Transatlantic Trade and Investment Partnership (TTIP)

BUSINESSEUROPE

U.S. CHAMBER OF COMMERCE

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The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

THE REGULATORY COMPONENT

With total commerce surpassing €4.76 trillion, or $6.5 trillion, the European Union and United States enjoy the broadest and most successful economic relationship in the world.

Nonetheless, there are major benefits to be had from closer cooperation. Deepening our commercial ties will ignite significant new trade flows, accelerate economic growth and generate high-quality jobs. That is why both European and American businesses support the delivery of this partnership, the so-called TTIP.

TTIP will be a comprehensive, ambitious, high-quality agreement to liberalize trade in a variety of areas including: industrial goods, agricultural products, services, investment, procurement, protection of intellectual property rights and cutting-edge topics in digital trade. It will also help resolve long-standing issues in food and agriculture and set global benchmarks on competition policy and the treatment of state-owned enterprises.

The heart of TTIP, however, will be to enhance regulatory cooperation between EU and American authorities. The EU and U.S. are democratic societies, with comparable levels of income and wealth; our citizens demand similar levels of consumer, environmental and investor protection. But while our regulators try to achieve similar results, procedures and details differ in ways that can make it difficult for European and American companies to sell safe products and services seamlessly across the Atlantic. Millions of travelers shuttle back and forth between Europe and the U.S. for work and leisure without any concern for the health and safety aspects of the products and services they buy on the other side of the Atlantic. And a Pew Research Study found that 76% of Americans and 80% of

Europeans support making regulations for products and services between the U.S. and Europe as similar as possible. TTIP should help do this. An exhaustive study in 23 different sectors[1] estimates that reducing even half of the non-safety related regulatory divergences would lead to GDP increases for the EU and the U.S. of over €147 billion or $200 billion.

WHAT IS THE REGULATORY COMPONENT OF TTIP?

Innovative transatlantic regulatory cooperation will facilitate the movement of goods and services throughout the EU and U.S. by ensuring that both maintain transparent, effective, enforceable and coherent regulatory systems. Without affecting the level of safety our citizens enjoy, the regulatory component of TTIP should spell out principles and practices that underlie good regulatory practices; promote specific cooperation between the entities that regulate and oversee different sectors on both sides of the Atlantic; and empower regulators and stakeholders to develop new sector-specific cooperation. TTIP will therefore have a general horizontal part and sector specific parts on regulatory cooperation.

In particular, BUSINESSEUROPE and the U.S. Chamber believe ambitious and successful regulatory provisions in TTIP must include all of the following:

[1] ECORYS Nederland BV, *Non-Tariff Measures in EU- U.S. Trade and Investment – An Economic Analysis* (2010).

- **Build on a Shared Foundation of Good Regulatory Practices:** Provisions should strengthen and more effectively implement good regulatory practices and principles, including by ensuring that regulations are based on a sound assessment of the risks faced, and by finding balance between the cost of the regulations and the benefits they bring.

- **Enhance Transparency through Regulatory Coherence:** Provisions should establish procedures in both the EU and U.S. to ensure stakeholders: (1) receive advance notice of proposals being considered by regulators and regulatory agencies; (2) are able to provide timely comments on draft rules and impact assessments, including full text; and (3) are given adequate time to implement any regulations. The improved regulatory coherence should be focused on the areas of the rulemaking process where trade irritants are most likely to be created.

- **Create New Tools for Regulatory Cooperation:** There should be a clear goal of having counterpart EU and U.S. regulators, in coordination with stakeholders and affected industries, determine where their regulatory regimes have common values and compatible regulatory objectives. Where these commonalities exist, they should be leveraged to focus on more efficient, coordinated processes so that a product or service sold in one market can be made available for purchase in the other. There must also be a framework for regulators and stakeholders to meet regularly to address horizontal and sector-specific regulatory concerns. The new tools will empower increased regulatory cooperation long after the conclusion of the agreement.

- **Provide Ambitious Approaches on TBT and SPS:** Progress must be made in traditional trade disciplines such as technical barriers to trade (TBT) and sanitary and phytosanitary (SPS). TBT provisions must address differences related to standards incorporated into government regulation, including a commitment to use international standards and recognize standards currently in use by either government. The SPS chapter must include a requirement for science-based regulations while ensuring that risks are addressed and our food systems are safe.

- **Create Immediate Sectoral Gains:** There should be strong sector-specific agreements in areas like automotive, chemicals, pharmaceuticals, cosmetics, and medical devices where common regulatory objectives are readily apparent and U.S. – EU cooperation is longstanding. The sectoral agreements will provide immediate efficiency gains.

BENEFITS OF REGULATORY COOPERATION

European and U.S. regulators have long cooperated, with no detriment to health or safety. This cooperation has occurred with increasing frequency over the past 20 years and has improved protections in many areas, from labelling of organic foods to airplane standards.

Regulatory cooperation allows EU and U.S. regulators to focus resources where they see higher levels of risk and helps them to better meet their statutory objectives. Efficiency increases when regulators share compliance and enforcement duties while working together to leverage standards and best practices.

Regulatory cooperation that builds bridges between similar levels of protection on both sides of the Atlantic will lead to:

- **Increased citizen confidence** that regulations give the appropriate safeguards, properly enforced.
- **Increased consumer access** to a wide choice of goods and services at better prices.
- **Evolving capacity** to deal with new regulatory issues as they arise.
- **Enhanced SME entry** into new markets.
- **Internationally compatible regulations**, including in relation to the WTO.
- **Greater predictability** for businesses with regard to regulatory frameworks and their enforcement.
- **Improved transparency** in both regulation and enforcement.

SETTING THE RECORD STRAIGHT

There are a number of misperceptions around regulatory cooperation. Here's our response to some of those:

- **Regulatory cooperation is not a "race to the bottom." Health and safety standards are not being compromised.**

  Regulatory cooperation helps build bridges where—and only where—counterpart regulators provide similar levels of protection. These decisions will only be taken under our normal respective regulatory procedures, and only where regulators—and their political oversight bodies—are sure that statutorily mandated regulatory objectives are satisfied. This builds cooperation between our regulators, helping them become more efficient and more effective in protecting our consumers, workers, investors and the environment.

  TTIP negotiators will not be choosing regulations to alter or remove. Regulators will remain in full authority over their jurisdictions. No changes will be made to current rules unless they are backed up by evidence.

- **Regulatory cooperation is not a threat to sovereignty. Responsibilities of domestic regulatory agencies (and Congress and Parliament) will not be altered or delegated.**

  The right to pass laws and regulations will not be altered by regulatory cooperation. Nothing restricts governments from passing regulations they deem necessary; instead regulators are encouraged to examine the way other systems address similar issues in order to reach the most effective solution. Incompatible regulations are still acceptable as long as they are justified. Moreover, regulatory cooperation does not restrict the ability of governments to quickly act in an emergency situation.

- **Regulatory cooperation does not represent complete harmonization.**

  Regulatory cooperation refers to the numerous activities that can be leveraged to increase regulators' efficiency and effectiveness, share regulatory burdens, and eliminate or avoid trade barriers. In general, it does not involve creating an identical regulation, which may make sense only in select cases and for certain sectors.

- **Regulatory cooperation should not be omitted from trade agreements.**

  The goal of trade agreements is to spur jobs and growth by eliminating barriers to trade, giving workers, farmers and companies better access to overseas markets. International regulatory cooperation prevents regulatory differences from becoming unnecessary barriers to trade while enhancing regulators' ability to protect our citizens.

- **There is no reason for regulators in sensitive areas, like financial services, to be exempt from cooperation.**

  Financial services companies operate in one of the most globally integrated sectors. It makes sense to have greater transparency when developing new requirements and to regulate with an eye to the global nature of financial markets. Requiring financial regulators to increase engagement with stakeholders and adhere to good practices will result in more efficient and easy to understand protections.

- **TTIP will help small and medium-sized enterprises.**

  Regulatory cooperation will benefit small and medium-sized companies much more than big multinationals because they are more affected by regulatory barriers.

  The costs of complying with regulations for new and existing product are generally higher for SMEs. Therefore, navigating and complying with two sets of regulations (EU and U.S.) proves to be more difficult for SMEs than multinational companies. An effective TTIP could therefore have a big impact by allowing many small companies to explore new business opportunities across the Atlantic for the first time.

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