

THE MORTIMER CAPLIN CONFERENCE  
*on the* WORLD ECONOMY

The Transatlantic Trade and Investment Partnership  
*A Multilateral Perspective*



*November 2014*





# The Transatlantic Trade and Investment Partnership *A Multilateral Perspective*

The Mortimer Caplin Conference  
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*November 2014*

*Washington, DC and Edinburgh*



## INTRODUCTION *to the* CAPLIN CONFERENCE

*T*he Miller Center's Mortimer Caplin Conference on the World Economy assembles scholars, experts, government officials, and leaders in business and finance to examine the impact of U.S. economic policy at home and abroad. In 2008, the inaugural Caplin Conference, "The New Financial Architecture: A Global Summit," convened 12 former finance ministers from around the world to discuss and recommend a blueprint for global economic management. Subsequent conferences have focused on how to govern through debt and deficits, the role of central banks and banking, tax reform and global competitiveness, and high-skilled immigration. Past conference participants have included Paul Volcker, Mark Warner, John Snow, Mervyn King, Christina Romer, Steve Case, Jean-Claude Trichet, Steve Rattner, and Zhou Xiaochuan.

In 2013, a new model was developed to examine the selected topic from a multilateral perspective. Two separate conferences are organized around the conference topic, but with slightly different charges. Employing this new model, the Miller Center and the University of Edinburgh's Europa Institute examined the Transatlantic Trade and Investment Partnership (TTIP), a proposed free trade pact currently being negotiated, from the U.S. and EU perspectives, and produced the joint report included herein.

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## LETTER *from the* MILLER CENTER

Since World War II, the Atlantic marketplace and the Atlantic partnership have been powerful forces in world trade and world affairs. As other economic powers emerge, the United States and the European Union are today engaged in negotiations for a Transatlantic Trade and Investment Partnership (TTIP) that could propel their historic influence deep into the new century.



Gerald L. Baliles

The potential economic benefits of such a trade agreement are enormous—benefits desperately needed on both sides. The combined economies of the U.S. and the EU have been mired in a cycle of contraction and stagnant economic growth since the 2008 global crisis, and robust growth is not projected to re-emerge any time soon. As TTIP’s technical trade negotiations come into political focus in this country, the president and Congress may find that a refreshed and enlarged Atlantic free trade agreement holds the potential to spur both economies.

Discussions and news accounts of TTIP have often focused either on the American or on the EU perspective. For progress to be made, though, it is vital that both perspectives are understood and considered. That is why the sixth annual Mortimer Caplin Conference on the World Economy has been a transatlantic conference. In gatherings in Washington, DC, and Edinburgh, Scotland, the Miller Center brought together key stakeholders from the U.S. and EU—government officials, business and labor leaders, trade experts, and scholars—for a constructive discussion on the opportunities and obstacles in pursuing TTIP.

With its emphasis on applying historical insights to contemporary policy challenges and its strictly non-partisan approach, the Miller Center is an ideal party to convene such discussions. Accenting the transatlantic focus, we partnered with the University of Edinburgh’s distinguished Europa Institute, a leading center of advanced study in law, politics, governance, and institutions in European integration. It has been a pleasure to work with the institute.

As Congress and the president engage the issue, we hope the deliberations synthesized in this report and the recommendations informed by those deliberations show a path forward to an invigorated, durable Atlantic partnership that can be a global model for trade, investment, and shared prosperity.

We are deeply grateful to Mortimer Caplin, whose financial support made this timely initiative possible.

A handwritten signature in blue ink that reads "Gerald L. Baliles". The signature is fluid and cursive, written over a light blue background.

Gerald L. Baliles  
*Director and CEO*

## LETTER *from the* EUROPA INSTITUTE

**T**he transatlantic partnership has long shaped the global political economy. Having built the international organisations that underpin the multilateral system, the United States and Europe serve as anchors and drivers of global economic growth and vitality. The stand-alone size of each economy is impressive, and the sheer size of the joint transatlantic marketplace is staggering. Indeed, the figures paint a picture of the two largest industrialized markets creating a bilateral economic relationship that dwarfs all others.



*Chad Damro*

At the multilateral level, the prominent relationship helps to define the shape of the global economy. The European Union or the U.S. is the largest trade and investment partner for almost all other countries in the world. Simply put, what the EU and U.S. do matters for global trade and investment.

The potential impact of a Transatlantic Trade and Investment Partnership (TTIP) between these two giants would be profound. Given the inclusion of regulatory standards in the negotiations, a TTIP agreement also holds the potential to continue shaping the future of global economic activity by indirectly allowing the partners to set global regulatory standards.

The stakes could not be higher for the EU, the U.S., and the rest of the world. The initiative taken by the Miller Center to focus upon the TTIP negotiations has proven to be timely, prescient, and—as shown in this report—extremely productive.

It has been a genuine honour and distinct pleasure collaborating with the Miller Center to deliver the sixth annual Mortimer Caplin Conference on the World Economy.

Reflecting the strong partnership between the EU and the U.S., the Europa Institute at the University of Edinburgh will continue to value the transatlantic partnership it has established with the Miller Center. We look forward to continuing the rewarding dialogue and informative policy analysis of TTIP with our friends in the United States of America.

A handwritten signature in blue ink that reads "Chad Damro". The signature is fluid and cursive, with the first name being particularly prominent.

Chad Damro

*Co-Director*





## EXECUTIVE SUMMARY

The scale of the Atlantic marketplace is enormous by any measure, and its global influence is unmatched in the modern era. The United States and the European Union exchange more than \$1 trillion in goods and services every year—more than \$2 billion in goods alone every day. That transatlantic relationship encompasses more than 800 million people, accounting for 45 percent of global GDP and a third of world trade. Enhancing cooperation and eliminating trade friction in that marketplace, as TTIP aims to do, promise to increase the flow of goods and services, stimulate investment, create new jobs, and raise both profits and per capita income.

Deepening and harmonizing the commercial connections between the United States and the European Union can sustain and even re-energize that influence, even as other economic powers rise around the globe. TTIP is a vehicle to achieve those goals, provided that trade negotiators and political leaders in the U.S. and EU focus on the long view of TTIP's far-reaching potential, not a "transactional" view that settles for a closely defined but limited payoff.

In such a long view, TTIP is not a fixed contract closed at a single commercial moment, but a "living agreement." By that description, TTIP would:

- Eliminate uncontroversial trade barriers now but also erode and eventually erase seemingly intractable ones over time by establishing a system of scientific and regulatory consultation toward common rules.
- Set model standards on developed economies' special trade concerns, such as intellectual property rights and competition from state-owned enterprises.
- Respect the global stake in the World Trade Organization (WTO) while fashioning trade terms that the stalled WTO could adopt to gain new relevance and momentum.
- Envision a greater-than-Atlantic horizon by being open to other, like-minded nations and being congruent with the pending Trans-Pacific Partnership (TPP).
- Respect democratic prerogatives by being transparent in its instructions and goals, even as it recognizes the need for private negotiations and consultations.
- Be clear enough in principle but flexible enough in form to apply to emerging technologies, such as nano-ingredients in foods and drugs.

*We present not a comprehensive checklist, but rather a framework of examples, political considerations, and actionable steps toward achieving that “living agreement.”*

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In the pages that follow, we present not a comprehensive checklist, but rather a framework of examples, political considerations, and actionable steps toward achieving that “living agreement.” This framework was informed by the varied perspectives of the political leaders, scholars, experts, and trade professionals who participated in the sixth annual Caplin Conference on the World Economy. Participation in this conference does not imply endorsement of these recommendations.

Specifically, we urge leaders on both sides of the Atlantic to consider the following eight principles:

**1. Eliminate tariffs—even low ones—wherever possible.**

In a \$1 trillion market, eliminating even low tariffs yields significant gains. TTIP negotiations should strive to create the most extensive possible transatlantic free trade zone. Even in sectors where regulatory barriers, not tariffs, create the most friction in trade—such as chemicals, dairy, beef, and poultry—tariffs should be eliminated.

**2. Offer mutual recognition opportunities when differing—and entrenched—standards exist.**

Elaborate regulatory rules and bureaucracies on both sides of the Atlantic put the prospect of “unified” regulatory systems out of reach in the short term. But by focusing on shared desirable outcome—safe cars, safe food, safe drugs—rather than differing inspection and approval processes, TTIP negotiations can increase the flow of trade without increasing risk. Regulatory convergence is a long-term proposition, but mutual recognition of differing but effective standards can achieve the benefits of free trade now.

**3. Expand the scope of the agreement to include services and procurement, not only goods.**

An EU-U.S. trade agreement that omitted services would ignore the reality of modern commerce and the preeminence of both the EU and the U.S. in the global services trade—telecommunications, law, finance, insurance, and transportation, in particular. TTIP should take down anti-competitive barriers, both to promote transatlantic trade and to set global standards based on their leading share in the services sector. Government procurement is a similar web of preferences and restrictions that should be opened further to transatlantic competition through TTIP.



*Charles Freeman III*

**4. Include foreign investor protections in the agreement.**

With the EU and U.S. as both the leading sources and recipients of global foreign direct investment, it is imperative that TTIP include an acceptable process of Investor-State Dispute Settlement (ISDS). TTIP's ISDS terms must be carefully defined, openly discussed and provide assurance against criticism and fear that corporate and investor interests could trump democratically enacted public policies as to health, environment, and safety. That is all the more important because the scale of EU-U.S. investment provides such leverage that a successful ISDS formula in TTIP could become a global standard.

**5. Focus on incremental change to align enforcement practices.**

Some regulatory regimes in both the U.S. and the EU have only recently emerged from crisis and debate, and their differences are unlikely to be reconciled during the TTIP negotiations. This agreement should instead aim to identify prospects for coherent enforcement practices in the short term, and establish a process of regulatory consultation and scientific collaboration that would be a path for eventual regulatory convergence in the long term.



Panel Two

*From a geopolitical and historical perspective, TTIP holds the promise of extending the global influence of the transatlantic alliance deep into this century.*

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#### **6. Maintain alignment with other trade agreements and organizations.**

From a geopolitical and historical perspective, TTIP holds the promise of extending the global influence of the transatlantic alliance deep into this century. In order to combat perceptions that TTIP is a “rich nation’s club” that represents “the West vs. the Rest,” it should be congruent with the other “mega-regional” trade negotiations, such as the Trans-Pacific Partnership. It should also be open to additional members that adopt its trade terms and processes. In the same vein, the U.S. and EU should express their continuing commitment to the World Trade Organization in TTIP’s prospective terms.

#### **7. Embrace greater transparency up front to encourage public confidence.**

TTIP’s enactment ultimately depends on the approval of



*Keynote Roundtable*

democratically elected governments in the EU and U.S. Its proponents cannot wait until negotiations are complete to pursue public confidence efforts, especially since the limited media attention on TTIP tends to highlight the risks and concerns expressed by its critics. Both sides must achieve greater transparency to counter consumer suspicion and undercut populist claims that free trade—and TTIP in particular—is a “corporate conspiracy.”

#### **8. Enlist the private sector to advocate for TTIP.**

In addition to trade and elected officials, the private sector in the U.S. and EU must become involved in promoting TTIP, including small and medium-sized businesses. Information campaigns should use the data to demonstrate the interconnectedness of the Atlantic economy, state by state and country by country. Benefits offered to U.S. and EU citizens in particular should be touted.

As negotiations continue and the spotlight shines brighter on TTIP, much more detailed negotiations, public persuasion, and political commitment will be required. The stakes are historic. So are the opportunities.



## RECOMMENDATIONS

The United States and the European Union exchange more than \$1 trillion in goods and services every year—more than \$2 billion in goods alone every day. That transatlantic relationship encompasses more than 800 million people, accounting for 45 percent of global GDP and a third of world trade. Enhancing cooperation and eliminating trade friction in that marketplace, as TTIP aims to do, promise to increase the flow of goods and services, stimulate investment, create new jobs and raise both profits and per capita income.

U.S.-EU tariffs are already low in the main—less than two percent in most sectors, with outliers pulling the average up to about 3.5 percent, according to a 2013 Bertelsmann Foundation/Global Economic Dynamics study. But the market is so large that eliminating even such a relatively small tariff burden would yield significant gains. That said, as several of our conference panelists noted, the greatest economic benefits by far would come from the reduction of non-tariff barriers—discriminatory or conflicts regulatory restrictions.

Beyond resolving particular disputes, an important element of taking down non-tariff barriers would be to at least partially align and integrate the U.S. and EU *processes* of regulation, with the intention that they would converge and become more coherent over time. Equally important would be to expand the range of transatlantic trade and competition by removing barriers that block access to government procurement and restrict foreign trade in private services, such as finance, insurance, telecommunications, transportation, advertising, and computer services.

During the conference sessions, participants cited various econometric studies that varied in their degrees of positive forecasts. Nonetheless, all of the studies noted the positive potential of TTIP on both sides of the Atlantic. The 2013 study by the Bertelsmann Foundation, which assumes an ambitious reduction in regulatory barriers, projects the creation of 2 million jobs from increased transatlantic trade and investment. In its 2014 survey of jobs, trade, and investment, the Center for Transatlantic Relations at Johns Hopkins University predicted that reducing non-tariff barriers by 25 percent would yield \$106 billion (€79 billion) to the combined GDP of the EU and U.S.

The Centre for Economic Policy Research, in a study prepared for the European Commission in 2013, forecasts an increase of \$160 billion (€120 billion) in annual

economic gain for the EU and \$128 billion (€95 billion) in the U.S., from a combination of eliminating tariffs, reducing regulatory “friction”, and expanding trade in sectors of the economy now partially restricted. Those gains would represent a GDP increase of 0.5 percent in the EU and 0.4 percent in the U.S. The CEPR study noted that, as a result of both price reductions and wage increases, a family of four in the EU would see its annual disposable income rise \$732 (€545) and a U.S. family would gain \$880 (€655).

Politically, with both the EU and the U.S. enduring a sluggish recovery from the financial crisis and Great Recession, TTIP represents the prospect of an economic stimulus without adding to budget deficits or tax burdens. We, therefore, propose the following eight recommendations:

### 1. Eliminate tariffs—even low ones—wherever possible.

Trade in goods between the U.S. and EU already approaches a free-trade model.

With some exceptions, particularly in agriculture, tariffs are low. But if TTIP can zero out most tariffs, the opportunity for gain is significant because scale matters.

As Daniel Hamilton, director of Johns Hopkins University’s Center for Transatlantic Relations, observed at the Washington conference: “Even 3 percent reduction in tariffs really means a lot... Small changes in really big markets mean more than big changes in small markets.” In a trillion-dollar market, billions in tariffs are in play.

And, where reducing or eliminating regulatory and other non-tariff barriers is both the biggest challenge and the biggest potential gain in TTIP, erasing tariffs is simpler by comparison. So much so that Susan Schwab, former U.S. trade representative, expressed her concern during the Washington keynote panel that the negotiators

would give up on the regulatory issues and settle for a tariff deal: “The tariff part is the easy part,” she said.

“The big worry I have about TTIP is the ‘Take the money and run’ scenario.”

The CEPR report referenced above indicated that EU tariffs reach protectionist levels on certain imports, notably processed foods (14.6 percent) and motor vehicles (8 percent), including parts and components. The report also noted that both the EU and the U.S. impose relatively high duties on agriculture, forest, and fisheries (3.7 percent, aggregate). Tariff adjustments in those sectors, in addition to the direct reduction in costs, could promote substantial increases in trade, the report predicted. Sector by sector, EU

export gains were projected for motor vehicles (41 percent), metal products (12 percent), processed foods (9 percent), chemicals (9 percent), other manufactures (6 percent), and other transportation equipment (6 percent).

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*Daniel Hamilton*

Using the CEPR study as a foundation, a 2013 report by the Atlantic Council, British Embassy, and Bertelsmann Foundation extrapolated economic benefits from TTIP for every state in the U.S.—aiming to arm proponents with kitchen-table arguments in what will eventually be a civic and political debate. Overall, the report forecast almost 750,000 new U.S. jobs from an ambitious TTIP agreement. It projected job increases in every state, and especially significant gains in states associated with those sectors where tariff resistance is relatively high—advanced manufacturing, motor vehicles (including components), chemicals, and processed foods. Much of the job growth and export growth assigned in that report, however, is derived from easing non-tariff barriers, such as by streamlining regulatory regimes or unblocking transatlantic trade in services and government procurement.

The tariff versus regulation balance is particularly clear in agriculture. Although tariffs are very high on some key agricultural products and commodities, trade between the U.S. and EU is constrained more by regulatory barriers to market access. Even if tariffs were dropped to zero, EU food safety barriers—“sanitary and phytosanitary standards”—block U.S. beef and pork treated with growth hormones and U.S.



*Christina Davis*



*Alan Larson*

poultry processed with chlorine or other anti-microbial rinses, which are conventional in the U.S. domestic market but banned in the EU. Similarly, EU biotechnology policy curtails imports of U.S. corn, soybeans, and related grain products. Where genetically modified feed for livestock has won import approval and some market share in the EU, using genetically modified ingredients in food for consumers has faced strong public and political opposition. Responding to public concern, the EU's top trade official, Trade Commissioner Karel De Gucht, has said repeatedly and publicly that the ban on hormone-treated beef will not be relaxed under TTIP and food safety standards will not be compromised.

At the Washington conference, Princeton University Professor **Christina Davis**, who focuses on trade policy, contrasted the current situation with the early 1960s, when a prohibitive European tariff on U.S. poultry prompted a retaliatory U.S. tariff on trucks and other European goods. "It's not the 'Chicken War' of the past," she said. "It's about whether a chlorine rinse is safe or not. Negotiating a tariff is a little easier than negotiating a health regulation."

The economic opportunity in expanding transatlantic agricultural trade is substantial, particularly on the U.S. side, which has seen its market share of EU agricultural imports drop from 15 percent to 9 percent since 2000. According to the U.S. Department of Agriculture, exports to the EU of grain and feed, oilseed, meat and poultry, and fresh fruit have been cut by half or more since 2000, as a consequence of regulatory barriers in the EU and competition from countries with preferential trade agreements with the EU.

For its part, the European Union sees an opportunity in TTIP to protect or enhance its agricultural exports to the U.S., which emphasize high-quality, premium products, such as wines, beer, cheeses, and processed sweets. To that end, the EU wants TTIP to establish the exclusivity of many “geographical indicators” on food and drink, such as parmesan and champagne. Under that regime, products sold by those names in the U.S. would have to be genuinely imported from the EU. The U.S. dairy industry adamantly opposes such exclusivity on what it considers generic names. In their recent trade agreement, the EU and Canada compromised on this issue; for example, “parmesan” will be generic but “parmigiano reggiano” will be an exclusive geographical indicator.

Panelists in both Edinburgh and Washington said established, organized opposition on both sides makes agriculture a particularly difficult area for the TTIP talks.

**David Martin**, a Scottish member of the European Parliament and a member of its international trade committee, predicted limited progress because both the EU and U.S. have high levels of trade protections for agriculture. “The agriculture issue is going to be very tough,” Georgetown University Professor **Rod Ludema** said at the

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Washington conference. Ludema, who served as senior international economist on the White House Council of Economic Advisors, summed up the U.S. starting point: “Agriculture’s position is that eliminating tariffs and tariff rate quotas...constitutes ‘unilateral disarmament’ unless we get movement on sanitary and phyto-sanitary standards.”

This is fertile ground for negotiation. U.S. flexibility on geographical indicators might open the door to EU flexibility on the sanitary and phyto-sanitary standards that block U.S. poultry. U.S. beef exports to the EU might be increased by establishing a significant import quota for

non-hormone-treated beef from the U.S., as the EU has already done in its free-trade pact with Canada. And a suggested compromise on U.S. genetically modified feed and seed would assign more power to the European Food Safety Authority’s review of

biotech products, which has granted science-based approvals that were subsequently stymied by the lack of political consent from EU member states.

## 2. Offer mutual recognition opportunities when differing—and entrenched—standards exist.

Where political and social opposition has erected trade barriers—as with genetically modified crops or hormone-treated beef—TTIP should give consumers in both markets a free and informed choice. For example, foods with GMO ingredients should be labeled as such—contrary to the wishes of the U.S. food and grocery industry. On a panel with three other former U.S. trade representatives, Schwab suggested labeling as a way to allow individuals to decide for themselves whether U.S. or EU standards on certain consumer products were acceptable. She used genetically modified foods as an example: “A label could say something like, ‘This product has been approved by U.S. regulators for the consumption of Americans’ instead of a big skull-and-crossbones on it that says ‘No GMOs.’” Labeled as “approved for consumers in the United States,” they should also be freely traded in the EU—contrary to existing European import restrictions. Science-based food safety is a legitimate interest, but social preferences should not mask protectionist policies.

Mutual recognition of products’ unique geographical origins has previously eased trade restrictions in wine between the U.S. and EU. Coupled with “truth in labeling,” the same solution could resolve differences about geographical indications (GI) in the names of cheeses, meats, and other products associated with particular locales or traditional methods. The pending free trade agreement between the EU and Canada

resolves comparable disputes over traditional product names, such as parmesan, asiago, and feta. Under the EU-Canada terms, for instance, only Greece can produce feta, but Canadian cheese-makers can make and sell “feta-style” cheese. Similarly, respecting GI boundaries but allowing generic names and letting informed consumers choose can serve as a model for TTIP.

For potentially controversial trade-offs in TTIP to be put into practice, “opt-out” provisions might be necessary for EU members. In such cases, the inverse of a tariff quota—an “opt-out exclusion”—might be applied to proportionately limit related exports from nations that choose not to accept the trade-off.

*Where political and social opposition has erected trade barriers—as with genetically modified crops or hormone-treated beef—TTIP should give consumers in both markets a free and informed choice.*

In the end, Princeton’s Davis doesn’t expect either side to switch to the other’s regulations. But both sides could recognize the “equivalence” of their different health and safety standards; they have the same objective, just different—but valid—paths

to achieving it. Even that will be hard to reach, she predicted: “If TTIP is going to go forward, you need to have more equivalence, a way of saying, ‘Your chicken processing, our chicken processing; your vaccine approval, our vaccine approval—either one is fine.’”

Part of the challenge is mistrust by consumers, she said. Americans remember Mad Cow Disease; Europeans don’t want growth hormones in their beef. “There isn’t this willingness to just defer to the other side about what is good science and what is

good health,” she said. “If you don’t get regulatory convergence, there aren’t going to be big trade gains, but how are you going to get the public on both sides to go along?”

*The EU is stereotyped as more environmentalist and more cautious about health and safety, but it may be that the EU doesn’t actually apply its regulations as reliably as the U.S., even if the U.S. regulations are less stringent on paper.*

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Hamilton also said public mistrust is a major impediment to bridging the regulatory differences. “To sum up the European fear of the negotiation, it’s that the American system... is going to come over and steamroll the European way of life,” he said. He believes negotiators can use opt-out provisions for individual EU states or consumer labeling to overcome those concerns, but adds: “One shouldn’t underestimate those who are opposed to this. A media campaign on the notion that ‘Frankenstein foods from America are coming your way’ could really subvert the negotiations.”

In Edinburgh, Elvire Fabry of Notre Europe/Jacques Delors Institute also warned that mutual recognition of regulations requires more trust between the U.S. and EU cultures, and better understanding of how each system actually considers and manages risk. The EU is stereotyped as more environmentalist and more cautious about health and safety, she said, but it may be that the EU doesn’t actually apply its regulations as reliably as the U.S., even if the U.S. regulations are less stringent on paper.

Vito Buonsante, law and policy advisor for the environmental advocacy organization ClientEarth, agreed that TTIP is more about regulatory barriers than tariffs. As a panelist in the Edinburgh conference, he said he is concerned that the negotiations will negate or undermine European environmental protections, especially in the chemical industry. The EU’s Registration, Evaluation, Authorisation and Restriction of Chemicals regulation (REACH) is more restrictive than regulations in the U.S. regarding toxic chemicals, pesticides, biocides, etc. He said opposition to REACH standards from the U.S. chemical industry is significant, and it is unrealistic to believe that standards will be increased under TTIP. Concerned that the REACH standards might be brokered, his organization has called for chemical trade regulation to be excluded from any agreement.

Participants pointed to Boeing and Airbus as examples of how a system of “equivalence” or “mutual recognition” already works in EU-U.S. trade. Though the two aircraft manufacturers are more often cited as cases of fierce competition between the U.S. and EU, or even to raise an argument about whether one company or the other gets unfair government subsidies, there is little or no concern about whether the Boeing 777 and Airbus A350 are safe to fly. And no impediment to either in the transatlantic air trade. The pertinent U.S. and EU regulations are not identical, but they are aligned—and trusted by governments, businesses, and consumers on both sides of the Atlantic.

*The already-intimate trade and cultural relationship between the U.S. and EU also contributes to that negotiation between equals, along with the fact that they share similar interest in regulatory standards.*

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With that example, advocates say TTIP should take the regulatory friction out of transatlantic trade in cars, trucks, and motorcycles. “It’s hard to say, if you drive a car in Europe or in the U.S., that one is safer than the other,” Hamilton said. Auto safety standards are different but equivalent, and “mutual recognition” would benefit companies, workers, and consumers on both sides. His center’s report on TTIP estimates that price savings on cars and trucks could amount to 7 percent if the EU and U.S. recognized each other’s crash test and related auto safety standards rather than require expensive modifications.

**Chad Damro**, senior lecturer in international relations and co-director of the Europa Institute at the University of Edinburgh, said TTIP is like no other agreement for the EU because it is being negotiated between equal partners who share similar interests in regulatory standards. When “Market Power Europe,” as he described it, negotiates a bilateral agreement with most of its trading partners, it is the dominant partner, with the power to set standards and coerce concessions. The relative parity of the EU and U.S., he said, means the process is one of “negotiated persuasion,” rather than coercion. The already-intimate trade and cultural relationship between the U.S. and EU also contributes to that negotiation between equals, along with the fact that they share similar interests in regulatory standards.

Former Obama Administration U.S. Trade Representative **Ron Kirk** made a similar comparison of EU and U.S. cultures in his optimism about reaching a TTIP deal: “This is the first time in a long time where you don’t have the voices that are typically anti-trade saying, ‘Why are we doing an agreement with a country that has no safety, no environment, and no labor standards?’ It’s hard to go to the American public and say a car built in Europe isn’t as safe as a car built in the United States. Or food. Let’s assume that these are two of the most advanced economies in the world, with very high standards.”



*Ron Kirk with Susan Schwab*

Well-developed regulatory systems can present their own obstacles, however. On panels in both Washington and Edinburgh, other experienced negotiators said the regulators themselves can be so entrenched that cooperation is difficult to achieve. “Trade policy professionals know that regulators are very reluctant negotiators,” said **Lord Peter Mandelson**, a former Labour Party cabinet member and former EU trade commissioner. “They focus on only one part of the jungle—their own. Trade negotiators are used to trading off. Regulators are absolutely allergic to that. Their silo is their world. They know their own rules, and, my God, are they determined to keep them and sustain them.”

For example, he said, a trade negotiator would consider trading financial market regulations for concessions in another area. But not regulators like the U.S. Securities and Exchange Commission. “They don’t see their prerogatives as bargaining chips to winning concessions from EU food safety authorities,” he said. In practice, he said, American trade negotiators have relatively little leverage against big regulatory agencies in the U.S.

On a panel in Washington, Gary Hufbauer of the Peterson Institute for International Economics noted the same intransigence in the system: “Federal agencies think they have the mandate from heaven about what’s good for you.” Georgetown’s Ludema also noted the organizational obstacles to regulatory coherence: “Some of these regulatory agencies absolutely don’t want to have an international organization looking over their shoulders when they’re applying the regulations.”

### 3. Expand the scope of the agreement to include services and procurement, not only goods.

In his report for the Center for Transatlantic Relations, Hamilton described services as “the sleeping giant” of the TTIP negotiations. The U.S. is the top single-country global trader of services, and the EU is the top overall global trader of services. The EU and U.S. are also each other’s largest and most profitable service markets, with the U.S. exporting \$240 billion (€179 billion) to the EU and the EU exporting \$173 billion (€129 billion) to the U.S. in 2012. That impact is magnified when the foreign direct investment flow in services is considered. For both the EU and U.S., affiliate sales of services in each other’s markets are 2.5 times the value of services exported to each other’s markets.

*The impact of liberalizing transatlantic trade in services, Hamilton’s study contends, would match 50 years of liberalization of EU-U.S. trade in goods under the postwar General Agreement on Tariffs and Trade and its successor, the WTO.*

Even against that scale, the study continues, TTIP could unlock substantial growth: *Protected* services account for 20 percent of the EU and U.S. combined GDP—more than manufacturing and agriculture combined. Among other restrictions in the service sector, such protections include nationality requirements for senior management, domestic employment quotas, local content requirements, duplicative certification, and caps on non-domestic investment. The impact of liberalizing transatlantic trade in services, Hamilton’s study contends, would match 50 years of liberalization of EU-U.S. trade in goods under the postwar General Agreement on Tariffs and Trade and its successor, the WTO.

The U.S. has said that financial services are off the table, however, arguing that “harmonizing” financial regulation is being addressed adequately by the G20 group, in talks that stem from efforts to stabilize the global financial system after the 2008 crisis. Post-crisis reforms enacted in the U.S., particularly the Dodd-Frank Law, impose sturdier capital and risk requirements, more consumer protections, and other safety-net conditions for both U.S. and foreign banks trading



in the U.S. In the EU, a similar but not identical set of post-crisis reforms affects financial institutions and services.

*Opening government procurement markets to further transatlantic competition is an objective of both sides in the TTIP negotiations.*

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At the Washington session, American trade diplomat **Alan Larson** said the 2008 crisis still casts a long shadow. “The U.S. Treasury has very serious reservations about how much you negotiate your ability to regulate financial institutions,” he said. In Edinburgh, however, Mandelson suggested that the American and European banking systems are so interlocked that the European Banking Authority and the U.S. Federal Reserve should at least standardize their means of testing banks’ ability to weather another financial crisis. “It doesn’t actually involve changing U.S. law,” he said. “It doesn’t reopen Dodd-Frank. It doesn’t even prejudge the conclusions that regulators should draw from stress test results. But it would mean we were comparing apples and apples when we look at stress tests.”

Larson said the service sector also presents a special problem because of America’s shared power structure between federal and state governments: “Many of these decisions are typically made at the state level, by insurance commissions. Europeans don’t quite understand that. One of our real difficulties with them in trade agreements is getting them to understand that we can’t just sign a document in Washington and bind the state governments on issues related to insurance.”

Hufbauer also saw resistance in the federal system, which leaves the regulation of much commerce to the disparate judgment and authority of the 50 states. That often includes certification or licensing standards for professionals in the service sector—architects, engineers, physicians, and others. “What about all these ridiculous credentialing systems that prevent foreigners from being credentialed as engineers or surgeons?” Hufbauer asked. “They should change that, but do they think they ought to?”

At the federal, regional, state, and local levels, EU and U.S. government procurement of goods and services amounts to trillions of dollars annually. The office of the U.S. Trade Representative estimates that this comprises 10–15 percent of a country’s GDP. Some of this spending is already subject to free trade competition under WTO agreements and others, but opening government procurement markets to further transatlantic competition is an objective of both sides in the TTIP negotiations.

On both sides of the Atlantic, however, government spending is filtered through a web of preferences. In the U.S., for example, many states and localities have enacted

contracting preferences favoring local businesses, small businesses, and minority-, women-, or veteran-owned businesses. In addition, “Buy American” policies are common in government contracting at all levels, including the U.S. federal government, although free trade agreements, such as WTO and NAFTA, include waivers for certain procurement.

*Moreover, the Atlantic market’s dominant and far-reaching stake in foreign investment provides leverage to integrate TTIP’s terms as global standards for protecting investors and settling disputes.*

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“How many states think they should open their procurement to international competition?” Hufbauer asked. “Not very many. They think this is the governor’s or the mayor’s prerogative to favor his buddies and companies he loves.” Even without crony procurement, opening government contracting to transatlantic trade requires undoing a protectionist system.

#### **4. Include foreign investor protections in the agreement.**

Just as the Atlantic market accounts for a massive share of global trade, it is also preeminent in global investment—both as a source of and target for foreign investment. The Center for Transatlantic Relations estimated that the EU and U.S. accounted for 69 percent of “outward” and 55 percent of “inward” foreign direct investment (FDI) in 2012. Globally, the European Union is the single largest source and receiver of FDI.

The EU-U.S. investment market is also powerfully interconnected. For example, since 2000, 56 percent of U.S. FDI has gone to EU countries, according to the SAIS report. That compares to 1.2 percent to China. Similar comparisons hold across the globe, with U.S. investment in the EU standing at four times its investment in all of Asia and 14 times its investment in the emerging BRICS economies—Brazil, Russia, India, China, and South Africa. According to European Commission data, direct investment in the U.S. has accounted for 31 percent of the EU’s total FDI in this decade.

“The real driver of the transatlantic economy versus the Trans-Pacific economy, is investment,” said Hamilton. “It’s overwhelming. That’s where American companies make their money, through those investments. About half or even more than half of the profits of American companies globally are still in Europe.” Accordingly, many contemporary free trade agreements, such as NAFTA or the pending Comprehensive Economic and Trade Agreement between Canada and Europe, have stressed investment as well as trade. Moreover, the Atlantic market’s dominant and far-reaching stake in foreign investment provides leverage to integrate TTIP’s terms as global standards for protecting investors and settling disputes.



*Gary Hufbauer*



*Thomas Zeiler*

Known in trade language as Investor-State Dispute Settlement (ISDS) clauses, the investment protections in these agreements are derided by critics as “corporate sovereignty” clauses. To TTIP negotiators from both the U.S. and EU, ISDS terms are intended to ensure that contracts are enforceable and investors have protection against the expropriation of assets or anti-competitive discrimination. To detractors—including consumer and environmental protection advocates in both the U.S. and EU, and a substantial contingent in the EU Parliament—ISDS terms give corporations standing or “sovereignty” to sue governments in international tribunals in order to fight policies enacted by elected officials in the public interest.

In Edinburgh, UK Cabinet Minister **Kenneth Clarke** said NGOs are attacking TTIP as a “multinational corporate conspiracy,” especially regarding the prospect of ISDS giving businesses tools to undercut democratic decision making. One such argument is that TTIP would establish an arbitration authority with power to award damages to companies if the actions of elected bodies diminish their profits, such as by enacting environmental or health laws. In fact, ISDS terms in previous free trade agreements

have brought corporate suits—so far without success—against government regulation in such areas as tobacco marketing and shale gas “fracking.”

*European and American negotiators both appear determined to include some form of ISDS in a final agreement.*

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The campaign against investor-state provisions has been prominent in media coverage of TTIP on both sides of the Atlantic and has already succeeded in slowing the talks on that point, as the EU suspended discussion to allow several months to collect public input. As consumer and populist opposition has multiplied, EU Trade Commissioner Karel De Gucht has urged the European Commission to allow disclosure of its specific ISDS proposal for public scrutiny. In the U.S., interest groups, and even some states, are calling for a similar public review or outright exclusion of ISDS terms, despite assurances from the Office of the U.S. Trade Representative.

European and American negotiators both appear determined to include some form of ISDS in a final agreement. In setting up its public review, the European Commission said that its goal is to achieve “the right balance between protecting investors and safeguarding the EU’s right and ability to regulate in the public interest.” De Gucht has argued that carefully honed ISDS terms in TTIP can ensure that corporations cannot trump actions by elected governments. As Hamilton assessed the prospects, he cautioned: “Whatever you do in this negotiation, you don’t want to disrupt the investment flow, because that’s the lifeblood of the transatlantic economy.”

##### **5. Focus on incremental change to align enforcement practices.**

**Ignacio Garcia Bercero**, the EU’s chief TTIP negotiator, described some of the characteristics of a process he thinks TTIP should achieve for follow-on regulatory cooperation between the EU and U.S.—making TTIP a “living agreement” that would encourage convergence of EU and U.S. regulations over time. In his remarks on a panel in Edinburgh, he said such an approach would require a strong, balanced framework, with neither side insisting its system is perfect. It would build an institutional framework that allowed continuing dialogue between EU and U.S. regulators. And it would be focused on areas where regulatory cooperation would actually achieve savings, and on what is doable, not wishful.

On the same panel in Edinburgh, **Fabian Zuleeg**, CEO of the European Policy Centre, said the belief that “my system is better than yours” is difficult to overcome. It is a long-term process that requires practice in harmonization and mutual recognition. So, he contended, the crucial question is: What is the mechanism that will enforce long-term regulatory convergence?

Hamilton said setting up such a collaborative “living agreement” system for future regulations is essential. “You’re not going to solve everything with the stroke of a pen,” he said. “We’re always innovating.” Regulators, scientists, and lawmakers need a way to regularly discuss concerns and directions as new technologies emerge and old regulations prove inadequate. For example, he cited nanobiotechnology, where applications for food color, flavor, texture, and taste are being developed. An effective regulatory regime will have to keep up with such developments. Davis recommended actually blending the two regulatory systems to build trust. “That’s the direction that needs to be taken, getting the two scientific communities and the two regulatory communities working together, building long-term relationships, checking with each other on the scientific evidence, eventually building one scientific community, one standard-setting body.”

Larson agreed, noting that such a collaborative system would apply broadly, not to product safety only. Larson, who served in the Clinton and George W. Bush administrations and is a former U.S. ambassador to the Organization for Economic Cooperation and Development, said, “Some process where you’re getting people from both sides of the Atlantic thinking about common problems, whether it’s competition policy or food safety or regulation of insurance or financial stability and financial regulation, is probably prerequisite and hopefully is part of what people have in mind in this second, longer-running phase of regulatory convergence.”

*As a geopolitical gambit, TTIP could restore the old “center of gravity,” extending the Atlantic partners’ historic influence over world trade deeper into this century.*

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Georgetown’s Ludema noted that the CEPR study concluded that regulatory “incoherence” was equivalent to a 10-20 percent tariff. While he doubted that the impact was that large—eliminating incoherence does not mean eliminating the burden of any regulation. He said the discussion highlights a broader perspective on how TTIP can affect the World Trade Organization and global standards. “If we can make some breakthroughs, it will be very important for transatlantic trade but also for setting standards going forward in the WTO,” he said. On a similar theme, Hamilton raised the global stakes on TTIP’s need to achieve coherent EU-U.S. trade standards: “If we don’t, we’ll have a Chinese standard.”

## **6. Maintain alignment with other trade agreements and organizations.**

Dominant as they remain by the economic numbers, the rule-making power the Atlantic powers have wielded in global trade since World War II has been waning, challenged by the priorities of the less-developed nations, and especially by emerging trade giants, such as China. As a geopolitical gambit, TTIP could restore the old



*Rod Ludema*



*Edward Mansfield and Joshua Meltzer*

“center of gravity,” extending the Atlantic partners’ historic influence over world trade deeper into this century.

In addition to the economic growth promised by TTIP, the agreement could also help define stable rules for 21st century trade. The EU and U.S., along with other developed nations, could set the terms for rising economies to enjoy the fruits of trade in the larger system, including rules against giving trade or regulatory advantages to state-owned enterprises, rules to protect intellectual property, a system for resolving investor-state disputes, free market access for financial services, and free freedom of trade for energy.

Mandelson recounted how stalled progress on elements of that agenda at the WTO in 2008 prompted the U.S. to enter bilateral talks on TTIP and the related “mega-regional” negotiation on the other side of the globe, the TPP. “That precipitated a very big strategic recalculation, primarily in Washington,” he said. “The U.S. has two basic aims in trade policy, and they are quintessentially mercantilist aims. They want new market access for U.S. exports and want to export U.S. regulatory frameworks and

standards to the rest of the world. The EU wants the same, but we tend to dress it up in softer language.”

According to Mandelson, the U.S. felt the WTO’s “appetite for liberalization was very thin, especially in the modern trade policy areas that were important to the U.S.... If the GATT had been a club of self-described trade liberalizers, the WTO had become more a club of guardians of the global trade rulebook.”

Ludema, who also served in the White House Council of Economic Advisers under President Obama, agreed. “These are the areas where the U.S. sees big growth, in which we have comparative advantage. These are the areas in which we must have significant rules that go beyond existing WTO rules. By closing ranks around a set of common rules, we’ll have a better bargaining position when it comes to the WTO. The end game is not even TTIP. The end game is China.”

If the U.S. and EU, plus the other eleven nations in the TPP, can agree on these “21st century” issues on terms sought by the larger, developed economies, then rising economies such as China may have to trade on those terms. China’s incentive would be to continue to attract investment and maintain its stake as a prime exporter to those vast markets. The same might hold true for other rising economies, especially India and Brazil. “You might, in a strategic economic sense, set enough of the rules and be big enough economically that you could de facto globalize the set of rulemaking that comes out of TTIP,” **Joshua Meltzer** of the Brookings Institution said during the Washington conference.

*TTIP will decide what can be salvaged from a failing multilateral system and how western powers confront rising powers. A strong TTIP will result in rising powers conforming to the Atlantic system, and a weak TTIP will encourage rising economies to challenge that system.*

On the same panel, Hufbauer was more direct in his assessment: “If we take TPP and TTIP together—a big if—that will dramatically change the world trading system that we’ve known since 1947 when the GATT was formed, until the current time. This will be the new world trading system.... Other countries around the world will basically have two choices: They either join the party, or they find themselves increasingly marginalized in world trade and investment.”

In Edinburgh, **Steven Blockmans** of the Center for European Policy Studies offered a similar analysis of the tension between rising economies and the Atlantic economies. In his view, TTIP will decide what can be salvaged from a failing

multilateral system and how western powers confront rising powers. A strong TTIP will result in rising powers conforming to the Atlantic system, he said, and a weak TTIP will encourage rising economies to challenge that system. However, TTIP risks fragmentation even as it seeks integration. The EU-U.S. posture can be seen as “the West versus the rest.”

Larson recognizes that risk. Before TTIP, he said, the U.S. was reluctant to engage in a bilateral negotiation with the EU alone, because they are the two largest economic groups in the world. “If you do that, it really does look like you’re trying to get a rich man’s club together and set up the trade rules so later they will, one way or the other, be imposed on others,” he said.

But frustration with the WTO’s inability to deal with their most important issues changed that. “No important trading group is going to say, ‘I’m going to hold myself completely hostage to a process in which nothing is agreed unless everything is agreed by everyone.’” Nevertheless, Larson said, the EU and U.S. are not abandoning their commitment to the WTO, and need to send that message because of their economic and political weight.

Mandelson offered his historical perspective: “TTIP is part of a bigger picture that is actually rooted in those big questions of how you create institutions that ensure that in a world of competing geopolitical forces, we are able to create and sustain both peace and prosperity.” Hufbauer, again, presented the historical stakes in starker terms: “If they fall flat, it will be said, the old Atlantic powers have lost their oomph, lost their mojo, it’s all over and we have to look to China.”

## 7. Embrace greater transparency up front to encourage public confidence.

For all the nuanced compromises and attention to detail at the negotiating table, Edward Mansfield of the University of Pennsylvania warned that TTIP may have a hard time winning approval in the U.S. “Trade agreements that bring reforms to

the table in the United States are extremely difficult to sell politically,” he said. “The idea that we’re going to do this or that reform because the Germans or the French insisted on it—that will more or less kill this deal on arrival.... It has to appear to be coming from the ground up.”

*Nevertheless, Larson said, the EU and U.S. are not abandoning their commitment to the WTO, and need to send that message because of their economic and political weight.*

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Most Americans equate free trade deals with lost jobs, former U.S. Trade Representative Kirk said, citing a poll in which 70 percent said trade was bad for America. “Just going to the American people and saying trade is good was a losing argument. And if you said ‘free trade’ it was even

worse.... Americans were convinced that trade was about us getting cheaper t-shirts and laptops, but in their minds, all the jobs were going to Mexico. And when they got tired of blaming Mexico, they blamed China.”

Historian Tom Zeiler of the University of Colorado-Boulder noted that the Great Recession still colors public attitudes about the economy in both the EU and U.S.



“I think there’s going to be some convincing to do, on both sides of the Atlantic, that this kind of free trade and harmonization agreement won’t just help corporations and big business but will benefit national economies too.”

Zuleeg of the European Policy Centre said that TTIP must be sold by European politicians as a political project. As the largest EU member economy, Germany is a key player but has not invested much of its political capital in TTIP’s success. As it stands, he said, mostly negative aspects of TTIP are being highlighted in the public debate, but a healthy debate needs both sides.

*The European Parliament passed a resolution warning it might not approve any TTIP agreement unless it was satisfied that the U.S. was respecting EU citizens’ privacy.*

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On a panel at the Edinburgh conference, Blockmans of the Center for European Policy Studies said the political environment for TTIP negotiations has been “polluted” by the revelations that the U.S. National Security Agency had spied on EU citizens online, specifically targeted EU diplomats and the European Commission, and even hacked into German Chancellor Angela Merkel’s cell phone. The European Parliament passed a resolution warning it might not approve any TTIP agreement unless it was satisfied that the U.S. was respecting EU citizens’ privacy. At the Washington session, Hamilton emphasized the same point: “Politically, the European Parliament is

never going to ratify this agreement unless there’s some satisfaction in the EU about this whole complex of snooping, data privacy, and so on. Politically, those things are now linked. If they aren’t resolved, there’s no political coalition in the EU to support it. This has to be taken very seriously.”

In addition to mistrust from the NSA spying scandal, some members of the European Parliament have argued that Europe’s TTIP negotiators are secretly brokering deals that will weaken EU health, safety, and environmental standards in exchange for better business access to the U.S. market. For example, since his participation at the Edinburgh conference, Vito Buonsante’s ClientEarth has joined with other groups to urge the EU to exclude chemical regulation from any agreement, arguing that negotiators are going to undo strict standards pending in the EU. The surge in “Euro-sceptic” members elected to the European Parliament in May added to trade deal resistance there, threatening in September to derail the Canada-EU free trade pact at the last minute over its investor-state dispute terms. Still, negotiators on both sides believe a significant majority continues to support TTIP.

In the UK, critics argue that TTIP could remake popular public programs in the name of free trade, such as requiring the further privatization of Britain’s National Health Service. **David Martin**, MEP for Scotland, dismissed that worry as he discussed the

*Trade has bipartisan appeal, and Congress' public consideration and debate on its conditions for a transatlantic free trade pact will serve both to expose the process to scrutiny and to educate the public.*

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concerns of the European Parliament at the Edinburgh session. He said it is “nonsense” to believe TTIP will destroy the National Health Service, turning it into a dysfunctional U.S. health care service. However, he said the Investor-State Dispute Settlement system is a real concern—and not a necessary component of this trade deal.

Hamilton, whose Center for Transatlantic Relations conducts an annual survey of jobs, trade, and investment between the EU and U.S., said European investment brings high-paying jobs. The Center’s survey breaks down EU trade and investment state by state, demonstrating the broad, positive impact of international trade at the state level. But it does not take a sophisticated econometric model to know that more investment will mean more jobs, he said.

And that is the message U.S. advocates of TTIP need to stress to win the political contest at home. “In the end, it’s going to be some senators and congressmen who decide if this works. They’re going to ask a simple question: What’s it mean to my constituents? The more basic stories on that, the better, rather than spend too much time on abstract data.”

**Mickey Kantor**, who was U.S. trade representative when NAFTA was negotiated and ratified in the Clinton administration, said leadership from the White House is essential. “If the president of the United States doesn’t get in with both feet and both hands, [U.S. Trade Representative] Michael Froman can’t get it done.” Kantor also said it requires a push from business.

Politics in the U.S. also complicate the negotiation—or the potential for ratification. Many trade agreements in the U.S., such as NAFTA, have been approved by the U.S. Congress on an all-or-nothing vote—a process called Trade Promotion Authority (TPA), in which Congress spells out its conditions for a prospective treaty in advance. Competing bills granting TPA have stalled in Congress.

Mansfield, whose research at the University of Pennsylvania includes surveying American public opinion on trade, sees an uphill struggle. “When the mass public thinks ‘trade,’ they think ‘contact with foreigners.’ So, they think about trade in terms of isolationism versus cosmopolitanism; they think about it terms of nationalism; they think about it in terms of prejudice.... The whole logic of comparative advantage is lost on them. That’s a big obstacle. There’s a huge sales job to do to make the average individual understand the core benefits of international trade.”

With the midterm congressional elections now complete, the Obama administration should push for passage of the Trade Promotion Authority (TPA) bill pending in Congress. Trade has bipartisan appeal, and Congress’ public consideration and debate



*Mickey Kantor*



*David Martin*

on its conditions for a transatlantic free trade pact will serve both to expose the process to scrutiny and to educate the public. Actively seeking the so-called “fast track authority” of TPA will also directly engage President Obama in promoting TTIP’s success, which will also raise the profile of the negotiations and highlight the benefits of a transatlantic agreement.

In the EU, officials have called for the European Commission to release its previously secret instructions to TTIP negotiators, a disclosure that would be an important mark of transparency. Responding to public concerns, EU Trade Commissioner Karel De Gucht and others have attempted to counter claims that TTIP would force the importation of hormone-treated beef or require the further privatization of the National Health Service in Great Britain. Negotiations on controversial Investor-State Dispute Settlement terms were suspended to allow public input.

#### **8. Enlist the private sector to advocate for TTIP.**

In addition to trade and elected officials, the private-sector in the U.S. and EU must become involved in promoting TTIP, including small- and medium-sized businesses.



*Above: Clayton Yeutter*

*Opposite: Charles Freeman III,  
Gary Hufbauer, Edward Mansfield,  
and Joshua Meltzer*

“The private sector has got to step up,” said Clayton Yeutter, who was U.S. trade representative in the Reagan administration. “And that’s the private sector in the U.S., which hasn’t been involved as much yet as it should be, and especially in Europe, where the private sector is often hesitant to get involved.”

Information campaigns should use the data compiled by the Center for Transatlantic Relations to demonstrate the interconnectedness of the Atlantic economy, state by state and country by country. In the U.S., the campaign should stress the 50-state breakdown by the Atlantic Council, British Embassy, and Bertelsmann Foundation, which projected 750,000 new U.S. jobs from a successful, ambitious TTIP.

In his keynote address at the conference in Edinburgh, Mandelson set an even broader geopolitical stage, as he described the scope of TTIP at its origin: “It wasn’t just about trade. It was bigger, more profound, more political, and more strategic.” As negotiations continue and the spotlight shines brighter on TTIP, much more public persuasion and political commitment will be required.



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# CONFERENCE AGENDAS *and* PARTICIPANTS

**December 7, 2013**

*The National Press Club, Washington, DC*

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## Panel One

### *U.S. Free Trade Agreements in Historical and Comparative Perspective*

**Edward Alden**, *Moderator*, is Bernard L. Schwartz Senior Fellow at the Council on Foreign Relations (CFR) and director of CFR's Renewing America publication series. He is the author of *The Closing of the American Border: Terrorism, Immigration and Security Since 9/11*, a finalist for the 2009 J. Anthony Lukas Book Prize for non-fiction. Alden previously served as project director for CFR's Independent Task Force on U.S. Trade and Investment Policy and the Independent Task Force on U.S. Immigration Policy.

**Christina Davis** is a professor in the politics department at Princeton's Woodrow Wilson School of Public and International Affairs. Her teaching and research interests bridge international relations and comparative politics, with a focus on trade policy. Davis is the author of *Food Fights Over Free Trade: How International Institutions Promote Agricultural Trade Liberalization* and *Why Adjudicate? Enforcing Trade Rules in the WTO*, as well as research published in the *American Political Science Review*, *Comparative Politics*, and *International Security*.

**Alan Larson** is a senior international policy adviser at Covington & Burling LLP. Larson previously served in the Department of State as assistant secretary of state for economic and business affairs from 1996 to 1999, and under secretary of state for economic, business, and agricultural affairs from 1999 to 2005. From 1990 to 1993, he was an ambassador at the Organization for Economic Cooperation and Development.

**Thomas Zeiler** is professor of history and director of the Program in International Affairs at the University of Colorado-Boulder. He conducts research on trade history, globalization, and U.S. economic diplomacy. He served as the president of the Society for Historians of American Foreign Relations and as editor of *Diplomatic History*, and also on the Historical Advisory Committee in the Department of State.

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*Alan Larson, Edward Alden, Christina Davis, and Thomas Zeiler*

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## Panel Two

### *Is TTIP Good for the United States?*

**Neil Irwin**, *Moderator*, is a *Washington Post* columnist and the economics editor of Wonkblog, the *Post's* site for policy news and analysis. Irwin has been a reporter at the *Post* since 2000, and he covered economics and the Federal Reserve for the *Post* from 2007 to 2012. He is the author of *The Alchemists: Three Central Bankers and a World on Fire*. Irwin frequently appears on television, including on the PBS *Newshour*, CNBC, and MSNBC to analyze economic and financial topics.

**Peggy Chaudhry** is an associate professor of international business at the Villanova School of Business. Her views on international trade have appeared in *Advertising Age* and the *Wall Street Journal*. Her academic research has appeared in numerous outlets that include the *Columbia Journal of World Business*, the *Journal of International Marketing*, and the *Virginia Journal of International Law*. She has written two books, *Protecting Your Intellectual Property Rights* and *The Economics of Counterfeit Trade: Governments, Consumers, Pirates and Intellectual Property Rights*.

**Daniel Hamilton** is director of the Center for Transatlantic Relations at the Paul H. Nitze School of Advanced International Studies (SAIS) at Johns Hopkins University. He also serves as executive director of the American Consortium for EU Studies. Hamilton held previous posts at the Department of State as deputy assistant secretary of state for European Affairs and associate director of the policy planning staff. He is the author of a series of award-winning publications on the transatlantic economy.

**Rod Ludema** is an associate professor in the department of economics at Georgetown University, where he teaches international trade in the undergraduate, MSEA and PhD programs. His research interests include the political economy of trade policy, international trade bargaining, preferential trade agreements, trade and the environment, GATT rules and dispute settlement, and economic geography. From 2012 to 2013, he served as a senior economist at the White House Council of Economic Advisers.



*Neil Irwin, Peggy Chaudhry, Daniel Hamilton, and Rod Ludema*

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## Panel Three

### *A Deeper U.S.–EU Economic Relationship: Implications for American Global Strategy*

**Charles Freeman III**, *Moderator*, is vice president of Rock Creek Global Advisers LLC, an international economic policy advisory firm. Freeman focuses on international trade policy and regulatory matters, particularly in Asian markets, drawing on his experience as assistant U.S. trade representative for China affairs, vice president of global public policy and government affairs at PepsiCo, and from a long and varied career in government, business and law, both in the United States and in Asia.

**Gary Hufbauer** is Reginald Jones Senior Fellow at the Peterson Institute for International Economics. He previously served as Maurice Greenberg Chair and director of studies at CFS and Marcus Wallenberg Professor of International Finance Diplomacy, senior fellow, and deputy director of the International Law Institute at Georgetown University. Hufbauer has held posts as deputy assistant secretary for international trade and investment policy, and director of the international tax staff at the U.S. Treasury.

**Edward Mansfield** is the Hum Rosen Professor of Political Science, chair of the political science department, and director of the Christopher H. Browne Center for International Politics at the University of Pennsylvania. His research focuses on international security and international political economy. He is the author of *Power, Trade, and War*, and co-author of *Electing to Fight: Why Emerging Democracies Go to War* (with Jack Snyder), and *Votes, Vetoes, and the Political Economy of Trade Agreements* (with Helen V. Milner).

**Joshua Meltzer** is a fellow in the Global Economy and Development program at the Brookings Institution and an adjunct professor at the John Hopkins SAIS, where he focuses on international trade law and policy issues at the World Trade Organization and under free trade agreements. Previously, Meltzer was a diplomat at the Australian Embassy in Washington, DC responsible for trade, climate change, and energy issues, and a trade negotiator in Australia's Department of Foreign Affairs and Trade.



*Charles Freeman III, Gary Hufbauer, Edward Mansfield, and Joshua Meltzer*



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## Keynote Roundtable

### *Lessons from History*

**John Harwood**, *Moderator*, is chief Washington correspondent for CNBC and a political writer for the *New York Times* and its weekly column “Political Memo.” Harwood also offers political analysis on NBC’s *Meet the Press* and PBS’ *Washington Week in Review*, among other television and radio programs. He joined the *Wall Street Journal* as White House correspondent covering the George H. W. Bush administration, and later became the *Journal’s* political editor and chief political correspondent before joining CNBC.

**Mickey Kantor** is a partner at Mayer Brown focusing on corporate and financial international transactions. Before joining Mayer Brown, he served as United States secretary of commerce from 1996 to 1997 and USTR from 1993 to 1996 under President Bill Clinton. The U.S. completed 200 trade agreements under his leadership, and Kantor led the negotiations that created the World Trade Organization, North American Free Trade Agreement, and the Asia-Pacific Economic Cooperation Forum.

**Ron Kirk** is senior of counsel in Gibson, Dunn & Crutcher LLP, where his focus is on providing strategic advice to companies with global interests. Prior to joining the firm in April, Kirk served as USTR from 2009 to 2013. As USTR, Kirk also served as a member of President Obama’s Cabinet, acting as principal trade advisor, negotiator, and spokesperson on trade issues. He is the first African American to serve as USTR.

**Susan Schwab** is a strategic advisor in Mayer Brown’s Government & International Trade practice. She also holds a professorship at the University of Maryland’s School of Public Policy, and previously served there as dean and as president of the University System of Maryland Foundation. She was USTR from 2006 to 2009 and deputy USTR from 2005 to 2006, successfully opening markets for U.S. products and services in every region of the world and across different industries.

**Clayton Yetter** is senior adviser in the international trade practice for Hogan Lovells LLP. He held two Cabinet-level posts, first as USTR under President Ronald Reagan from 1985 to 1989 and as secretary of agriculture under President George H.W. Bush from 1989 to 1991. Yetter negotiated the resolution of numerous bilateral disputes with the European Union, and he devoted particular attention to the launch and the critical early years of the Uruguay Round. He also was CEO of the Chicago Mercantile Exchange and a former chair of the Republican National Committee.



*John Harwood, Mickey Kantor, Susan Schwab, Ron Kirk, and Clayton Yetter*

May 2, 2014

*The University of Edinburgh, Europa Institute*

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## Opening Statement

**The Right Honourable Kenneth Clarke** has served as a member of British Parliament since 1970. Clarke also has served in various British Cabinets as chancellor of the exchequer, home secretary, Lord Chancellor and justice secretary, education secretary, health secretary and minister without portfolio, as well as president of the Tory Reform Group since 1997. Following his return to Parliament at the 2010 general election, Clarke became joint-second-longest-serving MP with three others.

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## Panel One

### *Academic Views on TTIP*

**Chad Damro** is Jean Monnet Chair and Head of the Jean Monnet Centre of Excellence, co-director of the Europa Institute at the University of Edinburgh, and senior lecturer of politics and international relations. For 2013–14, Damro was awarded a Fernand Braudel Senior Fellowship at the European University Institute in Florence, Italy. Damro is a visiting professor at the College of Europe in Bruges, Belgium and former policy analyst at the Center for Strategic and International Studies in Washington, DC.

**Dirk de Bievre** is a professor of international politics at the University of Antwerp, where he specializes in European trade policy, interest groups, and the World Trade Organization. He is also a member of the Antwerp Centre for Institutions and Multilevel Politics. He previously was a post-doctoral researcher at the Max Planck Institute for Research on Collective Goods, and an EU and later a Volkswagen Foundation research fellow at the Mannheim University's Centre for European Social Research.

**Alasdair Young** is associate professor in the Sam Nunn School of International Affairs at Georgia Tech. He has published extensively on the interaction between trade and regulatory politics, with particular reference to the European Union. He is completing a monograph on EU trade politics (Oxford University Press) and an Economic and Social Research Council-funded analysis of the EU's compliance with World Trade Organization rules.



*Dirk de Bievre, Chad Damro, and John Peterson*

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## Panel Two

### *TTIP: The Legal, Political, and Environmental Impacts*

**Apolline Roger**, *Panel Chair*, is a senior teaching fellow at the University of Edinburgh Law School, where she teaches courses including European environmental law, international environmental law and global environmental law, and specializes in European institutional and substantive law. Roger will serve as co-director of the inter-disciplinary Doctoral Network of the Global Environment and Society Academy, and as a member of the GESA Steering Group of the Global Justice Academy. She also directs the LLM programme in Global Environment and Climate.

**Steven Blockmans** is a senior research fellow and the head of the EU foreign policy and politics and institutions units of the Centre for European Policy Studies. He has published widely on the institutional structures for EU external action, and the Union's role in global governance. Blockmans is a professor of EU external relations law and governance at the University of Amsterdam, a visiting professor at the University of Leuven, and one of the founding members of the Centre for the Law of EU External Relations.

**Vito Buonsante** is a health and environment lawyer at ClientEarth in Brussels, working on toxics and on the implementation of the Regulation on the Registration, Evaluation and Authorisation of Chemicals (REACH). Buonsante previously worked with the Environmental Law Programme of the Regional Environmental Center for Central and Eastern Europe. He has served as an environment health and safety adviser for industry, where his work focused on compliance with EU chemicals regulations, and worked with Greenpeace and the Environmental Management and Law Association in Hungary on access to information, participation, and justice in environmental decision making.

**David Martin** is a British Labour Party politician, and member of the European Parliament for Scotland. Martin was elected in 1987 as the youngest-ever leader of the British Labour delegation of MEPs and served as vice president of the European Parliament from 1989 to 2004. Martin currently is rapporteur for the Anti-Counterfeiting Trade Agreement treaty in the European Parliament.



*Vito Buonsante, Apolline Roger, Steven Blockmans, and David Martin*

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## Panel Three

### *Official & Policy Views on TTIP*

**Paul Adamson**, *Panel Chair*, is a senior European public policy adviser at Covington & Burling’s Government Affairs practice. After two years as a political aide in the European Parliament, Adamson embarked on a career in EU public affairs and founded Adamson Associates, where he advised clients on legislation and policy matters in the European Union. He sold that firm to consultancy giant BSMG, which three years later, was acquired by Weber Shandwick. Adamson then founded the “think-do tank,” The Centre, another consultancy and policy forum that was sold to PR firm Edelman in 2010.

**Ignacio Garcia Bercero** is a director in The Director Generale for Trade of the European Commission, where he is responsible for overseeing commission activities in the fields of neighboring countries, U.S. and Canada, as well as being the chief negotiator for the EU-India free-trade agreement. He coordinated the work of the EU-US High Level Working Group on Growth and Jobs, which recommended the launch of TTIP negotiations. Garcia Bercero also served as chief negotiator for the EU-Korea and EU-India Free Trade Agreements, and has worked in the areas of WTO Dispute Settlement, and Trade Barriers Regulation.

**Elvire Fabry** is a senior fellow at Notre Europe/Jacques Delors Institute, where her research focuses on European institutional questions, including political integration, EU globalization, and EU’s external action, in particular the project of a transatlantic trade and investment partnership. Previous posts include posts in the European Commission’s Forward Studies Unit and the prospective studies and foresight centre at Futuribles International. She served as a research fellow at the Fondation Robert Schuman and director of the European programme at the Fondation pour l’Innovation Politique.

**Fabian Zuleeg** is the European Policy Centre’s (EPC) chief executive and chief economist in charge of the Europe’s political economy programme. His research focuses on the economic and Euro crises, in particular how European policy and economic governance can address Europe’s dual growth crisis: a low aggregate growth rate and growth divergence, increasing disparities between countries. He also has a long-standing interest in the political economy of European integration, the UK-EU relationship, the Single Market, European labour markets, and the EU budget. Before coming to the EPC, he has worked as an economic analyst in academia and the public and private sectors.



*Elvire Fabry, Ignacio Garcia Bercero, Fabian Zuleeg, and Paul Adamson*



*University of Edinburgh*

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## Keynote Address

*TTIP: What to Play For?*

**Lord Peter Mandelson** is president of Policy Network, a London-based think tank focusing on solutions to the political, economic, and social challenges of the UK and the wider world. Mandelson previously served in a number of cabinet positions—including first secretary of state, lord president of the council, and secretary of state for business, innovation and skills—under Prime Minister Gordon Brown, as well as European commissioner for trade. Mandelson was secretary of state for Northern Ireland, secretary of state for trade and industry, and minister without portfolio during Prime Minister Tony Blair’s tenure.

## MESSAGE *from* MORTIMER CAPLIN

**D**ear Friend,

Shortly after President Barack Obama won reelection to a second term, several European leaders, most notably Britain's David Cameron and Germany's Angela Merkel, encouraged the president to pursue a free-trade pact with Europe during his second term. Aiding these discussions is the economic benefit many see in a U.S.-EU partnership—benefits desperately needed by both sides. The combined economies of the U.S. and EU, which represent 45 percent of the world's GDP and more than one-third of global trade, have been mired in a cycle of contraction and stagnant economic growth for nearly five years, and robust growth is not projected to reemerge anytime soon.



*Mortimer Caplin and  
Gerald L. Baliles*

It is estimated that a free-trade zone could generate an additional 1.5 percent of growth on both sides. Negotiations began in earnest—the first round of talks were convened in Washington, DC in July 2013, and the most recent round was held in late September. While TTIP holds great trade and economic potential for the EU and U.S., there are also significant obstacles—regulatory dissonance and public ambivalence, among them—to be overcome if negotiations are to be successful.

In order for progress to be made, it will be critical that both sides understand these parochial viewpoints, while not necessarily conflating the two. The aim of the 2013 Caplin Conference was to provide key stakeholder groups—government officials, business and labor leaders, trade experts, and scholars—from the United States and European Union a forum for constructive dialogue on a transatlantic free-trade agreement.

This report contains recommendations distilled from the conversations that took place at the meeting, as well as current research on the issues. We hope that it will both inform—and advance—discussion around TTIP, as this agreement, no doubt, has the potential to influence and impact not only the EU and the U.S., but the entire world economy.

We thank you for your continuing interest and participation.

Mortimer Caplin

*Mortimer Caplin*







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