Chambers Ireland

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Chambers Ireland's Submission to DBEI on Proposed EU-US Trade Negotiations

February 2019

Introduction

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to represent the views of businesses and understand their concerns.

Chambers Ireland is pleased to have the opportunity to submit to the Trade Policy Unit of Department of Business, Enterprise and Innovation with regard to Commission's proposals for renewed trade talks with the United States, in respect of conformity **assessment**, (making it easier for companies to prove their products meet technical requirements on both sides of the Atlantic) and one on the **elimination of tariffs for industrial goods**

This submission outlines Chambers Ireland's perspective on trade relations with the United States and on proposals for trade negotiations on the aforementioned topics. This submission has been drafted in correspondence with our Chamber Network and associated policy fora, which represents the Chambers and their member companies.

EU-US Trade Talks- Context

Between 2013 and 2016, the EU and US held more than a dozen rounds of negotiations to secure a trade deal between the two economies for what would have been the largest deal of its kind in the world, accounting for more than 50% of global GDP. The Transatlantic Trade and Investment Partnership, as it was known, had three main strands; improved market access; improved regulatory coherence; and improved co-operation when it comes to setting international standards. Chambers Ireland, in past submissions to the Department, welcomed these negotiations and supported the objectives of agreement to set a new gold standard in trade. Further, given the already existing strong trade relationship between the US and Ireland, such an agreement had huge potential to support the economy in terms of jobs and growth- Ireland was projected to benefit more than double the EU average.

Following the departure of President Obama from office in January 2017, negotiations for a trade deal between the US and EU, otherwise known as the Transatlantic Trade and Investment Partnership, were indefinitely put on hold, largely due to the campaign pledges of newly elected President, Donald Trump, to withdraw from international trade agreements.

It was later agreed in July 2018 that the United States and European Union would launch a new phase of trade discussions to bring both countries together. These discussions would include discussions on zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods. There was a also a commitment to reduce barriers and increase trade in services, chemicals, pharmaceuticals, medical products, as well as soybeans.[1]

Conformity and Regulatory Co-operation

As set out by the European Commission, the US is the main export destination of EU exports in industrial goods and is the second largest exporter of industrial goods to the EU (after China). EU-US trade in goods amounted to EUR 633 billion in 2017, composed mostly of industrial

[1] http://europa.eu/rapid/press-release_STATEMENT-18-4687_en.htm

products (EUR 598 billion, mostly composed of EUR 166 billion trade in machinery and equipment). Around 4.7 million EU jobs are associated with production for exports to the US. Industrial goods account for most of our trade in goods with the US (94 % of EU exports and 95 % of imports). EU-US trade in goods has been growing consistently over the last 10 years. In light of these important trade flows, economic operators on both sides of the Atlantic stand to benefit greatly from the elimination of duplication of testing, inspection and certification requirements, thereby reducing the costs for companies to access our respective markets.[2]

Studies have shown that the elimination of non-tariff barriers can present substantial economic gains to trading partner through reduced regulatory costs and administrative red-tape. During the TTIP negotiations for example, Chambers Ireland called on negotiating teams to put regulatory co-operation at the heart of any new trade deal. In particular, we called on the EU and the US to "Think Small First" as they developed models for increased regulatory co-operation. Small and medium sized enterprises (SMEs) will benefit from increased regulatory cooperation, as due to their size, they lack the ability to profit from economies of scale, thus bearing a disproportionate burden in terms of regulatory costs and administrative red tape.

Further, EU SMEs typically conduct their business through direct exports rather than foreign investments, thus mostly lacking the foreign production facilities needed to bypass transatlantic regulatory differences. This further exacerbates the fact that divergences in regulation hit SMEs hardest, as it is mostly the smaller but highly competitive EU exporting firms that bear the heaviest load in terms of implementing burdensome adaptations to their products and services to comply with US regulations and standards, and vice-versa.

While the areas outlined for further co-operation are not as comprehensive as those set out under TTIP, we believe that renewed trade talks, particularly with regard to conformity and regulatory co-operation has the potential to boost trade between the two regions. Diversification in a post-Brexit landscape becomes ever more important, and a simpler trading regime with the United State could have a number of opportunities for Irish businesses, including SMEs, in the med-tech, manufacturing and pharma sectors.

Elimination of Tariffs on Industrial Goods

As set out in the negotiating mandate, the goal of the negotiations on the elimination of tariffs will be to eliminate all duties for industrial goods, on a reciprocal basis, with the objective of achieving a substantial elimination of tariffs upon entry into force and a phasing out of such tariffs in a short time frame. While tariffs on industrial goods between the EU and US are generally already also (approx. 4%), the removal of tariffs on industrial good would have a positive economic impact on SMEs, who are operating on narrower margins than much larger companies. These reductions can make it simpler, more cost-effective and more competitive for SMEs to export to a third country outside of the EU. Data suggests that it will be Irish SMEs who are most negatively impacted by the UK's departure from the EU.

Ensuring that markets like the US are cheaper, and more administratively efficient to access, will be crucial if we are to successful support SMEs in diversifying. Diversification post-Brexit is no

[2] http://trade.ec.europa.eu/doclib/docs/2019/january/tradoc_157627.pdf

silver bullet for all companies, particularly those in the agri-food sector. But for those who can consider market diversification, increased EU-US trade will help mitigate some of the trade reduction following the UK's departure from the EU.

Conclusion

The cessation of talks for a deep comprehensive trade agreement between the EU and US in 2017 was a lost opportunity for the Irish economy. While the mandate above focus on much narrower range of areas, it is still to be welcomed as a step in the right direction for improved EU-US trade relationships.