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Conference Report 5/2014

TTIP: Benefits and Challenges for the Czech Republic and the EU

December 2014

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December 2014



Ministry of Foreign Affairs
of the Czech Republic



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The international conference “TTIP – Benefits and Challenges for the Czech Republic and the EU” was held in Prague, Czech Republic, on November 6, 2014. The conference was supported by the Ministry of Foreign Affairs of the Czech Republic and the other partners.

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The negotiation process of the Transatlantic Trade and Investment partnership (TTIP) officially started at the G8 summit in Northern Ireland on June 17, 2013. The idea of connecting the two biggest economies (the EU and the USA) in a large transatlantic market dates back to the 1990s. Nonetheless, up until now all initiatives that tried to establish a comprehensive free trade area between the two sides had been abandoned before reaching a more advanced stage.

On average the mutual EU and US trade in goods and services is already worth €2bn a day. Mutual exchange of direct investments also helps significantly in creation of jobs on both sides of the Atlantic and it is essential for mutual exchange of know-how. Besides this, well functioning transatlantic relations, in domains of culture, politics and economy, represent a spinal link on which the very concept of the Western civilization can be preserved in the 21st century.

In the present time of the reverberating global economic recession, the still untapped potential of the transatlantic market may seem as a prodigal luxury. Getting rid of the costs unnecessarily spent in coping with double regulatory standards and opening fully the potential of economies of scale of the transatlantic market could be the much needed incentive for increased competitiveness and job creation on both sides of the Atlantic.

The Czech public and even large part of the business sphere seem to be rather reserved in expression of any position towards the ongoing TTIP negotiations. There are various explanations for this. For instance, the lengthy process of a free trade agreement negotiation (e.g. seven years in case of the similar negotiations between the EU and Canada) can provide a false feeling that there is still time left to form a position on the TTIP. However, raising new issues in the later phases of negotiations is not always the best strategy to maximize the most desired outcome. Until recently the public debate on the TTIP had been also hindered by the secretive character of the TTIP negotiations. This is no longer true. In early October 2014 the Council of the EU declassified its TTIP negotiation directive (No. 11103/13). With this obstacle out of the way the debate about the TTIP can be transparent and without burden of unnecessary speculations.

On November 6, 2014 the Association for International Affairs (AMO) co-organized [the international conference “TTIP: Benefits and Challenges for the Czech Republic and the EU”](#). The main aim of this conference was to spur debate about the TTIP in the Czech Republic and allow Czech stakeholders to meet with prominent figures of the negotiation process, including the EU chief negotiator of the TTIP, Ignacio Garcia Bercero. The conference was organized by a pool of organizers including besides AMO also the Ministry of Industry and Trade of the Czech Republic, the Ministry of Foreign Affairs of the Czech Republic, the Centre of European Studies with the University of Economics Prague, British,



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U.S. and Swedish embassies in the Czech Republic, the Representation of the European Commission to the Czech Republic, and the Konrad-Adenauer-Stiftung.

The conference consisted of opening remarks, four panels and presentation of AMO's new research paper by Kryštof Kruliš and Alice Rezková "[The TTIP one year on and the Czech position: Measuring the benefits and identifying threat](#)". The speakers covered a broad range of TTIP related issues including global alternatives, transparency and public support, tariff barriers, non-tariff barriers, SMEs, job creation, investor-state dispute settlement (ISDS) and energy security.

List of general recommendations

- The US and the EU already represent less than 50 per cent of world GDP and their share on global GDP is decreasing. If the West wants to defend its democratic values and way of life, it has to do something about this trend. The TTIP represents the most suitable solution.
- China and several African and South American countries would lose their market share in Europe due to the TTIP. The West should be prepared for political consequences of this fact.
- There are in the process of negotiation other FTA's (Regional Comprehensive Partnership, Trans-Pacific Partnership) that could significantly influence the state of European economy in negative way. If these FTA's are successfully concluded and the TTIP not, it would have severely negative effect on the European economy.
- With the rise of emerging economies such as China, the TTIP is an essential tool that would allow the West to regain competitiveness thanks to economy of scale advantages brought by the large transatlantic market.
- In the ideal world all trade and investment issues would have been addressed within the frame of the World Trade Organization. The TTIP could represent a first step that triggers processes that would bring the World Trade Organization back into the centre of global trade negotiations.
- The negotiations process of the TTIP is incomparably more transparent than any other similar agreement before. Nevertheless, the communication towards the public should continue and even further improve. The negotiators should be able to find a way how to generalize their conclusions for the wide public utilization. It is also vital to explain to people that there are already agreements covering transatlantic trade in some areas, such



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as the General Agreement on Tariffs and Trade. It is also vital to explain to people that transatlantic trade is already governed by rules under WTO.

- The role of NGOs in the process of negotiations is irreplaceable. They are sparking the public debate and they are drawing attention to the failures of the private and state sectors.
- Thanks to the TTIP the duplication of inspections could be avoided as well as the unnecessary red tape.
- The TTIP should improve European standards not lower them. At the end of the day, the standards are what really matter. If your trading block sets the standards you have an immense advantage over your competitors. If your trading block loses this ability, you will have to follow standards of the others which may be disadvantageous for you. An ambitious form of the TTIP might be a tool to preserve the standards setting position of our economies.
- The growth is predominantly attracted to places where innovations and creativity are possible. Hence, the TTIP should also encompass free cross border dataflow as this is exactly the area of large potential for future growth.
- If the ISDS is not an integral part of the treaty with the US, the EU cannot presume that it would be able to ask the ISDS from other partners such as China.
- The two TTIP partners would have unique opportunity to liberalize trade with energy. However, the EU should be aware of the fact that the TTIP will not solve its energy security issues.

1. TTIP and global alternatives

The initial input into the debate about the TTIP and its alternatives in the world of global trade was provided by **Gabriel Felbermayr**, director of the Ifo Center for International Economics that conducted one of the key comprehensive TTIP impact studies. Mr. Felbermayr reminded that the TTIP would be the vastest free trade zone ever created. However, both the European Union and the United States share of world GDP is in decline. The West already represents less than 50 per cent of world GDP. Therefore, according to Felbermayr, if we want to defend our democratic values, we have to do something about this trend. The TTIP seems as the best and only solution. Felbermayr's colleagues from the Ifo Center for International Economics simulated several different scenarios of the impacts of the TTIP on European economies and they concluded that in all scenarios the impacts are



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positive. However, the simulations also show that China and several African and South American countries would lose their market share in Europe due to the agreement. For instance Europeans would import fewer soybeans from Brazil and start to import more from the USA. We should be prepared for political consequences of this fact. Felbermayr further reminded to the audience that there are in the process of negotiation other FTA's that could significantly influence the state of European economy in negative way. He pointed out firstly the Regional Comprehensive Partnership that is being negotiated between ten member states of the Association of Southeast Asian Nations and Australia, China, India, Japan, Korea and New Zealand. Secondly, he talked about the Trans-Pacific Partnership (TPP) which is being negotiated amongst Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. In conclusion, if these free trade agreements are successfully concluded and the TTIP not, it would have severely negative effect on the European economy. He said that the benefits of the TTIP definitely outweigh potential risks.

From the perspective of the USA, **Elena Bryan** expressed that the US does not prefer the TPP over the TTIP but it is true that the negotiations on the TPP began earlier and it thus may be also finished before the TTIP. She believes that the negotiations are more difficult for the EU as it is an international organization and not a proper state. She does not want to set the deadline for negotiations. Nonetheless, she thinks that there will be a significant progress in 2015. Both sides are looking for jobs and growth and this agreement will deliver them.

Ivan Hodač reminded that the automotive industry in Europe still has some doubts about free trade agreements with Japan and South Korea but it does not have any doubts about the TTIP.

The role of China echoed in speeches of several speakers. For instance **David Henig** stressed that with the rise of emerging economies such as China, the TTIP is an essential tool that would allow us to regain competitiveness thanks to economy of scale advantages brought by the large transatlantic market. On similar note **Hendrike Kuehl** stated that her organization, the Trans-Atlantic Business Council, associates 70 big companies, half of them from the US, other half from the EU. All of them are in favour of the TTIP. We are facing the relative decline of the West that could be cured by the deepened transatlantic cooperation.

According to **Radek Špicar** the EU is in a more difficult situation than the US as it does not have any alternative to the TTIP. On the other hand, the US is in the process of negotiation of the TPP which may serve for the US as an alternative that is not available for the EU. He would like to see at least something signed between the US and the EU even if it will not be too ambitious. Despite pleading for a comprehensive TTIP he concluded by saying that even mild TTIP is better than no treaty.



Finally, according to **Dita Charaznová** in the ideal world all these trade and investment issues would have been addressed within the frame of the World Trade Organization. She and **Anders Wahlberg** expressed a wish that the TTIP represented a first step on the path to reinstate these issues on the multilateral forum.

2. Transparency and public support for the process

The transparency and gaining minds and hearts of people for the TTIP was the second most frequently reverberating theme on the conference. **Ignacio Garcia Bercero** mentioned an important role of the civil society during the TTIP negotiations and also in the subsequent monitoring of its enforcement.

Dita Charaznová supposes that there are significant concerns of broad international public due to the fact that the sides of the agreement are the two largest economical players. She does not remember more transparent process of negotiations. Nevertheless, the communication towards the public should continue and even further improve. The negotiators should be able to find a way how to generalize their conclusions for the wide public utilization.

According to **Vladimír Bártl** the TTIP represents for the Czech Republic similar challenge as the accession into the EU ten years ago. The transparent negotiations process is of crucial importance. Besides, the role of NGOs in the process of negotiations is irreplaceable. They are sparking the public debate and they are drawing attention to the failures of the private and state sectors. **Vladimír Dlouhý** warned that the topic of TTIP is in the Czech Republic one of the most under-discussed.

Anders Wahlberg suggested that in Sweden even the trade unions are mostly in favour of the TTIP. Fears regarding the TTIP are in Sweden connected primarily with the concerns over preservation of the standards in food safety and animal breeding and about the Investor-state dispute settlement (ISDS) impact on the state regulatory capacity. **David Henig** similarly to Wahlberg emphasized strong support of his country to the TTIP. Despite hesitations of some people in Britain, the TTIP would bring economic benefits for all layers of British society. For instance, after the finalization of the free trade agreement with South Korea, the British exports into that country went up by on third. He thinks that it is also vital to explain to people that there are already agreements covering transatlantic trade in some areas, such as the GATT (now part of the WTO). With a hyperbole, he said that a lower price on an iPad from the US could persuade significant number of people in Europe to support the TTIP.



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On the issue of transparency **Daniele Basso** welcomed that the EU mandate on TTIP become public and expressed hopes that this will be a standard for any future FTA's negotiation. Also **Luisa Santos** mentioned that there has never been more transparent negotiation of an international trade agreement.

Regarding the myths surrounding the TTIP **Gabriel Felbermayr** mentioned the popular belief that the majority of Germans are against this agreement. In fact, the weekly Spiegel recently conducted an opinion poll concerning the TTIP and it shows that 60 per cent of Germans are actually in favour of it. However, it is true that the opponents of the TTIP in Germany are far louder than its proponents.

Both **Charaznová** and **Bercero** agreed that if one country rejects the TTIP then it is over. We should focus on the work with the public and communicate the TTIP properly.

3. TTIP and tariffs

Ignacio Garcia Bercero opened the issues of tariffs by claiming that the TTIP will bring either complete elimination or significant reduction of almost all current tariffs. In this concern **Luisa Santos** mentioned that in certain sectors, such as textile, the tariffs still remain high and their reduction would be important incentive for exporters. **Peter Stračár** also reminded that corporations that are established both in the US and EU, such as General Electric, are spending huge amounts of money on tariffs paid on in-house sales.

Kryštof Kruliš in presentation of the new AMO Research paper "The TTIP one year on and the Czech position: Measuring the benefits and identifying threat" also pointed out that according to the TTIP impact study by Centre for Economic Policy Research, the purely tariff reduction scenario could negatively affect the output of the motor vehicles sector in the EU (given that the current tariffs applied by the EU in this sector are almost eight times higher than those in the US). However, when the scenario includes a reduction in the existing non-tariff barriers (NTBs), the output of the motor vehicles sector in the EU may benefit significantly.

Anders Wahlberg alleged that Sweden wants definitely a comprehensive form of the TTIP. Swedish public is for reducing of the trade barriers as it is a small export oriented economy. The US is the biggest export market for Sweden outside Europe.

4. TTIP and NTBs



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As for the regulatory issues, **Ignacio Garcia Bercero** expressed that the duplication of inspections should be avoided as well as the unnecessary red tape. The regulatory liberalization, however, should not be to the detriment of the current level of the consumer protection. Also according to **Dita Charanzová** the TTIP should confirm the European standards not lower them. **Luisa Santos** added to this that economies at both sides of the Atlantic are highly regulated and their citizens expect preservation of contemporary standards. The high regulatory standards should not be seen only as regulatory barriers to business. The high regulatory standards imposed on the EU and US producers may lead to higher production costs but they, at the same time, lead to the best quality and safety of the products, which is the main reason why customers on global markets choose EU and US production over products manufactured in countries with lower standards.

The TTIP as an unique opportunity to re-define international trade standards was mentioned also by **Martin Tlapa**. Similarly **Radek Špicar** said that in the present world the standards are what really matter. If your trading block sets the standards you have an immense advantage over your competitors. If your trading block loses this ability, you will have to follow standards of the others which may be disadvantageous for you. An ambitious form of the TTIP might be a tool to preserve the standards setting position to our economies.

Bercero further denoted the automotive industry, energy industry and sustainable development (i.e. labour and environmental issues) as key areas in which the agreement can bring significant gains to Europe and the Czech Republic. Consequently, Bercero stated that both the EU and the US are service oriented economies and the TTIP negotiations seek to improve the quality of services and the mobility of professionals on the both sides of the Atlantic.

Ivan Hodač claimed that if all barriers are lowered the automotive industry would represent one third of the whole possible growth resulting from the TTIP. The agreement has to set the highest possible standards approximation otherwise it will not work as it could.

Peter Stračár reminded that the current situation in recognition of certification is that any product developed for both US and EU markets has to be certified on average 1.5 times. With the TTIP these costs could be saved and related finance used for other purposes. He supports the idea of the TTIP as it could curb unnecessary bureaucracy and duplication of standards.

Milena Jabůrková said that growth is predominantly attracted to places where innovations and creativity are possible. Both the EU and the US share values and respect to human, environmental and consumer rights. She cannot imagine that the TTIP would not encompass free cross border dataflow as this is exactly the area of large potential for future growth.



5. TTIP and SMEs

Elena Bryan stressed that the non-tariff barriers harden the mutual transatlantic trade primarily for SMEs and SMEs should gain the most from this trade agreement. **Luisa Santos** explained in this concern that the big corporations can sustain the current transatlantic trade barriers more easily than SMEs thanks to their ability to spread higher administrative costs to large scale production. Also **Vladimír Dlouhý** mentioned that the TTIP would facilitate easier expansion to the US market in particular in case of European SMEs.

Jiří Grund said that for a typical midsize company in the Czech Republic the US represents ideal market for expansion but only under the condition that the TTIP would be in force. The US is an attractive market for off-shoring as it offers lower prices of energy and the costs of labour (especially in the southern states of the US) is not significantly higher than in the Czech Republic.

Karel Havlíček stated that the world for the last 25 years has not been divided along geostrategic but economic lines. The SMEs now have better chance to conquer the world because of this diminishing role of political boundaries. Despite this investments in countries like China or Russia remain problematic for SMEs. The best place for expansion of SMEs is thus the US as it is by its mentality and philosophy similar to Europe and it also has demographic potential for future growth.

6. TTIP and job creation

Daniele Basso said that from the point of view of the European Trade Union Confederation job creation is more important than the growth of GDP. Hence, his primary concern is whether the TTIP would have a positive effect on the job creation. He also pleaded for a specific mechanism for enforcement of labour rights in the TTIP. Basso said that his US colleagues were initially suspicious about the TTIP because of their bad experience with the North America Free Trade Agreement when many jobs went from the US to Mexico. He alleges that this should not happen with TTIP as the partners in this case are at the similar level of development. He also sees the TTIP as a way of improvement of the labour standards in the US. Mr. Basso however concluded that no treaty would be still better than bad treaty.

Josef Středula opened with a phrase mentioning that those who are able to doubt or question are usually quickly regarded as trouble-makers. We have to be aware of the fact that the highest profit from the TTIP will have the US. The others will gain less. He also mentioned the disadvantages of the US border entry policy for someone coming from certain EU member states in contrast to full openness of the EU to US citizens. The agreement will have



the support of the Czech trade unions only under the condition that it would streamline social progress for all and not only for a narrow group. He also demanded that the TTIP should not deprive anyone of a job. Středula finally appreciated that trade unions were invited to this conference as it helps to develop a truly transparent dialog on the TTIP.

7. TTIP and ISDS

The issue of the ISDS was mentioned from several perspectives. In general **Elena Bryan** reasoned that the TTIP would set world class rules for investment. **Vladimír Dlouhý** reckoned in this concern that if the ISDS does not represent an integral part of the treaty with the US, we cannot presume that the EU would be able to want it from other partners such as China.

Alice Rezková in presentation of the AMO Research paper “The TTIP one year on and the Czech position: Measuring the benefits and identifying threat” in this concern however pointed out that there are several reasons, including the already high level of legal protection of investments on both sides of the Atlantic, that suggest that the ISDS may have been excluded from the TTIP if it was to cause delays to the core goals of the TTIP, eliminating tariff and non-tariff barriers, liberalising services, and opening procurement markets, in particular.

The specific Czech position on the ISDS was also mentioned several times. **Dita Charanzová** reckoned that the ISDS in the TTIP would be only beneficial for the Czech Republic as this new form of dispute settlement would replace the old and less advantageous bilateral treaty between the US and the Czech Republic on protection of investments and thus improve the Czech position. Also **Luisa Santos** was aware of the disadvantages that are connected with old bilateral investment protection treaties between the US and some of the new EU member states, including the Czech Republic. She and **Vladimír Bártl** believe that the new version of the ISDS in the TTIP negotiations could be better.

8. TTIP and energy security

Martin Tlapa underlined the geopolitical importance of the agreement between the EU and the US. Besides other issues also due to the fact that in the TTIP these two partners would have unique opportunity to liberalize trade with energy. **Elena Bryan** however added that the TTIP will not solve the energy security issues of the EU. **Gabriel Felbermayr** confirmed that even after the US infrastructure for gas export allows overseas supplies in larger quantity, Russian gas will most probably still remain cheaper for Europe. The US supplies would still primarily go to Asia, where the gas is currently more expensive than in the EU.



Conference programme

Opening remarks:

Štěpán Müller, Dean of Faculty of International Relations, University of Economics, Prague
Vladimír Bártl, Deputy Minister of Industry and Trade of the Czech Republic
Martin Tlapa, Deputy Minister of Foreign Affairs of the Czech Republic

Panel 1: The global perspective: Trade, competitiveness and geopolitics

Chair: **Ivan Hodač**, Member of the Board of Aspen Institute Prague, Former Secretary-General of European Automobile Manufacturer's Association (ACEA)

Elena Bryan, Senior Trade Representative at the U.S. Mission to the European Union
Gabriel Felbermayr, Director of Ifo Centre for International Economics, Munich
Ignacio Garcia Bercero, EU Chief Negotiator of TTIP, Director in DG Trade of the European Commission

Panel 2: Separating the facts from the myth: What will TTIP bring?

Chair: **Petr Kolář**, Senior Advisor at Squire Patton Boggs; Former Deputy Minister of Foreign Affairs of the Czech Republic

Daniele Basso, Advisor at European Trade Union Confederation (ETUC)
Dita Charanzová, Member of European Parliament, ALDE
David Henig, Transatlantic and International Unit at Department for Business, Innovation and Skills, UK
Anders Wahlberg, Deputy Director at International Trade Policy Department at Ministry for Foreign Affairs of Sweden

Panel 3: TTIP and business competitiveness

Chair: **Martin Tlapa**, Deputy Minister of Foreign Affairs of the Czech Republic

Vladimír Dlouhý, President of Chamber of Commerce of the Czech Republic
Hendrike Kuehl, Director of EU Office of Trans-Atlantic Business Council
Luisa Santos, Director of International Relations Department at Business Europe
Josef Středula, President of Czech-Moravian Confederation of Trade Unions (ČMKOS)
Radek Špicar, Vice-President for Economic Policy of Confederation of Industry of the Czech Republic



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Panel 4: Business leaders' forum: The impact of TTIP on key sectors of the Czech economy

Chair: **Vladimír Bärtrl**, Deputy Minister of Industry and Trade of the Czech Republic

Jiří Grund, CEO at Grund a.s.

Karel Havlíček, Chairman of the Board of Directors of Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic

Ivan Hodač, Member of the Board of Aspen Institute Prague, Former Secretary-General of European Automobile Manufacturer's Association (ACEA)

Milena Jabůrková, Government Programs Executive at IBM Czech Republic, Member of EU expert team of Confederation of Industry of the Czech Republic

Peter Stračár, CEO for Central & Eastern Europe at General Electric

Presentation of [AMO's research paper "The TTIP one year on and the Czech position: Measuring the benefits and identifying threat"](#)

Kryštof Kruliš, Research Fellow with Association for International Affairs — AMO

Alice Rezková, Research Fellow with Association for International Affairs — AMO

The conference presentation of the paper is available [here](#).

The video record of the conference presentation of the paper is available [here](#).

All the documents related to the conference, including the complete Twitter coverage of the conference (#TTIP_Prague); the Conference book, the Research paper and presentations are available at the AMO web page [here](#).

The video record of the conference is also available at ČT24 web page:

<http://www.ceskatelevize.cz/porady/10000000153-ttip-conference/>.



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ASSOCIATION FOR INTERNATIONAL AFFAIRS (AMO)

The Association for International Affairs – AMO is a preeminent independent think-tank in the Czech Republic in the field of foreign policy. Since 1997, the mission of AMO has been to contribute to a deeper understanding of international affairs through a broad range of educational and research activities. Today, AMO represents a unique and transparent platform in which academics, business people, policy makers, diplomats, the media and NGOs can interact in an open and impartial environment.

In order to achieve its goals AMO strives to:

- formulate and publish briefings, research and policy papers;
- arrange international conferences, expert seminars, roundtables, public debates;
- organize educational projects;
- present critical assessment and comments on current events for local and international press;
- create vital conditions for growth of a new expert generation;
- support the interest in international relations among broad public;
- cooperate with like-minded local and international institutions.

RESEARCH CENTER

Founded in October 2003, the AMO's Research Center has been dedicated to pursuing research and raising public awareness of international affairs, security and foreign policy. The Research Center strives to identify and analyze issues crucial to Czech foreign policy and the country's position in the world. To this end, the Research Center produces independent analyses; encourages expert and public debate on international affairs; and suggests solutions to tackle problems in today's world. The Center's activities can be divided into two main areas: first, it undertakes [research and analysis](#) of foreign policy issues and comments on [AMO blog](#); and second, it fosters dialogue with the policy-makers, expert community, and broad public.

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