

# Recent Trade Developments and the Transatlantic Trade and Investment Partnership (TTIP)

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- Background: Key Political Developments
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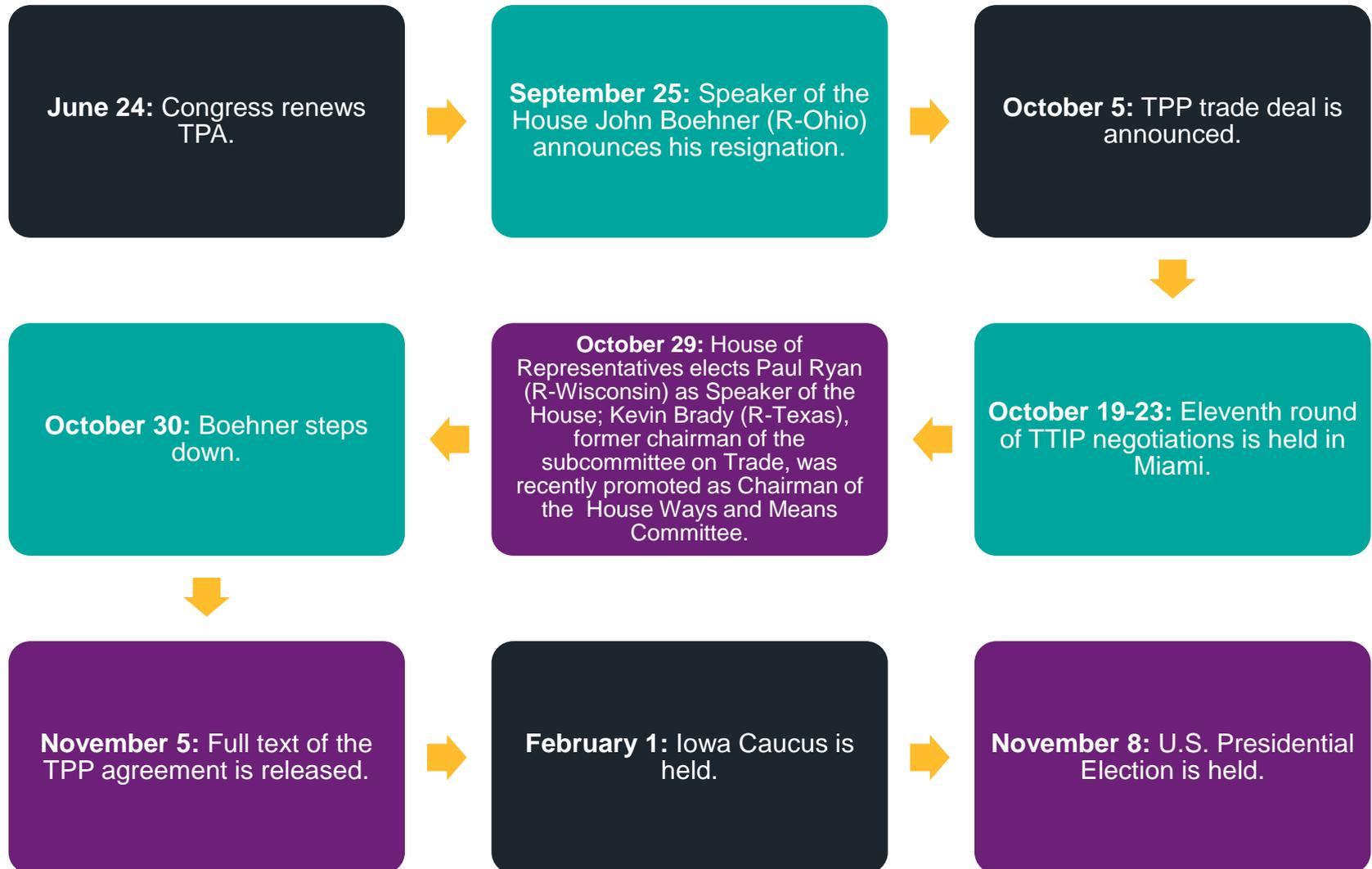


## Changes in the Geopolitical Landscape

- With the decline of the World Trade Organization (WTO) as a forum for crafting multilateral trade agreements, many countries, including the United States, are concentrating on the negotiation of mega-trade agreements, such as the TPP and the TTIP.
- Russia is currently caught between two mega-trade agreements, the TPP and the TTIP. With the proper strategy, Russia can also expand its trade opportunities to access new markets.



# Background: Key Political Developments



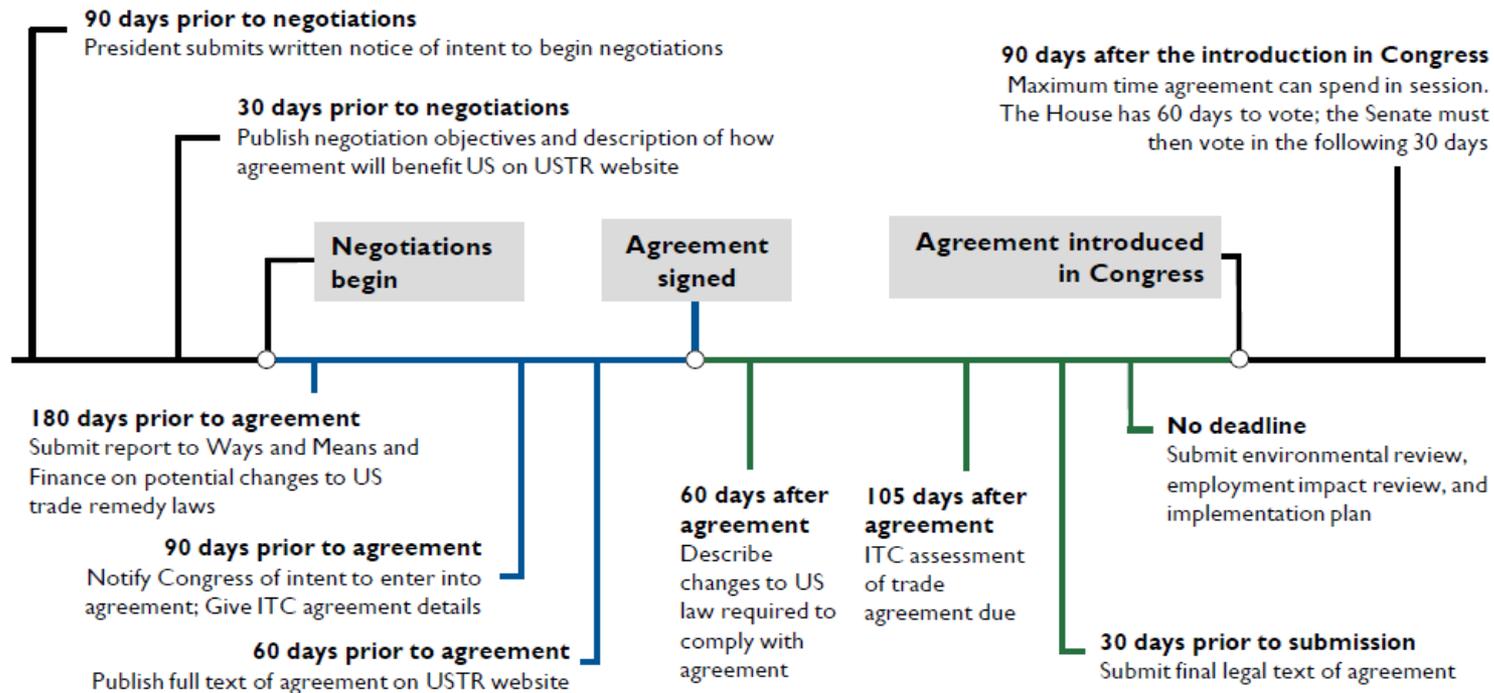
# Trade Promotion Authority (TPA)



## What is TPA?

- Under U.S. law, trade agreements are not treaties and therefore are not self-executing. Instead, trade agreements must be approved by both chambers of Congress and signed into law by the President through implementing legislation.
- TPA gives the President the ability to negotiate these agreements, but requires he consult with lawmakers as negotiations progress.
- Extension of TPA is not required for trade negotiations to proceed. However, under TPA, once a final agreement has been reached, Congress can only approve or disapprove of the agreement, but it cannot amend or filibuster it.
  - Congress can still review the bill informally in committee through the “non-markup” process.
- Although TPA requires Congress to vote on the bill within 90 days of its introduction, there is no deadline for when the President must introduce the bill. Thus, the President can choose to delay his introduction of the bill until he is certain that Congress will support it.
- Congress renewed TPA in June 2015 after a lengthy and often contentious debate. The TPA bill included updated negotiating objectives as well as provisions aimed at increasing transparency.

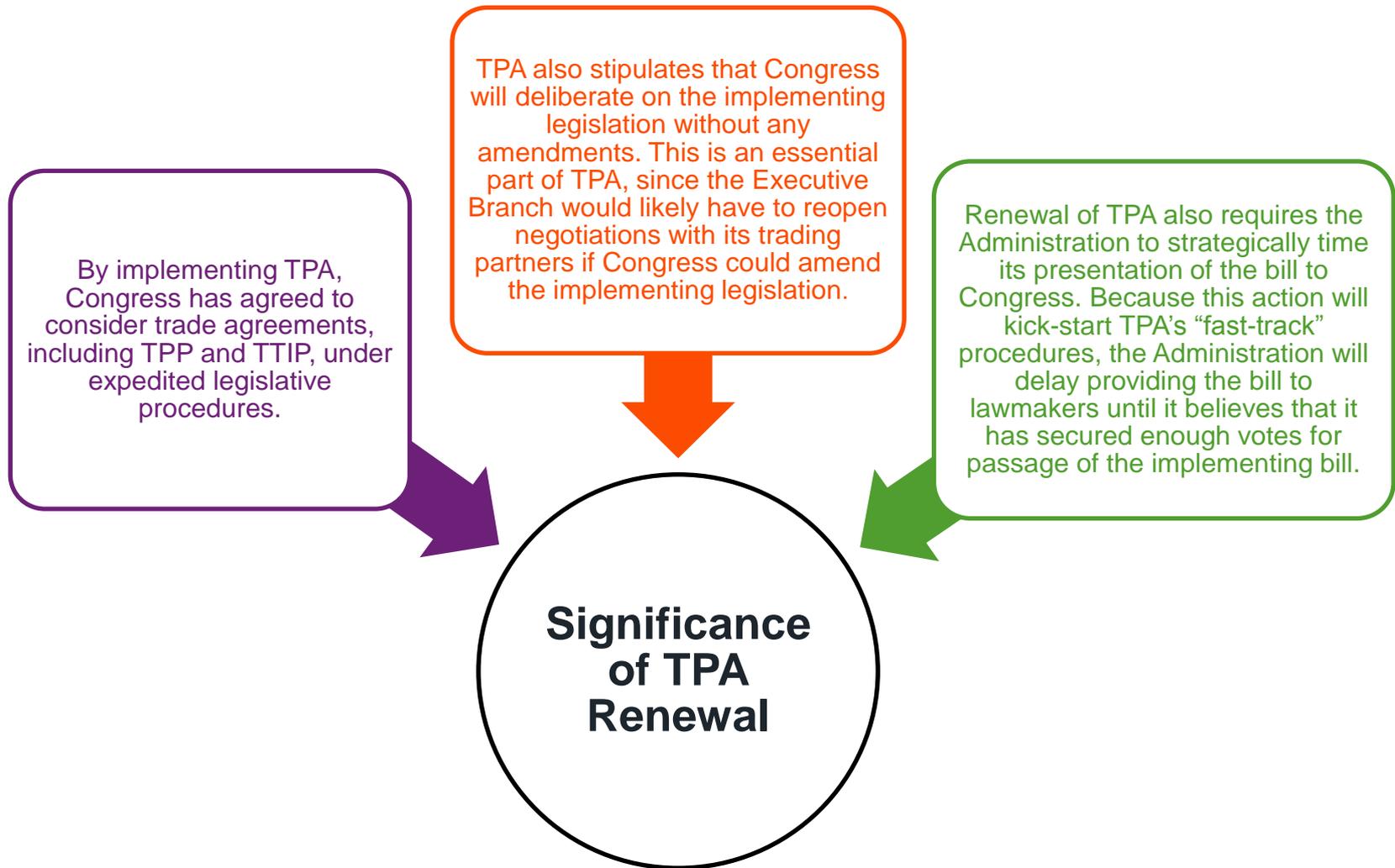
## Timeline of Requirements for Trade Agreements Under Trade Promotion Authority 2015



### Analysis

- Trade Promotion Authority (“fast-track”) streamlines the process of approving trade agreements by giving the President authority to negotiate an agreement that goes straight to an up-or-down vote in Congress with no amendments or filibusters
- TPA applies to all trade agreements reached before July 1, 2018, with a possible extension to July 1, 2021

Source: *National Journal*



# Trans-Pacific Partnership (TPP)



## What is TPP?

- TPP aims to be a comprehensive, high-standards trade agreement between 12 countries: Brunei, Chile, New Zealand, Singapore, U.S., Australia, Peru, Vietnam, Malaysia, Mexico, Canada, and Japan. If implemented, the agreement would cover 40% of global trade.
- TPP's supporters suggest that the deal will open markets and set high-standard trading rules for member countries.
- U.S. policymakers also argue that TPP would solidify the U.S. "pivot to Asia" and strengthen its economic ties with the Asia-Pacific region.
- After missing several deadlines for completion, the twelve TPP countries announced on October 5 that a final agreement had been reached.
- On November 5, the Office of the U.S. Trade Representative released the full text of the agreement.
- Countries such as South Korea, Taiwan, Philippines, China, Indonesia, and Colombia have all expressed interest in acceding to the TPP in a later round.

# Trans-Pacific Partnership

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## Next Steps: A Washington Perspective

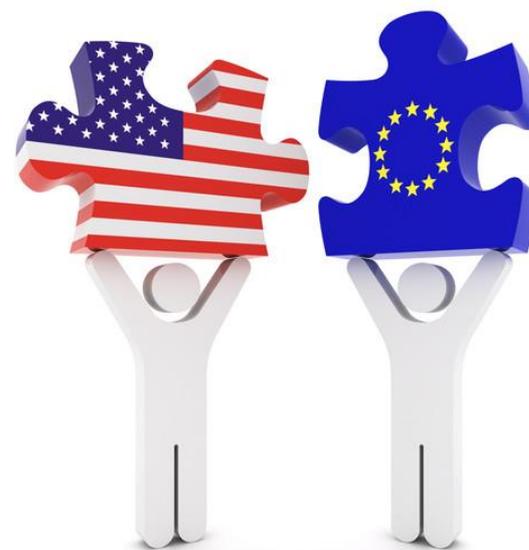
- Under TPA, the President must notify Congress of his intent to sign the agreement at least 90 days before doing so, and must publicly post the text of the agreement no less than 60 days before his signature.
- While the TPA vote was highly contentious and supporters lobbied hard to secure enough votes for passage, a vote against TPA does not necessarily mean a vote against TPP. For example, many Republicans objected to the TPA bill because they did not support what they argued was a grant of authority for the President to negotiate free trade agreements.
- Ultimately, the details of the agreement will determine whether Members support TPP.



## Next Steps: A Washington Perspective

- The timing for Congress' vote on the agreement remains unclear and has become even more complicated due to recent political developments.
- Policy-makers have proposed several scenarios, including:
  - **February 2016:** The Administration may wish to see the bill move through Capitol Hill as soon as possible, to clinch a major tenant of President Obama's economic and foreign policy legacies. However, with the turnover in Republican Congressional leadership and the impending presidential primaries, TPP supporters have suggested that this may not be enough time for the Administration to state its case and rally support.
  - **April-May 2016:** Political strategists have suggested that April-May could provide the perfect window for Congress to vote on the TPP. This would allow Congress to consider the agreement after the busiest time in the primaries and before the presidential nominating conventions in July.
  - **Lame Duck Session:** Some policymakers have argued that the President should wait until the lame duck session. But leaving the TPP in limbo until next November could provide its opponents too much time to undermine support.

# Transatlantic Trade and Investment Partnership (TTIP)



## How did TTIP come about?

- Leaders discussed the possibility of a TTIP in November 2011. The trade relationship between the U.S. and the EU is the biggest in the world, with more than \$2.2 billion of goods and services traded each day. If implemented, the agreement would cover approximately one third of global goods and services trade.
- In February 2013, a joint High Level Working Group outlined how a transatlantic agreement could be accomplished.
- In his 2013 State of the Union address, President Obama announced the proposed TTIP between the U.S. and EU. In March 2013, the Office of the USTR formally notified Congress of its intent to negotiate the TTIP.
- Since then, the U.S. and EU have participated in 11 rounds of formal negotiations, dividing time between the U.S. and Brussels.



## What happened regarding the proposed Investor-State Dispute Settlement (“ISDS”) clause?

- Many in Europe have expressed concerns about including ISDS in TTIP. The EU conducted an internal public comment process on whether to include an investment chapter in TTIP. Meanwhile, Ambassador Froman has advocated for the inclusion of an ISDS clause.
- In September, the European Commission approved a proposal for a new and transparent system for resolving disputes between investors and states – the Investment Court System.
  - The Investment Court System would replace the existing ISDS mechanism in all ongoing and future EU investment negotiations, including the TTIP agreement.
  - The proposal for an Investment Court System builds on the substantial input received from the European Parliament, member states, national parliaments, and stakeholders through the public consultation held on ISDS.

## Latest Developments

- In July 2015, the European Parliament adopted a report emphasizing TTIP's great economic and political promise.
- Negotiations have also revealed a renewed focus on regulations and market access:
  - Both sides are working on “horizontal” regulatory issues – those that cut across all sectors – to address how the U.S. and EU can coordinate future rulemaking.
  - Negotiators also continue to work closely with stakeholders from all parts of the supply chain to identify ways of reducing bureaucratic red tape, delays, and costs at the border.
- In light of the European Court of Justice's recent decision effectively nullifying the Safe Harbor Agreements between the U.S. and the EU, TTIP negotiations could also begin to focus on data protection issues.
- The 11th round of negotiations recently took place in Miami on October 19-23.



## The 11th Round of Negotiations in Miami (October 19-23)

- With the recent conclusion of the TPP agreement, negotiators in Miami were optimistic that future TTIP negotiations will advance more rapidly. U.S. Chief Negotiator Dan Mullaney stated that the U.S. hopes to complete negotiations by the end of the Obama Administration, adding that the next four months will be critical to achieving this goal.
- In Miami, negotiators made progress in a number of areas:
  - The U.S. and EU exchanged tariff offers, and negotiators confirmed that the second formal exchange of tariff offers now covers 97% of tariff lines. Reports indicate that the final three percent covers autos, textiles and some agricultural products. EU negotiator Ignacio Garcia Bercero suggested these issues will be left to the “end game.”
  - Negotiators exchanged views on revised services offers originally presented in July and continued discussions on regulatory compatibility. The two sides also agreed to hold talks on financial services market access within the next few weeks.
  - In addition, negotiations continued on key regulatory issues such as technical barriers to trade, public procurement markets, and sanitary/phytosanitary measures.
- The next round of negotiations will take place in Brussels early next year.

## Recent Reactions in Europe to TTIP Negotiations

- According to a poll released in July 2015:
  - 56% of Europeans favor the deal, as do the majority of citizens in 25 of the 28 Member States.
  - However, a notable exception is Europe's largest economy, Germany, where only 31% of the population supports the proposed agreement.
- Some TTIP critics in Europe have expressed concerns that a final TTIP deal will give too much power to multinational corporations and force EU member countries to lower their food safety and environmental standards.
- Additionally, some have suggested that negotiations are undemocratic and lack transparency.
- TTIP opponents have organized a number of large-scale protests across the EU over the last year. Most recently, 150,000 people marched in Berlin in opposition to the agreement.

## How might future U.S. and EU elections impact TTIP?

- Much of the momentum and outlook for the TTIP will be affected by U.S. Presidential and Congressional elections in 2016, as well as the TPP vote.
  - In the U.S., elections have traditionally contributed to delayed progress on trade matters and have led some Members of Congress to sign forceful letters on their positions regarding controversial issues, including those contained in TTIP.
- If TTIP negotiations last until 2017, elections in Europe could also have a significant impact.
  - Both France and Germany will hold general elections in 2017.
  - The UK is also expected to hold a referendum on whether to remain a part of the EU.



## What is the outlook for TTIP?

- Work on the agreement will continue through 2016, and potentially beyond.
- Some are optimistic that renewal of TPA and the potential passage of the TPP will push negotiators in the U.S. to conclude TTIP negotiations before the end of President Obama's presidency.
- However, controversy surrounding the final TPP deal, plus the substantive challenges created by the U.S. Presidential campaign, threaten to complicate this timeline.
- Although many on both sides of the Atlantic would like to conclude negotiations before the European elections in 2017, negotiators need to resolve a number of contentious issues, including the investor state dispute settlement procedures, financial services regulations, and sanitary/phytosanitary measures.
- In addition, countries such as Turkey, Georgia, Norway, and Canada have expressed interest in acceding to the TTIP in a later round. As negotiations continue, we expect that even more countries will express an interest in the agreement.

## General Impact of TTIP on Russian Markets

- The EU is Russia's largest trading partner, and the reduction of trade barriers could divert some of this activity away from Russia.
- Some have speculated that the elimination of tariffs between the EU and U.S. could make it more difficult for Russian goods to compete with goods from TTIP members.
  - In 2010, Russia exported approximately \$20 billion of goods to Germany.
  - A recent study conducted by Bertelsmann Stiftung suggests that the TTIP will allow Germany to diversify its imports, replacing some Russian-made goods with U.S. goods.
- However, other experts have suggested that TTIP will simplify rules of origin and customs procedures, which would directly benefit exporters in Russia. This will be particularly helpful for Russian companies whose exported goods are later incorporated into European products.

# Looking Forward: The Impact of TTIP

## The Potential Effects on Russian Energy Markets

- Some observers suggest that the TTIP agreement could have a significant impact on Russia's energy markets, especially if the TTIP includes an energy union.
- In addition, some EU states have also been lobbying the U.S. to relax the prohibition on the export of U.S. crude oil and natural gas. The TTIP agreement could provide a forum for the EU to negotiate with the U.S.
- However, U.S. negotiators recently stated that they do not believe an energy chapter is necessary.



## What can Russia Do to Prepare for TTIP?

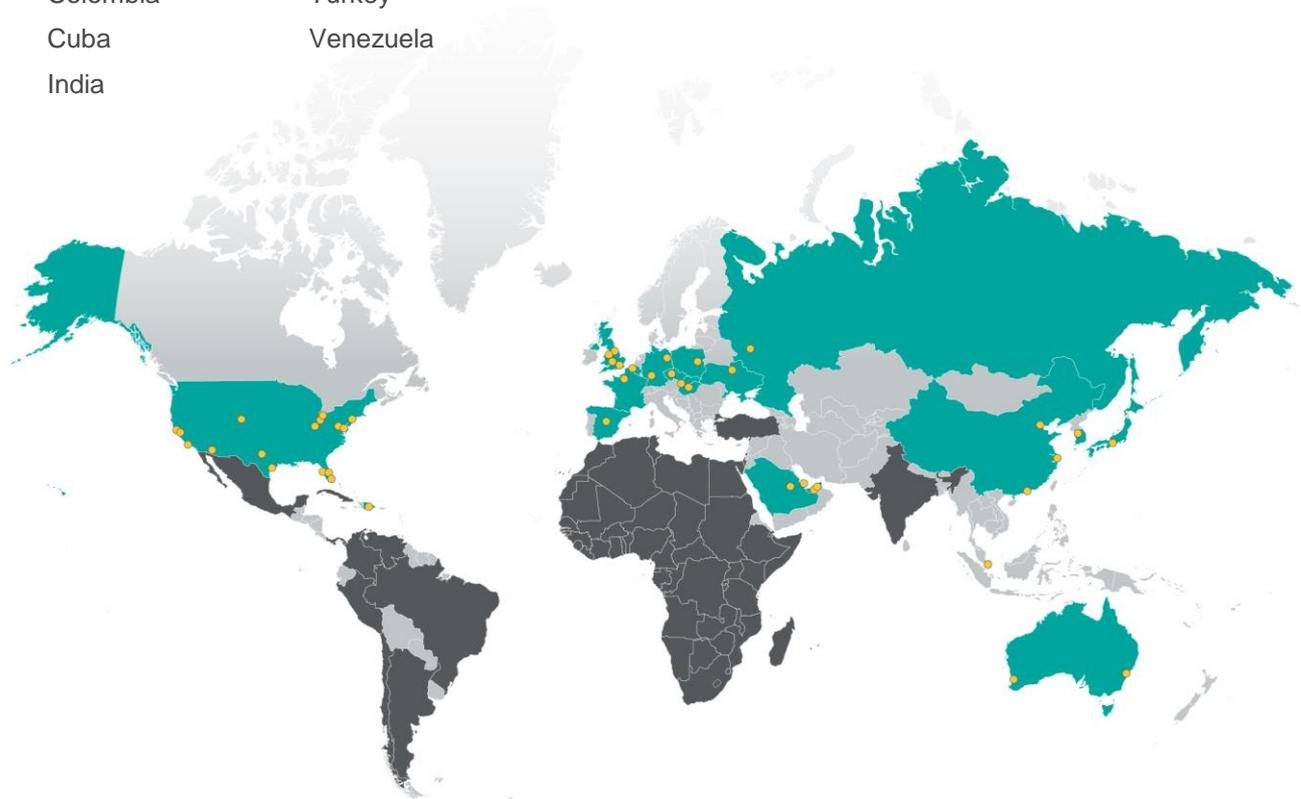
- The future success of Russia's exports will depend on how Russian products compete in the global marketplace.
- Russia can continue to develop its own global trade relationships by building on the existing framework of the Eurasian Economic Union (EAEU), and by negotiating new multi-lateral trade agreements.
- After the TTIP is implemented, it will be critical for Russia to ensure that its market controls and technical barriers to trade do not impede future trade relations with the EU. Specifically, Russian stakeholders should closely monitor any proposed changes to sanitary/phytosanitary measures.
- Russian industry can deepen existing relationships with companies in the EU in order to reap the benefits of TTIP's streamlined customs procedures and border controls.
- Russia may also consider acceding to TPP in a later round.

# Office Locations & Regional Alliances

Abu Dhabi	Manchester
Beijing	Miami
Berlin	Moscow
Birmingham	New York
Bratislava	Northern Virginia
Brussels	Palo Alto
Budapest	Paris
Cincinnati	Perth
Cleveland	Phoenix
Columbus	Prague
Dallas	Riyadh
Denver	San Francisco
Doha	Santo Domingo
Dubai	Seoul
Frankfurt	Shanghai
Hong Kong	Singapore
Houston	Sydney
Kyiv	Tampa
Leeds	Tokyo
London	Warsaw
Los Angeles	Washington DC
Madrid	West Palm Beach

Africa	Israel
Argentina	Mexico
Brazil	Panamá
Chile	Peru
Colombia	Turkey
Cuba	Venezuela
India	

■ Office locations  
■ Regional desks and strategic alliances





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