas of cooperation (e.g. fight against the illegal trade of wildlife, IUU) likely to be mentioned in the Free Trade Agreement. - Sector : Chemicals o Use of animals in product testing (e.g. pharmaceuticals, cosmetics, plant protection products, biocides and chemicals) and protection of animals used in laboratories. The Trade Sustainable Impact Assessment should include indicators on animal testing and animal used in laboratories. Safety testing requirements of chemicals in the EU and USA incorporate animal and non-animal methods. International acceptance and uptake of alternative methods at the level OECD is important. Also, the latest state of the art tests need to be harmonized to minimize the use of animals. As the Free Trade Agreement has an important regulatory component, the Sustainable Impact Assessment needs to investigate on the Transatlantic cooperation and data sharing to decrease animal use, and the application of the "3Rs" (Replacement, Reduction and Refinement of animal use).	
Viktoria Vajnai	Association of European Airlines	Please find attached the Association of European Airlines' input to the Trade Sustainability Impact Assessment (Trade SIA). Please note that these are the comments we provided to the European Commission in August 2013.	Response thanking for the input. Feedback will be taken into account.
Tom Jenkins	European Trade Union Confederation	The European Trade Union Confederation has been informed that some of our affiliated European Trade Union Federations (ETUFs) have directly or indirectly been approached to contribute to your study, while others (including ourselves) had been contacted. I am copying this message to our ETUF team dealing with TTIP issues, and the list of ETUFs is pasted below. I would also ask that the deadline for any inputs be extended to allow a considered response from all interested organisations.	Confirmed we will include all the members and of the extention of the deadline.
Dominique Mitchell	European Federation of Food, Agriculture and Tourism Trade Unions	Please find attached EFFAT's response to your consultation regarding the TTIP sustainability impact assessment.	Response thanking for the input. Feedback will be taken into account.

Name	Organisation	Main Comment	Ecorys response
Servet Goren	Cefic	The chemicals sector covers a broad range of subsectors and it is considered by the European Commission as of one of the focus areas within the TTIP negotiations. With a chemicals trade between EU and US of roughly 50 billion euro, underpinning the entire industrial base of both regions, it makes economically sense to further deepen the integration between the two world's biggest trading partners. In addition, chemicals regulatory cooperation between EU and US talks have spurred many consumer and environmental NGOs to voice their concerns about an alleged lowering of health and environmental standards. Another related topic are the discussions on the European need for affordable energy (electricity and gas). A crucial element of TTIP negotiations is that there should be a secured and non-discriminatory access to US energy and feedstock markets, in particularly to US shale gas. The chemicals sector –like the agriculture sector- therefore contains many controversial issues in comparison to other sectors and we believe it is justified to include this sector in the Trade SIA. Furthermore, we would advise to take agriculture also on board of the Trade SIA as it is the sector which will most likely have the biggest impact on consumers and is in addition one of the focus area's defined by the European Commission.	Response thanking for the input. Feedback will be taken into account.
Sam Hägglund	European Federation of Building and Woodworkers	Attached please find a letter of the EFBWW in reply to your request for feedback in the framework of the Trade Sustainability Impact Assessment (Trade SIA) on the economic, social and environmental effects of the TTIP.	Response thanking for the input. Feedback will be taken into account.
Louis Hinzen	FoodDrink Europe	1. Processed foods (or food and drink products) in general. Please note that FoodDrinkEurope does not represent tobacco products/the tobacco industry. If the aim of the study is to explore sub-sectors rather than the food and drink industry at large, you would be best advised to contact European sector associations. See http://fooddrinkeurope.eu/about-us/members/ Economic: - potential to drive economic growth and create jobs - trade facilitating measures and removal of unnecessary regulatory obstacles would lead to a reduction in trade costs, improve competitiveness - new export opportunities - SMEs are expected to benefit the most Social/socio-economic: - more growth, more jobs - consumers will benefit from more choice, lower prices and more competition Environmental: - global alignment on policy and legal frameworks	Informed of the extended deadline. & Response thanking for the input. Feedback will be taken into account.

Name	Organisation	Main Comment	Ecorys response
		- sharing of information on best practices and environmental management	
Rob Vierhout	ePURE	Please find attached ePURE's feedback for the Trade Sustainability Impact Assessment on the Transatlantic Trade and Investment Partnership. We look forward to working with you during the course of the study and remain available to provide you with further information you might need.	Response thanking for the input. Feedback will be taken into account.
Pascale Rouhier	European Liaison Committee for the Agricultural and Agri-food Trade	Please find enclosed the contribution of CELCAA to your enquiry We look forward to collaborating with you on the study	Response thanking for the input. Feedback will be taken into account.
Alessandro Bartelloni	EUROPIA, representing the European petroleum industry	With reference to your e-mail of 14th February 2014 (see below), please find enclosed the EUROPIA (representing the European Petroleum Industry) feedback to the study on Trade Sustainability Impact Assessment (Trade SIA) on TTIP. We remain at your disposal for any clarification and/or further information.	Response thanking for the input. Feedback will be taken into account.
Dimitris Theodorakis	UNI Europa	Please find attached the reply to your study contribution from a UNI Europa perspective. I would be grateful if you could confirm the receipt of this message and inform me whether the suggested sub-sectors could be covered by the TTIP TSIA Study.	Response thanking for the input. But that the sector selection has not yet been finalised.
Claire Grosbois	Association des Amidonniers & Féculiers	In the context of the TTIP trade sustainability impact assessment, please find enclosed the position of the European starch industry association.	Response thanking for the input. Feedback will be taken into account.
David Frautschy Heredia	ETNO	**Information and Communication Technologies (ICTs)** to be prioritized in you assessment. The ICTs have become key drivers for innovation, growth and job creation all across the economy as technologies are enablers for trade of other goods and services. (…) Moreover, regulatory divergences in the EU and the US have shaped the sector into different realities. The TTIP negotiations shall be seen as an opportunity to converge on a common vision for the sector that would promote an equally flexible and investment-friendly environment at on both sides of the Atlantic with less focus on the use of the incumbents' legacy networks through regulated access and more emphasis on dynamic outcomes such as investment and innovation. The TTIP should be considered as an opportunity to integrate information society services and electronic communication services to ensure a "same services, same rules" approach among all actors of the value chain, a new balanced scenario that avoids different obligations between providers of comparable services that may lead to a competitive disadvantage between actors in the digital economy value chain. In addition, ICTs are at the core of a key element on the	Response thanking for the input. Feedback will be taken into account.

Name	Organisation	Main Comment	Ecorys response
		transatlantic discussions: the issue of trans-border data flows. It is clear that transfer, storage and processing of data are essential to economic activity, being a cross-sectorial matter. With the objective of enhancing trust of users and certainty of companies, thus increasing trade in services, it should be guaranteed that cross-border data flows are in compliance with data protection and security rules in force in the country of residence of the data subjects. Different obligations between providers of comparable services that may lead to a competitive disadvantage between actors in the digital economy value chain should be avoided. ETNO envisions the TTIP negotiations as an opportunity to minimize impediments to the development of integrated ICT services, relying on consumer choice and competition principles to address any potential abuse of dominant positions that could have a trade restrictive effect at any stage of the value chain.	
Mark Williams	European Union of Wholesale with Eggs, Egg Products, Poultry and Game	EUWEP seeks to ensure that if TTIP results in a Free Trade Agreement between the USA and EU that: - Sensitive Product Status (SPS) is given to those egg lines identified as being the most sensitive to any reduction of import tariffs. - The withdrawal of import tariffs is staged over a time period sufficient to ensure no sudden rise in imports from the USA, which would result in a sudden drop in competitiveness of the EU industry and a consequent market distortion. - That the export of egg products within food ingredients is not allowed to be artificially circumvented by the '2%' USDA requirement that all foods containing over 2% egg ingredient should have been produced in accordance with USDA requirements. This mandates egg washing which is illegal in the EU and effectively acts as a barrier to imports from the EU. The egg industry is unique in that its main method of production (i.e. a conventional cage) was banned in the EU in 2012. The industry has had to make a financial investment of over 4 billion euros to comply with the new legislation. At the same time, we receive imports of eggs and egg products which are still produced in a conventional cage.	Response thanking for the input. Feedback will be taken into account.
Philip Davison	Industrial Ethanol Association	Please find attached input from the Industrial Ethanol Association, to the request by ECORYS for feedback on the Trade Sustainability Impact Assessment in relation to TTIP.	Response thanking for the input. Feedback will be taken into account.
Laurent Zibell	IndustriAll	The sectors that we believe deserve specific attention in your study are the following: · automotive, · chemicals, · pharmaceuticals, · electrical engineering, · medical devices, · machinery,	Thank you for your email and the sector selection. We will take your feedback in consideration. Could you provide us with a little more information on why each of these sectors should be selected?

Name	Organisation	Main Comment	Ecorys response
		· textiles & clothing, · energy. We also have a general concern about the procedures for setting and modifying industrial standards. We indeed consider industrial standards as policy instruments, which embody political priorities and values, and therefore need to be established and modified democratically. The procedures under which these standards will potentially be harmonised across the Atlantic, and later be modified, are of significant importance regarding sovereignty and democracy on the European market and industrial fabric.	
Marie Vaugeois	Cane Sugar Producers of the French Outermost Region La Réunion	Following your invitation to interact as asked in your first newsletter, please find enclosed the feedback from the Cane Sugar Producers of the French Outermost Region La Réunion.	Response thanking for the input. Feedback will be taken into account.
Eduardo Chagas	European Transport Workers' Federation	Furthermore, the ETF strongly opposes the highly secretive procedure under which the negotiations are being conducted. Even if several transport modes are already highly regulated at international level, the EU has been keen in ensuring high levels of regulation often above the minima set in international bodies. We further do not consider that any of the sectors we represent would need any type of intervention in order to further facilitate trade between the two continents. Having said that, the ETF considers that impact assessments (also social impact assessments) should be carried out for the following sectors: - Fisheries - Water transport - Air transport - Transport services The transport sector has been under heavy pressure due to social dumping practices and our membership is concerned with the possible negative impact that different levels of regulations might have on the EU workers working and living conditions. The ETF further considers that Water should be excluded from any trade negotiations.	Response thanking for the input. Feedback will be taken into account.

Annex D: SME Survey

SME Survey in the context of the Transatlantic Trade and Investment Partnership between the European Union and the United States of America

Language selection options: English

About the study and purpose of this survey

The European Union and the United States of America are currently preparing the negotiations for a Transatlantic Trade and Investment Partnership (TTIP). The aim of this future agreement is to lower barriers to trade between the countries involved and thereby increase international trade and investment. Specifically for your business, this could imply a lowering of import tariffs that foreign companies have to pay on your export products, or a lowering of tariffs on the products you import. It could also mean that you will have to adjust your production process according to new health and safety requirements.

The European Commission requested Ecorys to carry out a Trade Sustainability Impact Assessment to analyse what the effects of concluding this agreement might be for the EU and US economies. This study will serve as input for the negotiations.

Specifically, part of the study focuses on the impact of TTIP on small and medium sized enterprises (SMEs). The input of SMEs with experience or interest in the EU Member States and US is of vital importance for this analysis. Therefore we would like to ask you to share your opinions and experiences by filling out this survey.

It will take some 10 minutes to fill out the survey. The information will be treated as strictly confidential and anonymous. Information will be used for the analysis, but no reference to the survey respondents will be made in reports. We would like to ask you to be as specific as possible in your answers. In case anything is unclear to you or you would like to receive additional information, please do not hesitate to send an email to tsia-ttip@ecorys.com.

Please send back the answers before the 1st of June 2014. We thank you in advance for filling out the survey.

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1. In which country is your company located?
   Scroll down menu with US and the EU-28 Member States.

2. In what sector does your company operate?
   Scroll down menu with the following options:
   - Agriculture, forestry and fisheries;
   - Other primary sectors (coal, oil, gas, other minerals);
   - Processed foods;
   - Other manufactures;
   - Wood and paper products;
   - Chemicals;
   - Metals and metal products;

- Motor vehicles;
- Other transport equipment;
- Electrical machinery;
- Other machinery;
- Construction;
- Water transport services;
- Air transport services;
- Communications;
- Finance;
- Insurance;
- Business services;
- Personal services;
- Other services;
- Other (please specify):

3. What is the number of employees in your company at this moment?
   - O 0-9;
   - O 10-49;
   - O 50-249;
   - O 250-499;
   - O More than 500.

4. Did you know that the EU and the US are negotiating a Transatlantic Trade and Investment Partnership?
   - O Yes;
   - O No.

5. Are you currently involved in trading internationally?
   - O (A5.1) Yes, we export products and/or services;
   - O (A5.2) Yes, we import intermediary/final products and/or services;
   - O (A5.3) Yes, we export products and/or services and import intermediary/final products and/or services;
   - O (A5.4) No.

If the answer to Q5 is A5.1 or A5.3, go to Q11 if the US is selected in Q1 or go to question Q16 if an EU Member State is selected in Q1.

6. Are you planning to export in the near future?
   - O Yes;
   - O No.

If the answer to Q6 is "Yes", go to Q8.

7. Why not?
   - ☐ We do not have enough production capacity;
   - ☐ There is no demand abroad for our products/services;
   - ☐ The foreign competition is too fierce;
   - ☐ Other reason (please specify):

   If the answer to Q5 is A5.2, go to Q20 now. If the answer to Q5 is A5.4, go to Q22.

8. To which countries are you planning to export?
   "Tick the box" with multiple answers possible: US, EU28 Member States, Other. When selecting the latter, an empty text field appears so that they can fill it out themselves.

9. Please indicate in the table below:
   a) which barriers you are expecting to face during the export process; and
   b) for these expected barriers, do you think that these might be addressed by the Transatlantic Trade and Investment Partnership?
   Please only tick those boxes that are relevant in your view.

Potential barrier	Existing?	Barrier addressed by TTIP?
Access to finance (including trade finance)	☐	☐
Access to raw materials	☐	☐
Administrative requirements (e.g. licences, other formalities)	☐	☐
Corruption/lack of law enforcement	☐	☐
Custom procedures at the border	☐	☐
Import duties of the export destination country	☐	☐
Infrastructure in your country	☐	☐
Intellectual property rights	☐	☐
Internal conflict/regional insecurity in export destination country	☐	☐
Lack of information on the foreign market	☐	☐
Language/culture of export destination country	☐	☐
Other rules/regulations	☐	☐
Reliability of representatives/distributors in the export destination country	☐	☐
Restrictive government procurement in export destination country	☐	☐
Rules of origin	☐	☐
SPS – the health and safety standards to which you need to comply	☐	☐
Taxation system in your country	☐	☐
TBT – the safety and product requirements you would need to fulfil before exporting	☐	☐
Unfair competition (monopolies, etc.) in export destination country	☐	☐

10. Which of the following topics should be covered by the Transatlantic Trade and Investment Partnership according to you (tick max. 3 topics reflecting priority issues)?
    Tick the box:

Topic to be covered by the TTIP	
Technical regulations/standards	☐
Sanitary measures for agricultural products	☐
Freedom of opening a company and investment and capital movements and payments	☐
Public procurement-call for tenders	☐
Fair competition	☐
Intellectual property rights	☐

Topic to be covered by the TTIP	
Customs	☐
Environmental and social sustainable development	☐
Transparency of regulations	☐
Anti-dumping and anti-subsidy measures	☐
Energy pricing	☐
Cooperation between national administrations	☐

If the answer to Q5 is A5.2, go to Q20 now. If the answer to Q5 is A5.4, go to Q22.

(When US is selected in Q1, then the next question appears:)

11. What share of your exports goes to the EU?
    - ○ *(A11.1)* 0% (my company only exports to other countries);
    - ○ *(A11.2)* 0-25%;
    - ○ *(A11.3)* 25-50%;
    - ○ *(A11.4)* 50-75%;
    - ○ *(A11.5)* 75-100%.

If the answer to Q11 is A11.1, the next question appears, otherwise go to Q13:

12. To which other countries do you export?

    If the answer to Q5 is A5.3, go to Q20 now. Otherwise, go to Q22.

13. To which country/countries in the EU do you export?
    Tick the box (all EU-28 Member States).

14. Please indicate in the table below:
    a) which barriers are you facing when exporting to the EU; and
    b) for these existing barriers, do you think that these might be addressed by the Transatlantic Trade and Investment Partnership?
    Please only tick those boxes that are relevant in your view.

Potential barrier	Existing?	Barrier addressed by TTIP?
Access to finance (including trade finance)	☐	☐
Access to raw materials	☐	☐
Administrative requirements (e.g. licences, other formalities)	☐	☐
Corruption/lack of law enforcement	☐	☐
Custom procedures at the border	☐	☐
Import duties of the export destination country	☐	☐
Infrastructure in your country	☐	☐
Intellectual property rights	☐	☐
Internal conflict/regional insecurity in export destination country	☐	☐
Lack of information on the foreign market	☐	☐
Language/culture of export destination country	☐	☐
Other rules/regulations	☐	☐
Reliability of representatives/distributors in the export destination country	☐	☐
Restrictive government procurement in export destination	☐	☐

Potential barrier	Existing?	Barrier addressed by TTIP?
country		
Rules of origin	☐	☐
SPS – the health and safety standards to which you need to comply	☐	☐
Taxation system in your country	☐	☐
TBT – the safety and product requirements you would need to fulfil before exporting	☐	☐
Unfair competition (monopolies, etc.) in export destination country	☐	☐

15. Which of the following topics should be covered by the Transatlantic Trade and Investment Partnership according to you (tick max. 3 topics reflecting priority issues)?
Tick the box:

Topic to be covered by the Transatlantic Trade and Investment Partnership	
Technical regulations/standards	☐
Sanitary measures for agricultural products	☐
Freedom of opening a company and investment and capital movements and payments	☐
Public procurement-call for tenders	☐
Fair competition	☐
Intellectual property rights	☐
Customs	☐
Environmental and social sustainable development	☐
Transparency of regulations	☐
Anti-dumping and anti-subsidy measures	☐
Energy pricing	☐
Cooperation between national administrations	☐

If the answer to Q5 is A5.3, go to Q20 now. Otherwise, go to Q22.

(When one of EU countries is selected in Q1, then the next question appears:)

16. What share of your exports go to the US?
- ○ *(A17.1)* 0% (my company only exports to other countries);
- ○ *(A17.2)* 0-25%;
- ○ *(A17.3)* 25-50%;
- ○ *(A17.4)* 50-75%;
- ○ *(A17.5)* 75-100%.

If the answer to Q17 is A17.1, the next question appears, otherwise go to Q18:

17. To which other countries do you export?

If the answer to Q5 is A5.3, go to Q20 now. Otherwise, go to Q22.

18. Please indicate in the table below:
a) which barriers are you facing when exporting to the US, and
b) for these existing barriers, do you think that these might be addressed by the Transatlantic Trade and Investment Partnership?
Please only tick those boxes that are relevant in your view.

Potential barrier	Existing?	Barrier addressed by TTIP?
Access to finance (including trade finance)	☐	☐
Access to raw materials	☐	☐
Administrative requirements (e.g. licences, other formalities)	☐	☐
Corruption/lack of law enforcement	☐	☐
Custom procedures at the border	☐	☐
Import duties of the export destination country	☐	☐
Infrastructure in your country	☐	☐
Intellectual property rights	☐	☐
Internal conflict/regional insecurity in export destination country	☐	☐
Lack of information on the foreign market	☐	☐
Language/culture of export destination country	☐	☐
Other rules/regulations	☐	☐
Reliability of representatives/distributors in the export destination country	☐	☐
Restrictive government procurement in export destination country	☐	☐
Rules of origin	☐	☐
SPS – the health and safety standards to which you need to comply	☐	☐
Taxation system in your country	☐	☐
TBT – the safety and product requirements you would need to fulfil before exporting	☐	☐
Unfair competition (monopolies, etc.) in export destination country	☐	☐

19. Which of the following topics should be covered by the Transatlantic Trade and Investment Partnership according to you (tick max. 3 topics reflecting priority issues)?
Tick the box:

Topic to be covered by the Transatlantic Trade and Investment Partnership	
Technical regulations/standards	☐
Sanitary measures for agricultural products	☐
Freedom of opening a company and investment and capital movements and payments	☐
Public procurement-call for tenders	☐
Fair competition	☐
Intellectual property rights	☐
Customs	☐
Environmental and social sustainable development	☐
Transparency of regulations	☐
Anti-dumping and anti-subsidy measures	☐
Energy pricing	☐
Cooperation between national administrations	☐

(If the answer to Q5 is A5.2 or A5.3, the following questions will appear:)

20. From which countries do you import?

Tick the box exercise with US, the EU28 Member States, Other. When selecting the latter, an empty text field appears so that respondents can fill it out themselves.

21. Please indicate in the table below:

a) which barriers are you facing during the import process, and

b) for these existing barriers, do you think that these might be addressed by the Transatlantic Trade and Investment Partnership?

Please only tick those boxes that are relevant in your view.

Potential import barrier	Existing?	Barrier addressed by TTIP?
Access to finance (including trade finance)	☐	☐
Access to raw materials	☐	☐
Administrative requirements (e.g. licences, other formalities)	☐	☐
Corruption/lack of law enforcement	☐	☐
Custom procedures at the border	☐	☐
Import duties in your country	☐	☐
Infrastructure in the country of origin	☐	☐
Intellectual property rights	☐	☐
Internal conflict/regional insecurity in country of origin	☐	☐
Lack of information on the foreign market	☐	☐
Language/culture of country of origin	☐	☐
Other rules/regulations	☐	☐
Reliability of representatives/distributors in the country of origin	☐	☐
Restrictive government procurement in country of origin	☐	☐
Rules of origin	☐	☐
SPS – the health and safety standards to which you need to comply	☐	☐
Taxation system in country of origin	☐	☐
TBT – the safety and product requirements you would need to fulfil before exporting	☐	☐
Unfair competition (monopolies, etc.) in your country	☐	☐

22. Do you think the Transatlantic Trade and Investment Partnership can help your company expand?

- O A22.1 Yes;
- O A22.2 No;
- O A22.3 There will be both positive and costs/negative impacts of TTP;
- O A22.4 Do not know.

If the answer to Q22 is A22.2, go to Q24.

23. The potential benefits resulting from the Transatlantic Trade and Investment Partnership for my company are in the field of:

☐ More output/employment due to higher exports;

☐ Cheaper production costs through cheaper imports;

☐ Adjusting my standards will also increase exports to other countries than the EU Member States or the US;

☐ Technology transfer;
☐ Possibility to move from lower to higher value added products/services;
☐ Other benefits:

If the answer to Q22 is A22.1, go to Q25 now if the US is selected in Q1 or if a European Member State is selected in Q1, then go to Q26.

24. The potential costs/negative impacts resulting for my company relate to:
☐ Increased competition for my products/services;
☐ Increased production costs related to comply with new rules and regulations as part of the Transatlantic Trade and Investment Partnership.
☐ Other:

If the US is selected in Q1, then go to Q25. If a European Member State is selected in Q1, then go to Q26.

25. Would the Government of the US need to increase its export promotion activities as a result of the Transatlantic Trade and Investment Partnership?
☐ No, sufficient export promotion services are provided;
☐ No, more export promotion services would be needed but this can be provided by commercial companies;
☐ Yes, we would especially need more financial support to export (e.g. insurance, export credits, subsidies);
☐ Yes, we would especially need information on exporting to the EU and information on the local EU markets (e.g. trainings, websites, brochures);
☐ Yes, we would especially need more support in meeting potential buyers of our products/services (e.g. through matchmaking events, trade fairs, etc.);
☐ Yes, other:

Go to Q27 now.

26. Would the government of your country need to increase its export promotion activities as a result of the Transatlantic Trade and Investment Partnership?
☐ No, sufficient export promotion services are provided;
☐ No, more export promotion services would be needed but this can be provided by commercial companies;
☐ Yes, we would especially need more financial support to export (e.g. insurance, export credits, subsidies);
☐ Yes, we would especially need information on exporting to US and information on this local markets (e.g. trainings, websites, brochures);
☐ Yes, we would especially need more support in meeting potential buyers of our products/services (e.g. through matchmaking events, trade fairs, etc.).
☐ Yes, other:

27. How do you experience the competition in your domestic market from companies that are larger than your company?
O They are much more competitive and have a larger market share than your company;
O They are a bit more competitive and have a somewhat higher market share than your company;

O They are equally competitive as your company and market shares are fairly equally distributed among market players;
O They are somewhat less competitive, but still have a larger market share compared to your company;
O They are somewhat less competitive and have a lower market share compared to your company.

28. How do you experience competition from foreign competitors?
O They are more competitive and their imports/sales of local affiliates constitute an important share of the market in my sector;
O They are equally competitive;
O They are less competitive.

29. If you would like to make any further comments on opportunities and barriers you face in international trade that are relevant to the TTIP negotiations, or on this survey, you can indicate them below in English.

Thank you!

Thank you for filling out this questionnaire. Your answers are very much appreciated. To receive further information on the study on TTIP, please contact tsia-ttip@ecorys.com or fill out your contact details below (not obligatory):

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