

The Scottish North American Business Council (SNABC)

Introduction

The Scottish North American Business Council (SNABC), is an affiliate of the British-American Business Council (BABC). The BABC is the largest transatlantic business network, comprising and representing more than 20 chapters, with a collective membership of more than 2,200 companies, based in major business centres throughout North America and the UK.

As part of the BABC, the SNABC has been strong supporter of a comprehensive EU-US trade and investment agreement, the Transatlantic Trade & Investment Partnership (TTIP).

We expect TTIP to significantly benefit companies on both sides of the Atlantic, providing a significant boost to both jobs and growth, benefiting Scottish businesses, workers and consumers alike. The negotiations also have positive strategic implications and can contribute to enhancing the international rules-based trading system and thus to raising global prosperity.

We want to see the UK at the heart of the policy debate. We see a TTIP-enabled Europe as one much more attractive to companies from both sides of the Atlantic interested in mutual trade and investment.

TTIP general benefits

The UK is the largest investor in the US and the US is the largest investor in the UK. Both contribute directly to around 2 million jobs in each other's markets. In 2012, British-American trade was worth almost £364 million a day.

Trade barriers between the EU and the US are sometimes referred to as being small, averaging around 3%. However, British companies still pay \$1 billion to the US in tariffs every year. For some industries, these tariffs are particularly high. For example, US tariffs on UK sportswear are 32%, for synthetic women's coats 16%, hotel tableware 28%, and slippers 26%. Tariff elimination between the EU and the US has been estimated cumulatively to be worth 1-3% of each side's GDP. Even if an as yet undetermined part of that came to be attained, companies would benefit from it.

However, it is the regulatory dimension from where 80% of the benefits of the deal are predicted to emanate. What the negotiations should aim to do, in our view, is to find ways of avoiding regulatory duplication and double testing and certification in cases where the EU and the US have compatible standards currently achieved through different means. The aim is to spare companies the added cost of having to comply with regulations that provide the same protection, twice.

Such duplication of testing is burdensome for even the largest of companies, but it can make the difference between there being a strong business case or no business case at all for many small and medium sized enterprises (SMEs). This is why we believe that TTIP will have a big impact on SME's capability to expand their business, adding jobs and growth to our local economies.

TTIP's benefits for Scotland

Trade with the US already is of great importance to Scotland. 14% of all international exports from Scotland already go to the US. 500 Scottish based companies are US-owned and many use Scotland as a base to access the entire EU market. The US has been ranked among the top two future markets by Scottish exporters. TTIP is widely seen as an opportunity to reshape local economies providing economic growth, jobs and prosperity.

Exploring the benefits of TTIP for companies, particularly SMEs, in UK regions, has been the major goal of a national roadshow organised by BritishAmerican Business (BAB) – the largest affiliate of the BABC – in the UK. The SNABC has been a strong supporter of this initiative and co-organised two events on 5th November 2013 and 23rd September 2014 in Edinburgh. Further roadshows took place in Glasgow on 1st May, 2013, and 5th March, 2014.

The message we took from these events has been clear: while there are plenty of encouraging success stories out there, many companies still face huge obstacles when doing business with the US. The smaller you are, the more these get in the way.

For example, we heard from a Renfrewshire-based world leader in the design and manufacture of products that address the needs of vascular and cardiovascular clinicians, that the required approval from the Food and Drug Administration (FDA) in the US makes their products more expensive and the processing time consuming.

The Glasgow-based firm LugPlugs™ told us that import duties and customs clearance charges make it expensive for them to import products from the US to the UK needed to manufacture their personal hearing protection delivery system. But even more importantly, these costs apply twice, as the finished products are also exported (back) to the US!

TTIP can help to remove these trade barriers.

These examples show that as well as setting out the 'big win' macro case, we need to break down the benefits to local, specific and tangible opportunities which are valuable to Scots and our companies who want to make more out of the transatlantic channel.

TTIP and public concerns

It is important to explain the potential benefits that TTIP could have and also to address the concerns raised about the agreement, many of which are due to misinformation.

Standards

There is a concern that regulation will be dragged down to the lowest standard, and that we will see deregulation. However, both the EU and the US have underlined that harmonization or levelling regulations is not a goal – both sides, from President Obama down have stressed that the outcome of the negotiations should not reduce the level of protection for consumers, workers or the environment. We support effective, proportionate, aligned regulation, and a high quality benchmark agreement which helps secure high standards globally by good example.

Investor-State Dispute Settlement

Another major contentious issue at the moment is the Investor-State Dispute Settlement (ISDS) in the TTIP negotiations. ISDS is designed to protect companies' foreign investments against harmful or illegal rulings in the countries where they operate. It provides protection against discrimination, expropriation, unfair and non-equitable treatment and restrictions on transfer of capital. ISDS means resolving disputes about breaches of such protection.

Since 1975 the UK has negotiated 94 Bilateral Investment Treaties (BITs), almost all of which include ISDS provisions. It is important to note that UK investors have brought at least 43 ISDS claims to protect their investments. No ISDS challenge had ever succeeded against the UK.

More importantly, ISDS cannot repeal or reverse legislation or require a change in government policy, as it is currently discussed in regards to the NHS (see below). Information about the ISDS mechanism is openly available. The European Commission has done an open consultation on the topic. We expect a response from the Commission to the 150,000 submissions to the consultation later this year.

We are in favour of ISDS content for TTIP. Investment protection plays a strong role in building the confidence that underpins international investments and the trade that depends on them, benefiting producers and consumers alike and supporting job creation and growth. Therefore, investment treaty arbitration and improved provisions for an ISDS mechanism should be a central component of the investment chapter so that the very few disputes that arise can be resolved in depoliticised, transparent proceedings.

NHS

One topic that has particularly characterised the debate in the UK is TTIP's potential impact on the UK's National Health Service (NHS). Against all

current concerns that TTIP will undermine British providers of public services, there is no wording that suggests a liberalisation of the NHS under TTIP. More importantly, ISDS does not determine whether public services or government procurements are subject to litigation, which is the remit of the investment commitments themselves.

The provision of public services is recognized as an important public function on both sides of the Atlantic, and there is no goal that we have seen stated or even implied to undermine such services, nor to negotiate more alignment. A recent briefing by the NHS European Office stated that both the EU as the whole and individual member states can specify in the agreement areas where they reserve the right to adopt or maintain measures in respect of particular services, such as the provision of health services that receive public funding or state support.

Transparency

The negotiations for TTIP are taking place under a mandate approved by the British Government and the other 27 member states of the European Union. There is already a vast amount of information publicly available on the European Commission's website – including negotiating positions in a number of areas and the full reports from each negotiating round. Emphasizing the European Commission's commitment to transparency in the negotiation process, the Council of the EU published the negotiating directives for talks on a EU-US trade agreement. Further publications are planned as part of the new Commission's overall priority to improve transparency.

We welcome the EU's initiatives to enhance transparency and as far as we are concerned, the ongoing TTIP negotiations are admirably transparent and open to public comment and input. Numerous public, open and well attended stakeholder meetings have taken place in Brussels, Washington D.C., and across European member states.

Conclusion

The roadshow series on TTIP, however, reveals that a lot more needs to be done to show the specific, local, tangible benefits that TTIP can have for companies in the UK. We look forward to working with our colleagues from BAB in London and other stakeholders to contribute to the debate to make a good case for TTIP helping Scotland.

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