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The Rt. Hon. John BERCOW
Speaker
House of Commons
Palace of Westminster
UK – LONDON SW1A 0AA

Dear Mr Speaker,

The Commission would like to thank the House of Commons Business, Innovation and Skills Committee for its Report of March 2015 concerning the Transatlantic Trade and Investment Partnership (TTIP) and its comments on TTIP's potential economic impact on the UK.

The EU's aim for TTIP is to achieve higher economic growth and more jobs for EU citizens. The EU and the US are the world's two biggest economic powers, together accounting for half of global GDP and about one third of global trade flows. Every day we trade goods and services worth EUR 1.8 billion. Total US investment in the EU is three times higher than in all of Asia, and EU investment in the US is around eight times the amount of EU investment in India and China together. It is estimated that the transatlantic economy supports some 15 million jobs. An ambitious TTIP deal that increases our trade and investment opportunities with the US will mean significant benefits for the EU's economy. With this in mind, the Commission appreciates the House of Commons' encouragement to continue engaging in the public debate on TTIP, and to do so based on facts, not fears.

The independent economic analysis[1] *commissioned by the Commission illustrates a series of scenarios. The most ambitious scenario considered in this study points to an increase in EU output (GDP) of about 0.5%. This means the EU economy would have at its disposal an additional 70-120 billion euro compared to a case without TTIP every year, after sufficient time for the full effects of the deal to be felt (estimated as ten years from entry into force). The work carried out for the EU was based on the most up-to-date and sophisticated techniques and datasets. It is also grounded on a series of realistic policy scenarios that cover different possible levels of ambition for the agreement. Other studies point to somewhat different results. In most cases this is normal because they are based on different economic modelling techniques, sometimes different sets of data, and distinct assumptions for the policy scenarios (though in one notable case, the Capaldo working paper released by Tufts University, the model is entirely unsuited to trade policy analysis). Despite such differences, it is striking that*

[1] http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf

in terms of EU output gains the results seem to converge upon a narrow range: between close to 0% and 1%. Moreover, the results of the EU study for our 'ambitious but realistic' scenario is well within this range of estimates.

With regard to public services, the Commission would like to underline that no EU trade agreement requires parties to liberalise or privatise any public service, including public health, water distribution, public transport or education. The Commission has never in any of its trade agreements negotiated away Member States' rights to organise their public services in the way they see fit. This will not change in TTIP, as was confirmed by the Commission in a joint statement issued in March 2015 with US Trade Representative Michael Froman[2]. The Commission would also like to make reference to its letter[3] to the UK Government on this subject, the substance of which remains accurate.

The Commission would also like to reassure the House of Commons on the issue of Investor-State Dispute Settlement (ISDS). Under the EU's international investment policy, the Commission's aim is to clarify and improve the content of investment protection standards and the function of ISDS in order to ensure that the rights of governments to adopt measures for the well-being of their citizens (for example, environmental or health standards) are fully safeguarded. The Commission aims at making it impossible for a company to sue a state for lost profits, or to overturn legislation. In fact, investment protection agreements negotiated by the EU only contain basic guarantees related to the respect by governments of a limited number of fundamental standards of treatment of foreign investors. These standards are reflected in the rights that democratic governments grant to their own citizens and companies (such as no expropriation without compensation, access to justice, protection against coercion and harassment, non-discrimination). ISDS can only be used if these basic guarantees are denied to foreigners or foreign companies.

The Commission has listened carefully to the concerns expressed in the public consultation last year, and is now working with the Council, European Parliament and other stakeholders to develop a proposal on investment arbitration in TTIP. A concept paper setting out possible further improvements for ISDS in TTIP has been published recently[4].

Finally, with regards to the involvement of the UK in the negotiations and in the development of a proposal on investment arbitration, the UK, in the same way as all other Member States, is consulted and kept fully informed at all stages. There are weekly Trade Policy Committee meetings in the Council, technical contacts at all levels, and Commission officials have taken part in meetings with the UK Parliament. The Commission looks forward to further engagement with the new UK government and with the UK Parliament as the TTIP negotiations continue.

[2] http://trade.ec.europa.eu/doclib/docs/2015/march/tradoc_153264.pdf

[3] http://trade.ec.europa.eu/doclib/docs/2014/july/tradoc_152665.pdf

[4] http://trade.ec.europa.eu/doclib/docs/2015/may/tradoc_153408.pdf

The Commission hopes that these clarifications address the concerns raised by the House of Commons and looks forward to continuing our political dialogue in the future.

Yours faithfully,

Frans Timmermans
First Vice-President

Cecilia Malmström
Member of the Commission