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Türkiye Ekonomi Politikaları Araştırma Vakfı

US-EU TTIP: Impact on Turkey WHAT TO DO?

TEPAV|MUTS

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- **Multilateralism is under challenge:**

  Nearly 18 years since the conclusion of Uruguay Round for a substantive liberalization process to be completed.

- **Changing balance of power:**

  The new challenge is the rise of "emerging economies " as the new actors in the global trade arena.

The US National Intelligence Council

" Global Trends 2030"

- **"Asia will have surpassed North America and Europe combined in terms of global power, based upon GDP, population size, military spending and technological investment… In a tectonic shift, the health of the global economy increasingly will be linked to how well the developing world does- more so than the traditional West"**

- **"largely reversing the historic rise of the West since 1750"**

- **"in addition to China, India, and Brazil, regional players such as Colombia, Indonesia, Nigeria, South Africa, and Turkey will become especially important to the global economy"**

…and the others…

- **UNCTAD**, FDI fell by 18% to 1.35 trillion US Dollars in 2012 while the **developing countries took the lead in FDI inflows**" "accounting for 52 per cent of global flows"

- According to the **OECD**'s estimates, **the Euro zone will shrink by 0.6% this year, thus widening Europe's gap**

- **WTO** "the volume of world merchandise trade registered an increase of just 2% in 2012. Shipments from developed countries grew more slowly than the world average at 1.0%, **while exports of developing economies grew faster at 3.3%**

- **In other words, the "transatlantic markets are shifting from a position of preeminence to one of predominance-still considerable, but less overwhelming than in the past"**

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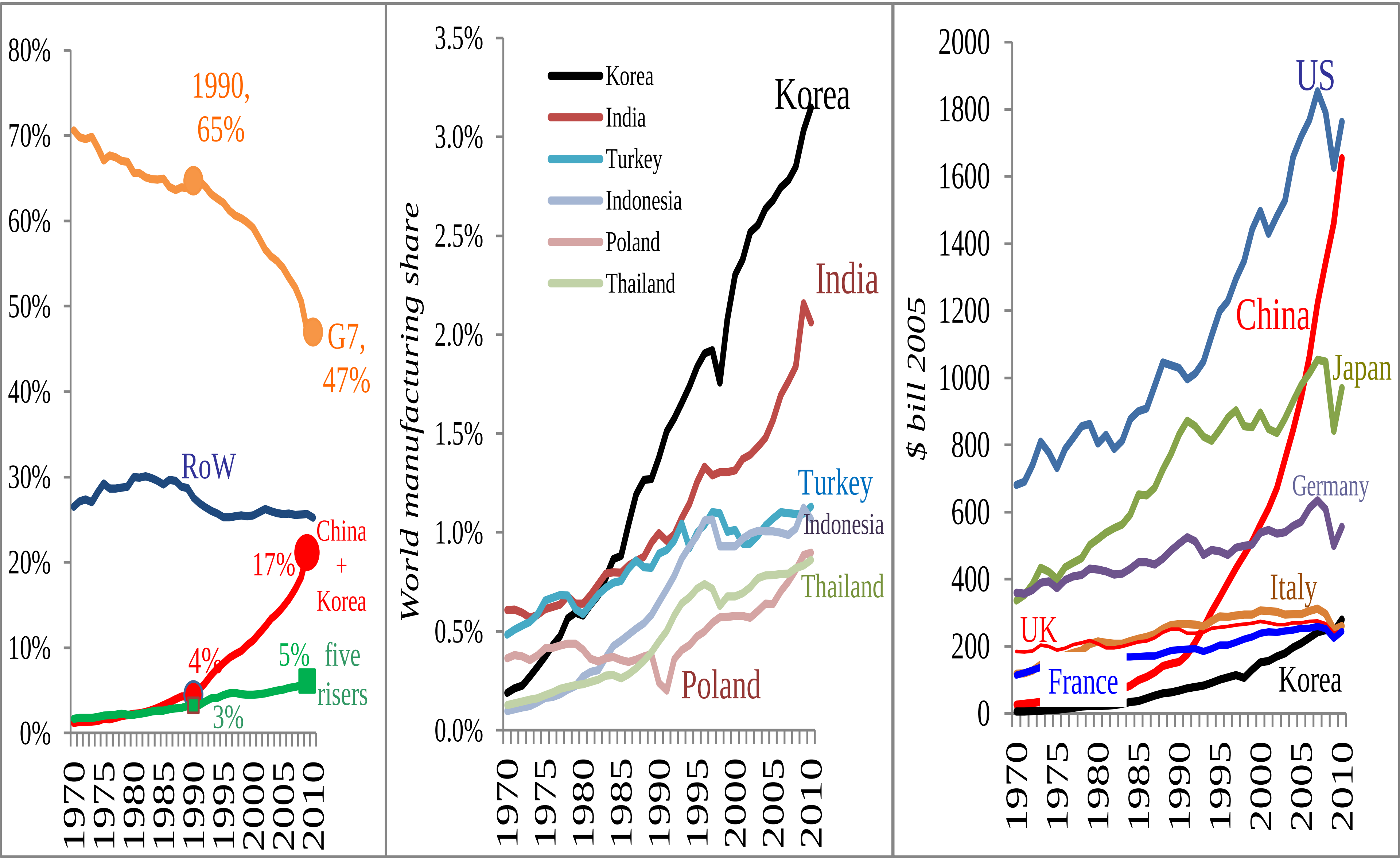
Emerging economies' effect



USTR Strategic Plan 2013-2017

- **Main Goals and Objectives:**

1- Create and Sustain Better Jobs by Opening Foreign Markets

2- Create and Sustain Better Jobs by Monitoring and Enforcing US Rights

3- Develop Strategic and Transparent Policy

4- Effectively Communicate Trade's Benefits

5- Achieve Organizational Excellence

Market Access and National Export Initiative

- Expanding exports for more jobs
  - → Every 1 billion $ increase in exports of goods is expected to support 5.400 jobs;
  - → Every 1 billion $ increase in exports of services is expected to support 4.000 jobs;
  - → Doubling US exports by 2014 to create 2 million new jobs…

trade agreements

Mega Partnerships (TTP, TTIP)

Deeper and comprehensive:
WTO + ve WTO-X issues

Game changer
New rules and values


TPP
TTIP

CUMULATIVE EFFECT OF TTIP AND TPP

➔ ALL OF THE ADVANCED ECONOMIES ARE REPRESENTED

Norway and Switzerland *are expected to follow the suite*

- ❑ROUGHLY 50% OF WORLD TRADE
- ❑ 60% OF WORLD GDP

TPP

POPULATION: 760,820,000

Except USA : 460,119,300

37,38 % of WORLD GDP

13,62% -except USA

Trans Pacific Partnership **(TPP)**

Countries:

In 2011, announced among Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the ***United States***

In 2012: Mexico and Canada joined

In 2013: **Japan** is the new participant

Korea new applicant ?

- Comprehensive trade agreement
- Elimination of all **tariffs** among all countries by 2017
- **Services and Investments**

TPP-1

- 19 rounds of negotiations completed
- Finalization expected by the end of the year (hopeful)
- Not much has leaked 26-29 chapters are negotiated; **of this**
- 6 completed :

Convergence of regulations	Easy visa for business
Competition	SMEs
Development	Cooperation

TPP-2

- Most difficult ones:
  - Investment
  - Financial Services
  - IPR
  - Environment
  - Government Procurement
  - State owned Enterprises
- Market Access Issues:
  - Agriculture and Services negotiations move slowly

TPP-3

- Non Tariff Barriers- **NTB**s:
  - Buy American
  - Import Quotas
  - Regulatory Standards

    Drugs

    Safety Standards

    Recognition of regulatory processes

Example:

US tariffs on chemical 1.2%

However after the application of NTBs the real impact raises to 19.1%

TTIP

46 % 0F WORLD GDP
33% OF WORLD TRADE
TOTAL POPULATION : 810,755,000

TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

- MARKET ACCESS
- REGULATORY ISSUES AND NBTs
- SHARED GLOBAL CHALLENGES AND OPPORTUNITIES

MARKET ACCESS

- Tariffs (roughly 70% **zero** on both sides)
- Agricultural tariffs and subsidies
- Services
- Government Procurement

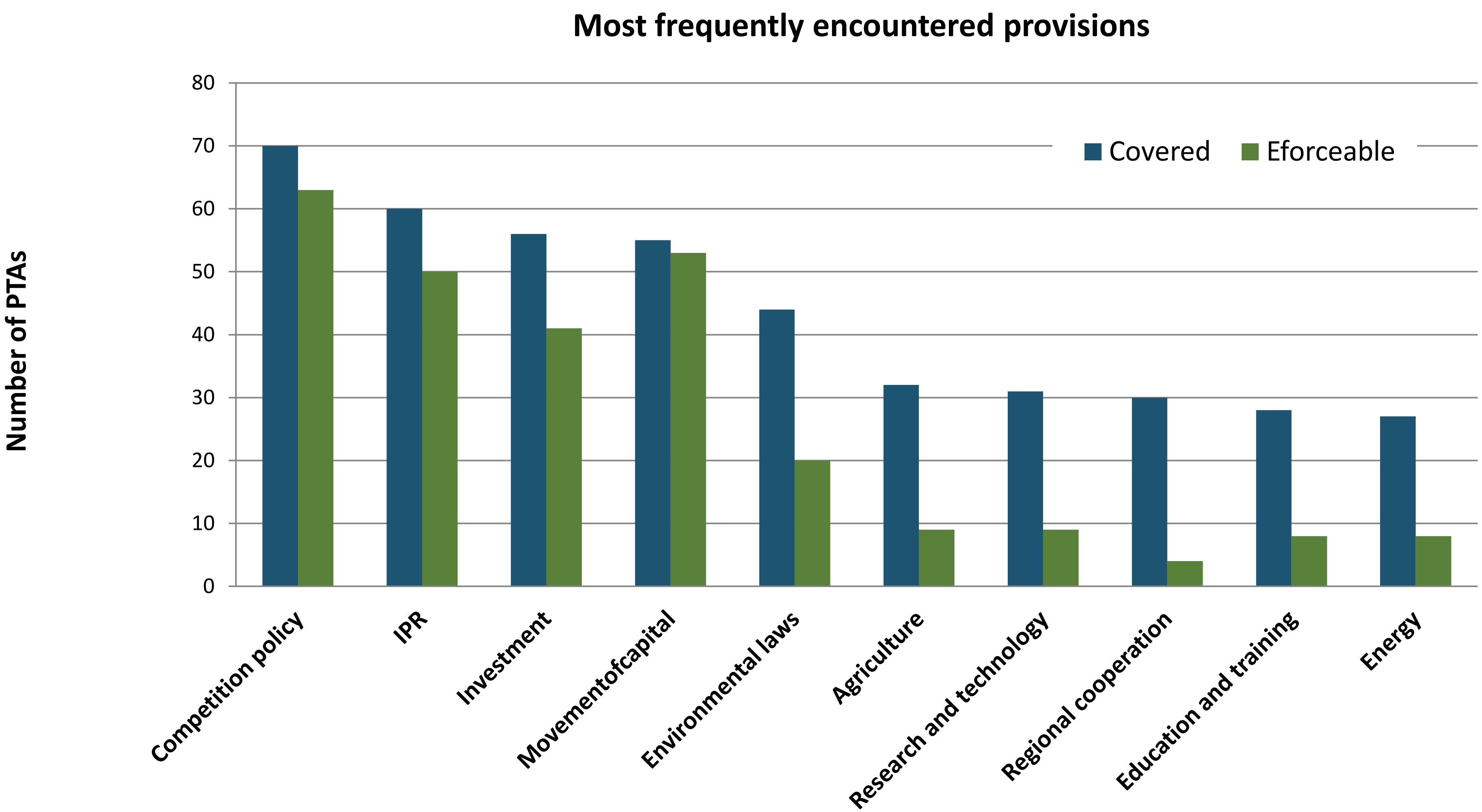
REGULATORY ISSUES

- SANITARY AND PHYTOSANITARY ISSUES
  - ➔SPS PLUS
- INVESTMENTS
- TECHNICAL BARRIERS TO TRADE
  - ➔TBT PLUS

SHARED GLOBAL CHALLENGES AND OPPORTUNITIES

- INTELLECTUAL PROPERTY RIGHTS –IPRs
- ENVIRONMENT AND LABOUR PROVISIONS
- OTHER CHALLENGES AND OPPORTUNITIES

WTO+ issues in FTAs



The 14 WTO+ areas

- FTA Industrial goods
- FTA Agricultural goods
- Customs Administration
- Export Taxes
- SPS Measures
- State Trading Enterprises
- Technic. Barriers to Trade
- Antidumping
- Countervailing Meas.
- State Aid
- Public Procurement
- TRIMS Measures
- GATS
- TRIPs

The 38 WTO-X areas

- Competition policy
- Investment Measures (not covered by TRIMS or GATS)
- IPR (not covered by TRIPs)
- Free Movement of Capital
- Labor Laws
- Environmental Laws
- Social Matters
- Human Rights
- Political Dialogue
- Culture
- Audiovisual
- Statistics
- Energy
- Terrorism
- Drug Enforcement
- Taxation
- Money Laundering
- Illegal Migration
- SMEs
- Corruption
- etc.

A CONTENTIOUS ISSUE FOR EMERGING AND DEVELOPING COUNTRIES

“NEW TRADE RULES” MOLDED IN THEIR ABSENCE

CONTAİNMENT OF CHINA

RCEP (REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP) China included, US excluded

Assistant USTR Wendy Cutler :

"….a large amount of overlap between KORUS and what is under review in TPP."

TEMPLATE: KORUS FTA

Agriculture

	TTIP	FTA (KORUS)	TURKEY
Tariff Elimination	-Elimination or reduction tariffs and border measures	-Bound MFN tariffs 48.6 -Duty-free status on %60 US exports at entry -Elimination of most in 10 years -Beef in 15 years -Rice excluded - TRQ for dairy products	•Bound MFN tariffs 41.7; Fresh fruit: 15.4 to 145.8 % Fruit juice vegetables: 19.5 to 130 %; Alcoholic beverages: over 200 % (incl. domestic tax) •Import licensing
Subsidies	No specific mention		•5 to 20 % of export values granted to 16 agro-products (tax credits;debt forgiveness) •TMO sells domestic wheat at world prices (below domestic prices) to domestic manufact. of pasta/flour

Investment

	TTIP	FTA (KORUS)	TURKEY
Principles	Liberalization and protection provisions based on highest levels negotiated in FTAs to date.	-Extensive investment protection - Investor-State dispute settlement procedures	

Services

	TTIP	Plurilateral ISA	FTA	Turkey
Approach	Highest level of liberalisation in FTAs to date	US asks Negative List approach, but a 'hybrid' framework is more likely. 'Ratchet effect'	•Negative List approach to schedule commitments (NAFTA type) (apply to all types…)	Negative List approach for national treatment!!
Sectors	Seeking to achieve new market access by addressing remaining long standing market access barriers	Almost all	Financial s. Legal services Telecom s. Express delivery Audiovisual s.	*Same sectors !* *What else??*
Other	Enhance regulatory disciplines in existing FTAs		•Prohibit export, local content req	•Visa issue, •Mode IV should be included ??

Textile and Apparel

	TTIP	FTA (KORUS)	TURKEY
Tariff elimination		US eliminates tariffs on 91% of industrial goods in 3 years, remaining up to 5-10 years…	(final bound and MFN applied duty AVG in textiles: 7.9%, and in clothing: 11.4-11.7 %)
Safeguard		• Bilateral emergency action up to 2 years • serious damage / actual threat • compensation in the form of new concessions in T&C •no trade remedy/safeguard at the same time	
Rules of origin		Except otherwise provided RoO (Chapter 6) applies	Fiber and yarns (US) exports high

Pharmaceuticals

	TTIP	FTA (KORUS)	TURKEY
Protection	-High level protection	Data exclusivity provisions -3 years to put a system of patent linkages for pharm. -Bar marketing of generic drugs while the original patent in effect -Medicines and Medical Devices Committee	•Good Manufacturing practice •Approval of FDA certificate

SPS

	TTIP	FTA (KORUS)	TURKEY
Measures	-SPS + improved cooperation -Build on WTO SPS Agreement -Measures based on science and int. standards or scientific risk assessment	-Affirm WTO SPS -Standing Committee -Issues rely on **science and risk based assessment** -Arrangement for meat imports	-US criticized Biosafety Law (soya, corn) -Prohibit biotechnology for industrial products (paint allowed) -Approval of products
Import Ban			Red meat import ban. Turkey deviates from OIE guidelines.

Intellectual Property Rights

	TTIP	FTA (KORUS)	TURKEY
IP protection	High level of IP protection to be provided	Criminal enforcement measures in infringements (pirated copyright, counterfeit) TRIPs+ provisions	•Turkey is on the Watch List 2012 of Special 301 •Online piracy •Counterfeit goods •A TRIPs + ??
Copyright **Patent** **Geogr. Indic. (GI)**	No explicit mention as both agreed on common terms	•Protection of works , copyrights (photo, performance..) set to 70 years. •Protect against piracy via internet distr. •Copyright on internet	Internet piracy will be a priority!

Government Procurement

	TTIP	FTA (KORUS)	TURKEY
Access	Improve access at all levels of government and on the basis of NT *A WTO+ GPA??*	GPA accepted as a baseline Improve access to **central** govenment procurement	GPA membership TR: 'Buy American' preferences as a deal!
Threshold		•Lower minimum threshold set in GPA (100.000 $) •5 million SDR threshold for construction s.	Threshold value (local bidders' advantage over 15 %) is a US concern

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Environment and Trade

	TTIP	FTA (KORUS)	TURKEY
Environmental issues	High level of protection drawing on chapters in US and EU FTA *Cover* ***climate change issues !***	Uphold relevant (7) multilateral environmental agreements. Not to ease standards to gain competitive advantage	
Regulatory Compability	Compability in specific and agreed goods and services sectors. ***Harmonization, Equivalence or Mutual Recognition?***		

Regulatory Issues

	TTIP	FTA (KORUS)	TURKEY
Regulatory Compatibility	Compability in specific and agreed goods and services sectors. ***Harmonization, Equivalence or Mutual Recognition?***		
New Rule-Making	-Customs and Trade Facilitation -Competition Policy -State-Owned En treprises …	-Laws to protect competitive process - Provisions applicable SOEs -Enhance Consumer Protection …	

US concerns over trade with Turkey

- **High tariff rates on many food and agricultural goods;**
- **Import licences required for products that need after sales service (e.g. photocopiers, data process eq., food)**
- **Intellectual property rights**

US concerns over trade with Turkey

- **Investment barriers:**
  - → Delays in liberalisation/privatisation in natural gas sector
  - → Blocking full repatriation of profits by foreign oil companies
  - → Limitations on ownership of real estate

US concerns over trade with Turkey

- **Technical barriers to trade:**
  - ➔ ***Pharmaceuticals-GMP Decree***
  - ➔ ***Food and feed products***

- **Sanitary and phytosanitary measures:**
  - ➔ ***Agricultural biotechnology***
  - ➔ ***Food safety***

Turkish concerns over trade with the US

- **Trade deficit: 14.1 billion $ US exports to Turkey**
  5.6 billion $ Turkey exports to US
  ➔ Turkey represents 0.27 % of total US imports.

- **High tariff rates on some textile/clothing products** (final bound and MFN applied duty AVG in textiles: 7.9%, and in clothing: 11.4-11.7 %)
  ➔ Only 2.9 % of textile export to US compared to over 30 % to EU
  ➔ Only 2.7 % of clothing export to US compared to over 70 % to EU

Roadmap for Turkey

- **EU Front:**
  - Better utilization of the established mechanisms between the EU and Turkey.
    - Customs Union Joint Committee
    - Impact Assessment Analysis to include Turkey
  - A representative from Turkey to the EU’s Trade Policy Committee on an “ad hoc” basis at the special meeting related to TTIP.
  - Coordinate effectively with the EU before negotiations with Turkey’s interests in mind.

Roadmap for Turkey

- **US Front:**

- **A. Official level:**

  - High Level Working Committee (decision expected in Autumn) is cautiously encouraging
  - Continue to keep the issue alive for US top-policy makers, The Department of Commerce and the US Trade Representative Office
  - Keep constant contact with the Congress members
  - Maintain Tripartite trade negotiation on the agenda

Roadmap for Turkey

- **B. Private level:**
  - To mobilise major US companies (Boeing, Citibank so on)
  - Turkish interest groups TOBB, TUSIAD and TABA should take the lead to lobby
  - Improve academic research on US trade policies
  - etc.