BUSINESS ALLIANCE OF SLOVAKIA

TTIP - TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP: A UNIQUE OPPORTUNITY FOR BUSINESS IN SLOVAKIA TO GROW (?)

TTIP - Transatlantic Trade and Investment Partnership: A Unique Opportunity for Business in Slovakia to grow (?)

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In partnership with US Embassy in Bratislava

Issued 31 May 2014

Information and facts in the study reflect the state of negotiations and the technical debate on TTIP as on the date of issue.

This study is downloadable at www.ttip-slovakia.sk

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The Deal with Benefits for both Europe and USA

Trade relations between the USA and the European Union are among the most significant in the world, making up almost one half of the world's overall economic output and promoting more than 13 million jobs on both sides of the Atlantic. I hope their mutual trade will soon be more extensive as we are finding ourselves at a moment in time when the future of both economies depends on this. Since July 2013, representatives of negotiating teams from the United States and the European Union have had five rounds of talks concerning Transatlantic Trade and Investment Partnership (TTIP). These negotiations seek to reduce both tariff and non-tariff barriers, which will definitely contribute to accelerate GDP growth HD, encourage global exports from the US and Europe and create new jobs.

Clearly, the task is not an easy one. Both sides have their sensitive spots and neither will accomplish all the things it demands. Exponents of the individual industries on both sides eagerly expect and, at times, fear how the TTIP deal could shape their particular industry. Yet only a broad deal encompassing all industries is going to make a significant positive impact, direct and indirect, on open small economies such as Slovak Republic. Meanwhile, I am very glad for the US Embassy in Bratislava that has been intensely working with both US and local partners such as Business Alliance of Slovakia to raise awareness and provide information to the Slovaks on the benefits the TTIP deal offers to Slovakia's and US economies.

Summing up TTIP's impacts and influence on Slovakia's economy, this study provides complex and synoptical information on what and how Slovak businessmen, consumers and public policymakers can benefit from this deal.

Much work still lies ahead. The United States is looking forward to working together with the European Union in seeking creative solutions of the said issues while progressing towards a common objective – a deal that will encourage new investment, new jobs and economic growth on both side of the Atlantic. It is a win/win situation for both the United States and Europe.

Theodore Sedgwick
US Ambassador in Slovakia

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EXECUTIVE SUMMARY

Given the historical links and interconnectedness of the world's two biggest economies – the European and the American – it is almost startling to find the number of diverse barriers and legislative impediments that complicate the mutual commerce, making it impossible to use the potential advantages of a common market.

This has inspired the current initiative which seeks to achieve significant progress in liberalizing the foreign trade of the European Union (EU) and the United States of America (USA). The emergent treaty is referred to as Transatlantic Trade and Investment Partnership (TTIP) – a free trade zone between the EU and the USA.

According to London's Centre for Economic Policy Research, an ambitious and complex transatlantic partnership in trade and investment could boost the EU's economy by as much as 119 billion euros annually or 545 euros on average household basis. For the US economy, the boost should be 95 billion euros annually or 655 euros on average household basis.

Slovakia with its pronouncedly export-driven economy can be among the countries that profit most from TTIP. This is one of the reasons why Slovakia should not remain a passive onlooker in negotiations on specific issues of the transatlantic partnership. In an effort to strengthen the voice of Slovakia's entrepreneurs and the professional public in negotiating the contents and final version of TTIP, Business Alliance of Slovakia (BAS) has implemented with the US Embassy in Bratislava a special project "TTIP – Transatlantic Trade and Investment Partnership: A Unique Opportunity for Corporate Growth in Slovakia (?)".

The project featured, among other things, a questionnaire survey of the transatlantic partnership's impacts on Slovakia's economy and business environment that sought to identify what opportunities and threats would the prospective deal bring; 453 entrepreneurs participated in the survey.

More than a half of the respondents assume that a single market deal between the EU and the USA would bring new business opportunities and help boost Slovakia's economy. According to the entrepreneurs, the most pronounced contribution of the transatlantic free trade agreement should be a higher number of business partners, a more intensive foreign trade and a simpler transfer of know-how and technologies.

The dominant optimism of entrepreneurs towards a common EU and US market is reassured by answers on TTIP's risks. The list of risks is shorter than the list of advantages; in comparative terms, the entrepreneurs perceive the different threats as less pronounced than the advantages. The most frequent concern is more intense competition on the marketplace, which, while beneficial for the economy as a whole, may at the same time reduce profits or even undermine the viability of some businesses. An efficient measure to compensate the risks of more intense competition, which the Slovak government should decidedly not underestimate, is, in BAS's view, improving the business environment.

Entrepreneurs who have participated in the survey expect that the existence of a transatlantic free trade zone and removal of trade and regulatory barriers will have a beneficial impact on their revenues (expecting an average 17 % increase of revenues) as well as on the economy's employment rate. Eighty-nine percent of the responding entrepreneurs are convinced that liberalization of trade will improve employment; the average rate of expected change in the number of employees was +7.8 %[1].

The TTIP impact analysis on Slovakia's economy and business environment indicates a 2.57 % increase in corporate revenues, 1.19 % increase of employment rate (i.e. 27,652 new jobs), 3.10 % growth of exports and 2.93 % growth of imports. The expected growth of cross-border trade is 3.02 %. Further to these growths, a GDP is expected to grow at roughly 3.96 % to 4.22 %. Accordingly, TTIP's contribution to Slovakia's economy could amount to as much as 3.6 billion euros (1,743 euros per single household).

Slovakia's potential to profit from TTIP's benefits depends largely on the competitiveness of Slovakia's economy. Slovakia has its own positive experience with entering the European Single Market in 2004. The range of customers serviceable without the need of overcoming national barriers has been extended from 5.5 million to 500 million with a now fiercer competition between Slovak and European producers while the latter have gained barrier-free access to markets of Central and Eastern Europe. Shortly after the country's entry into the EU, Slovakia's economy experienced one of its most stellar periods, with its increasing economic growth hitting an all-time high of 10.4 % in 2007. This success of Slovakia's economy was not generated solely by the country's joining the EU. Its fundamental prerequisites were substantial reforms of the business environment that boosted the competitiveness of businesses, i.e. their ability to succeed at the marketplace. The actual entry into the EU's trading space was but a catalyzer of the following economic success.

1 Notably, the BAS survey featured predominantly export-oriented businesses; thus, the overall impact on the economy is very likely to be lower, as the opinions of businessmen present at the local marketplace may not be sufficiently reflected. To take account of this, the collected data had to be converted to represent the actual parameters of Slovakia's business environment (realistic export orientation of businesses, among other things). For more details on this conversion, see Chapter 5 – Forecasting TTIP's Impacts on Slovakia's Economy.

1

INTRODUCTION

The first reference to the currently discussed Transatlantic Trade and Investment Partnership (TTIP) deal dates back to 13 February 2013 when it was made in his State of the Union speech by US President Barack Obama. Underscoring the importance of a trade partnership between the USA and the EU, he expressed a conviction that further removing barriers and legislative obstacles could lead to a higher exchange in trade, create new jobs and boost GDP growth.

A week later, TTIP was mentioned in a speech by the President of the European Commission José Manuel Barroso. About a month later (20 March 2013), the US President's intention to open TTIP talks was officially communicated in a letter to the US Congress. EU member states gave the European Commission a mandate to launch talks concerning a free trade zone with the USA on 14 June 2013. These talks seek to conclude an agreement that would significantly deepen the existing and currently largest global partnership in trade. Its successful conclusion or, for that matter, creation of a free trade zone would not only eliminate custom duties (artificially made barriers to market entry) but also other obstacles, particularly the differences in regulatory barriers, incoherent standards and legal barriers.

In general, the EU and the USA are the world's largest traders and investors both mutually (with approx. 2 billion euros in goods and services traded between them every single day[2]), and with respect to most third countries.

Thus, a free trade agreement between the EU and the USA would constitute the most significant bilateral trade agreement at all, both in terms of the volume of international trade that would be governed by such agreement's rules and in terms of its influence on international trade as a whole.

2 For additional information, see http://www.europskenoviny.sk/10/02/2014/najvacsia-obchodna-zmluva-sucasnosti/

Additionally to these economic aspects, the agreement would notably have a major aspect in foreign policy. The economic crises on both sides of the Atlantic have shown how important and intertwined are the transatlantic economic links. Even with the shift of focus towards Asia and Latin America, improving each other's efficiency and competitiveness by deepening the transatlantic link is the best alternative. A transatlantic free trade zone can thus bring a re-shifting of the economic focus back towards the Euro-Atlantic space.

A single trade block of the EU and the USA with uniform and mutually recognized standards is going to stand a high chance of becoming a reference for global technology standards. A common regulatory framework based on shared values would contribute to strengthening the values of democracy, freedom, respect for the environment and protection of health. According to the assumptions and preliminary analyses made, such an agreement could, if concluded, boost EU's GDP by 0.5 % and US' GDP by 0.4 % by 2027[3].

Timeline

This study appears one year into the official start of TTIP talks. Information and facts in the study reflect the state of negotiations and the technical debate on TTIP as on 31 May 2014. The impacts analysis assumes a total removal of trade barriers (both custom duties and regulatory) between the EU and the USA.

1.1
THE BAS PROJECT: TTIP – TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP: A UNIQUE OPPORTUNITY FOR BUSINESSES IN SLOVAKIA TO GROW (?)

The analyses published to date suggest that TTIP can be considered a major opportunity for further economic development and Slovakia should not remain a passive onlooker in negotiations on specific issues of the transatlantic partnership. In an effort to strengthen the voice of Slovakia's entrepreneurs and the professional public in negotiating the contents and final version of TTIP, Business Alliance of Slovakia (BAS) has implemented with the US Embassy in Bratislava a special project "TTIP – Transatlantic Trade and Investment Partnership: A Unique Opportunity for Businesses in Slovakia to grow (?)", in which framework BAS discussed with entrepreneurs the pros and cons of a single transatlantic market, analyzed its impacts on Slovakia's economy and business environment and identified its major risks and the options to minimize them.

The major goal of the project was to strengthen the position of Slovakia and the business public in TTIP talks by means of consultations of TTIP-related issues with entrepreneurs and the professional public and by preparing this economic impact analysis.

The project consisted of three parts. In part one, BAS made a questionnaire survey of the transatlantic partnership's impacts on Slovakia's economy and business environment to identify what opportunities and threats would the prospective treaty bring. At the same time, BAS discussed the issue of creating a single

3 ZSource: Ľ. Lipková, 2013, Budúcnosť obchodných vzťahov medzi Európskou úniou a USA (The Future of Trade Relations between EU and USA), http://fmv.euba.sk/RePEc/brv/journl/MV2013-4.pdf

market with entrepreneurs and the professional public at roundtables; one such roundtable discussion involved horizontal (general) impact while the remaining six roundtables focused on specific impacts on the selected six industries that are key for Slovakia's economy (finance and banking, agriculture, IT and e-commerce, energy and shale gas, USA vs EU – comparison of selected regulations and car industry).

In part two of the project, BAS' analytical unit prepared a complex analysis of TTIP's impacts on the economy relying on findings of the questionnaire survey, roundtables and international studies that have been made on this topic. Part three of the project was communicative.

Internet information on the "TTIP – Transatlantic Trade and Investment Partnership: Unique Opportunity for Corporate Growth in Slovakia (?)" project

To ensure maximum possible participation of all relevant groups and the public, the course of the project and the actual TTIP negotiations was communicated at social networks and a special website www.ttip-slovakia.sk was created including detailed information on the project.

Project information at social networks:

Google+: https://plus.google.com/108766313193724756392/about
Facebook: https://www.facebook.com/TTIPslovakia?fref=ts
LinkedIn: https://www.linkedin.com/company/ttip-slovakia
Twitter: https://twitter.com/TTIP_SLOVAKIA

1.2
THE IMPORT OF FOREIGN TRADE AND SIGNIFICANCE OF TRADE AGREEMENTS

To eliminate both tariff and non-tariff barriers of foreign trade in an effort to maximize the benefits of foreign trade, the ideas of diverse trade agreements such as customs unions began to emerge particularly after World War II. With respect to the EU, it was such agreements that gradually led to the formation of the internal market which along with the European Monetary Union almost entirely eliminated foreign trade barriers among EU member countries[4].

Countries that have concluded a free trade agreement with both the EU and the USA include Chile, Guatemala, Honduras, South Korea, Columbia, Costa Rica, Mexico, Nicaragua, Panama, Peru, Salvador and Singapore.

4 An overview of EU's major bilateral trade agreements including those in the stage of pending or scheduled future free trade talks can be found in the August 2013 issue of euPASnewsletter: http://www.fipra.sk/newsletter/2013/3/prehlad_najdolezitejsich_bilateralnych_obchodnych_dohod_eu.pdf. Similarly, an overview of free trade agreements made by the USA can be found at: http://www.ustr.gov/trade-agreements/free-trade-agreements.

1.3
TTIP'S SIGNIFICANCE FOR SLOVAKIA

Higher economic growth, increased exports and more jobs, more efficient production and broader range for consumers are among the major benefits Slovak citizens may tangibly perceive following implementation of TTIP. This was the common consent of participants at the first TTIP roundtable meeting organized jointly by BAS, AmCham and the US Embassy in Bratislava in September 2013.

Slovakia as a small and export-oriented EU member state has a one-of-a-kind opportunity to share all the benefits TTIP will bring. Studies published on this issue suggest that new member states with open economies are particularly likely to experience a significant boost in GDP growth (for Slovakia, the boost is estimated at as high as +4.21 % GDP[5,6]), new jobs and an inflow of foreign investment. Daniel J. Ikenson, Director of the Herbert A. Stiefel Center for Trade Policy Studies of the Cato Institute, said in this respect: "Major benefits of TTIP for a country such as Slovakia will most certainly include improved access to global markets, increased volume of available foreign capital, lower costs of importing raw materials and exporting components and, last but not least, a deeper integration in the processes of international trade"[7].

The import of foreign trade for Slovakia is reconfirmed by statistics – according to World Bank, Slovakia's 2012 foreign trade to GDP ratio was very high, at 174 %, which places it among extremely open economies – specifically, fourth place, according to this indicator, right after Hong Kong, Singapore and Belgium[8]. A 1997- 2012 overview of Slovakia's foreign trade with the USA and major trade partners can be found in the following tables:

Table 1 – Slovakia's 1997-2012 Foreign Trade Volumes with Germany (mil. €)

	1997	1998	1999	2000	2001	2002	2003	2004
Slovakia's exports to Germany	2 548	3 612	3 888	4 875	5 494	5 627	8 221	8 526
Slovakia's imports from Germany	2 576	3 928	4 068	4 908	5 848	5 616	6 992	7 357
Trade balance with Germany	-27	-316	-180	-34	-354	11	1 230	1 168
	2005	2006	2007	2008	2009	2010	2011	2012
Slovakia's exports to Germany	8 476	9 455	9 991	9 785	7 855	9 291	11 479	13 273
Slovakia's imports from Germany	7 281	8 424	8 929	9 267	5 911	7 520	8 978	9 851
Trade balance with Germany	1 195	1 031	1 061	518	1 944	1 771	2 502	3 423

Source: Slovak Statistical Office[9]

5 The ambitious scenario (removal of both tariff and non-tariff barriers).

6 G. Felbelmayr, 2013, Transatlantic Trade and Investment Partnership (TTIP) – Who benefits from a free trade deal?, http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf

7 Source: TTIP posilní hospodársky rast a zamestnanosť na oboch kontinentoch (TTIP To Boost Economic Growth and Employment on Both Continents), http://alianciapas.sk/2013/09/12/

8 Source: The World Bank, Merchandise trade (% of GDP), http://data.worldbank.org/indicator/TG.VAL.TOTL.GD.ZS?order=wbapi_data_value_2012+wbapi_data_value+wbapi_data_value-last&sort=desc

9 Source: Slovak Statistical Office, http://www.statistics.sk/pls/elisw/MetaInfo.explorer?obj=78&cmd=go&s=1005&sso=5&so=29

Table 2 – Slovakia's 1997-2012 Foreign Trade Volumes with the Czech Republic (mil. €)

	1997	1998	1999	2000	2001	2002	2003	2004
Slovakia's exports to the Czech Rep.	2740	2550	2540	3167	3372	3288	3441	4040
Slovakia's imports from the C. R.	2792	2811	2597	2883	3572	3762	3927	4255
Trade balance with the Czech Rep.	-51	-261	-57	284	-201	-474	-487	-215
	2005	2006	2007	2008	2009	2010	2011	2012
Slovakia's exports to the Czech Rep.	4665	5839	6134	6702	5277	6612	8181	8707
Slovakia's imports from the C. R.	4507	4944	5191	5331	4319	4863	5661	5724
Trade balance with the Czech Rep.	157	895	943	1371	958	1750	2520	2983

Source: Slovak Statistical Office

Table 3 – Slovakia's 1997-2012 Foreign Trade Volumes with the USA (mil. €)

	1997	1998	1999	2000	2001	2002	2003	2004
Slovakia's exports to the USA	175	150	202	258	260	313	1401	1415
Slovakia's imports from the USA	404	444	399	406	458	530	535	506
Trade balance with the USA	-229	-294	-197	-148	-198	-217	867	909
	2005	2006	2007	2008	2009	2010	2011	2012
Slovakia's exports to the USA	1036	1318	1176	847	426	729	897	1169
Slovakia's imports from the USA	486	540	479	584	436	433	512	521
Trade balance with the USA	550	777	697	263	-10	295	385	648

Source: Slovak Statistical Office

Table 4 – Slovakia's 1997-2012 Foreign Trade Volumes, Total (mil. €)

	1997	1998	1999	2000	2001	2002	2003	2004
Slovakia's exports total	10755	12541	14063	18208	20292	21643	26663	29811
Slovakia's imports total	13078	15294	15564	19594	23703	24828	27441	31485
Trade balance	-2 322	-2 753	-1 502	-1 386	-3 411	-3 185	-778	-1 674
	2005	2006	2007	2008	2009	2010	2011	2012
Slovakia's exports total	32864	40916	47351	49522	39721	48272	56783	62144
Slovakia's imports total	35320	43667	48076	50280	38775	47494	55768	58588
Trade balance	-2 456	-2 751	-725	-758	946	779	1016	3556

Source: Slovak Statistical Office

1.4
PREVIOUS ROUNDS OF TTIP TALKS

As of 31 May 2014, the total of five rounds took place[10]. The first round started 8 July 2013 in Washington, with emphasis mainly on formal requirements. During discussions the negotiators set priorities and agreed on technical procedures[11]. Later, the priority areas of liberalization were identified as follows:

- Market access for agricultural and industrial goods
- Public procurement
- Investments
- Energy and raw materials
- Regulation issues
- Sanitary and phytosanitary measures
- Services
- Intellectual property rights
- Permanently sustainable development
- Small and medium-sized enterprises
- Dispute resolution
- Competition
- Simplification of customs procedures
- State-owned enterprises

Round two was held 11-15 November 2013 in Brussels, focusing on the areas of services, investments, regulatory issues, energy and raw materials. This round was largely exploratory; the goal was to identify issues on which the parties can efficiently agree[12].

Round three took place 16-20 December 2013 in Washington. Here, several areas discussed in previous rounds were more precisely defined and work began on shaping the actual TTIP agreement[13].

Round four was postponed due to a meeting of chief negotiators of both sides that sought to include the Investor to State Dispute Settlement mechanism (ISDS) into TTIP talks (note.: ISDS is dealt with more specifically in Chapter 6.2.2). The negotiations then took place 16 March 2014 in Brussels. Chief US negotiator Dan Mullaney said the USA was willing to abandon the existing customs within the free trade agreement with the EU. This round was attended by representatives of entrepreneurs, consumers, trade unions and environmental groups that submitted their positions on the draft agreement[14].

10 For further information on the individual rounds, see: http://ec.europa.eu/trade/policy/in-focus/ttip/resources/#negotiation_rounds

11 Source: Bertelsmann Foundation, 2013, TTIP negotiations: A Summary of Round 1, http://www.bfna.org/sites/default/files/BBrief-TTIP%20Round%201%20(1Aug2013).pdf

12 Source: Bertelsmann Foundation, 2013, TTIP negotiations: A Summary of Round 2, http://www.bfna.org/sites/default/files/publications/BBrief%20-%20TTIP%20Round%202%20(6Dec2013).pdf

13 Source: Bertelsmann Foundation, 2014, TTIP negotiations: A Summary of Round 3, http://www.bfna.org/sites/default/files/publications/BBrief-TTIP%20Round%203%20(14Jan14).pdf

14 Source: European Commission, http://ec.europa.eu/trade/policy/in-focus/ttip/resources/#ttipfourth-toggle

Why extensive public participation at negotiations is important

Although having the exclusive competence, within the EU, to negotiate international trade agreements, the European Commission made it clear at the outset that it would engage in intense communication on all intents with all stakeholders to ensure that maximum plurality of opinions is brought into the negotiating process.

Throughout the process, full democratic oversight is arranged by the Council representing all national governments of EU member states. A similarly important controlling task is performed by the European Parliament. Negotiating the TTIP deal on behalf of member states, the European Commission regularly informs both the Council and the Parliament on the course of negotiations, receiving their feedback and suggestions before and after each round, and the ultimate trade agreement will be subject to approval of both the Council and the Parliament.

Step one was publishing several official positions and technical materials of the EU before the beginning of round one. Ever since, the Commission has been regularly seeking out and listening to opinions of all stakeholders. Every round of negotiations features a briefing attended on average by approx. 350 interest groups. In addition, to encourage even more participation of important stakeholders, the Commission set up, in late January, a Special Advisory Group of experts representing a broad range of interests.

References to TTIP documents:

Basic information: http://ec.europa.eu/trade/policy/in-focus/ttip/about-ttip/
Key documents: http://ec.europa.eu/trade/policy/in-focus/ttip/resources/#documents
Questions and answers: http://ec.europa.eu/trade/policy/in-focus/ttip/questions-and-answers/

Similarly, the US side is also keen on communicating with the broadest possible spectrum of stakeholders as it has been informing on the measures taken to involve both the public and stakeholders in the negotiations. For more information, see:

http://www.ustr.gov/about-us/press-office/blog/2014/March/Stakeholder-Consultations-Investment-and-the-TTIP

The next, fifth round of negotiations ended 23 May 2014 in the USA. According to Dan Mullaney, chief US negotiator, the five-day talks were attended by representatives of almost all negotiating groups, discussing most of the areas of the drafted agreement. The major topics of round five included customs, investments and public procurement, but the negotiators also discussed the ways to improve regulatory compatibility in many areas such as medical aids, medicinal substances, cosmetics, cars and chemical substances. EU chief negotiator Ignacio Garcia Bercero said that both sides had moved forward on issues of the labor market, environment and sustainable development, yet the ultimate goal was very ambitious. “We have moved away from discussing the conceptual framework towards defining rigorously specified ideas across the entire spectrum of areas that are under negotiation,” the US delegation representative Michael Forman said[15].

1.5
CURRENT SITUATION AND ASSESSMENT OF TTIP’S CHANCES OF SUCCESS

July 2014 will be a year’s time since the official launch of negotiations between the EU and the USA on the Transatlantic Trade and Investment Partnership. The original and ambitious plan to conclude negotiations by 2015 appeared realistic at the outset, given the rich tradition of mutual historic, cultural, political and economic links between the EU and the USA.

15 Sources: European Commission, http://ec.europa.eu/trade/policy/in-focus/ttip/resources/#ttipfifth-toggle; philSTAR.com, http://www.philstar.com/world/2014/05/24/1327007/us-eu-wrap-fifth-round-trade-talks-without-breakthroughs

Today, however, it has become clear that the initial plan of concluding the agreement within two or three years was too optimistic. The main reasons for a slowdown in the process are decidedly not the partial suspension of US government expenditure funding in October 2013 that has delayed round two of the negotiations, or the European Parliament elections followed by changes in the European Commission that will suspend negotiations on the political level, not on the technical level. Rather, the primary cause of slackening in the negotiations is the complexity of the drafted agreement. In other words, successful progress is halted by the vast quantity of potential issues and pitfalls underlying the efforts to harmonize two considerably different regulatory systems.

Seemingly, each and every one of the previously held five rounds was marked by a dispute over putting a particular area of controversy on the agenda of the TTIP negotiations. The initial enthusiasm was cooled down by France's request to except audiovisual services from the scope of TTIP negotiations; in response, the US side requested excepting maritime transport services. This can be perceived as the beginning of the feared snowball effect. Ironically, TTIP's failed predecessor, the draft called New Transatlantic Market, initiated by the European Commission, was aborted in 1998 on the very same ground of France's concerns over its audiovisual industry. Rounds two and three of TTIP negotiations were accompanied by stormy discussions on the issue of genetically modified organisms and personal data protection. Round four had to be postponed due to a meeting of chief negotiators to resolve, among other things, the inclusion of Investor to State Dispute Settlement (ISDS) on the TTIP negotiating table.

There were controversial issues on the other side of the Atlantic as well. A very clearly stated requirement of the EU to include regulation of financial services on the negotiating table was declined by the US Treasury Department. The EU, in turn, responded with a position that putting clear rules for banks deliberately off the agenda would pose a great risk for global financial stability in total ignorance of the lesson learned from the 2008 crisis. The EU's effort to use TTIP for easing imports of cheaper energy resources from the USA, while at least partially profiting from the pricing revolution triggered by shale gas production, stumbled on the growingly disinterested US side which was quick to realize the impact of massive exports on their domestic price level.

Yet another obstacle for TTIP in the USA is the increasing criticism of the recently introduced bipartisan bill amending the Trade Promotion Authority Act (TPA). Since 2002 that provision has sought to "fast-track" negotiation of international agreements by allowing the Congress to approve or disapprove but not to amend or filibuster them, which precluded the conclusion of several international agreements that were extremely difficult to negotiate in the first place.

Thus, there is increasingly more resonance of the view that the trade agreement is going to be very difficult to adopt in its originally conceived form. Several experts on both sides are inclined to believe the TTIP should be gradually turned into a kind of "living agreement" that would provide ample ground for continuous cooperation of regulatory authorities from the EU and the USA. This is slowly amounting to the scenario which worried Daniel Ikenson of the US Cato Institute who said that if both the EU and the USA wanted to succeed, their negotiations of the planned deal must in all earnest apply the "closer hanging apple" principle – that is, to concentrate all efforts on realistically attainable goals.

On the other hand, there are several factors that increase the likelihood of adopting TTIP in its actual current form. Firstly, it is the positive experience from negotiations with South Korea; that free trade agreement is the first agreement of a new generation that has gone further than any before in removing trade barriers in order to make it easier for European and Korean companies to do business together. In the first two years of the agreement's effectiveness European exports to South Korea grew considerably while the EU achieved surplus in trade balance with South Korea for the first time in 15 years. The EU's exports to South Korea grew by 16.2 % from 32.5 billion Euro in 2011 to 37.8 billion Euros in 2012[16].

Trade provisions of the Association Agreement between the European Union and Central America with respect to Honduras, Nicaragua and Panama took effect 1 August 2013. That agreement is a major springboard for mutual relationships between the EU on the one hand and Honduras, Nicaragua and Panama on the other hand, paving the way towards the EU's closer integration with the rest of Central America. The EU is the second largest trading partner of Central America as a whole – the 2012 trading flows totaled 14 billion Euro, including 1.4 billion Euros in trade with Honduras, 1.2 billion Euros with Panama and 0.4 billion Euros with Nicaragua. Central America's economy should see clearly noticeable benefits from the agreement; if applied on the entire region, the agreement is expected to boost the Central American economy by an annual growth of more than 2.5 billion Euros[17].

If concluded, TTIP will, without a doubt, bring economic growth, new jobs, lower prices, higher volume of foreign investment and higher living standards to the citizens of the EU and the USA[18].

The next round of negotiations is scheduled to be held July 2014, most likely in Europe.

Priority topics for efficient introduction of TTIP [1]

There are many other topics that should not be overlooked in TTIP negotiations. Daniel J. Ikenson sees more than twenty legitimate topics for TTIP negotiations. He expressed concern that several of them would be either flatly dismissed or dealt with superficially [2]. The most important ones are, in his view, the following:

- Removal of customs duties on all products. Average custom duties in USA are 3.5 %, and in EU even 5.3 %. D. Ikenson sees no reason for the existence of such obstacles in international trade of the 21st century.
- Harmonization of standards and regulations of manufactured products.
- Harmonization of the regulatory process for products approval and compliance with health and safety standards.
- Harmonization of sanitary standards that are too often used to disguise artificial barriers for market access.
- A more rigorous public procurement for the transatlantic trade.

1 Source: TTIP project web: Jedinečná šanca na rast firiem na Slovensku, http://www.ttip-slovakia.sk/

2 Source: http://alianciapas.sk/wp-content/uploads/2013/09/profil_a_rozhovor_o_dopadoch_ttip_na_slovensko.pdf

16 Source: euPASnewsletter, August 2013, Overview of EU's major bilateral trade agreements, http://www.fipra.sk/newsletter/2013/3/prehlad_najdolezitejsich_bilateralnych_obchodnych_dohod_eu.pdf

17 Source: euPASnewsletter, August 2013, Overview of EU's major bilateral trade agreements, http://www.fipra.sk/newsletter/2013/3/prehlad_najdolezitejsich_bilateralnych_obchodnych_dohod_eu.pdf

18 Source: euPASnewsletter, February 2014, http://www.fipra.sk/newsletter/2014/2/newsletter_ttip_februar_2014.pdf

2

DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN THE EU AND THE USA

2.1 THE IDEA OF MAKING THE US AND EUROPEAN MARKETS CLOSER TO EACH OTHER

In the past, at least two serious attempts at liberalizing mutual trade were made. In 1998, The European Commission drafted the New Transatlantic Market Agreement, which was, however, ultimately vetoed by France due to concerns about its audiovisual industry. Shortly afterwards, the Commission had prepared the Action Plan for Transatlantic Partnership, also known as TEP, which was less ambitious and failed to bring the requisite improvement of mutual trade. All later initiatives sought primarily to eliminate the adverse impacts of administrative and regulatory barriers through partial agreements on mutual recognitions and harmonization, without bringing any substantial impact, particularly due to differences between the two regulatory traditions.

Thus, the idea of bringing the US and European markets closer to each other is not new and its recent resurgence is perfectly reasonable. The two major accelerators for launching negotiations include the economic crisis and discontent over the arrested progress in WTO negotiations. Another trigger for starting negotiations was the reform of the EU's Common Agricultural Policy and the high commodity prices. These were the reasons propelling the EU and the USA to set up the High Level Working Group for Jobs and Growth led jointly by the EU's Trade Commissioner and the US Trade Representative; the Group's conclusions clearly recommended that both sides start TTIP negotiations[19].

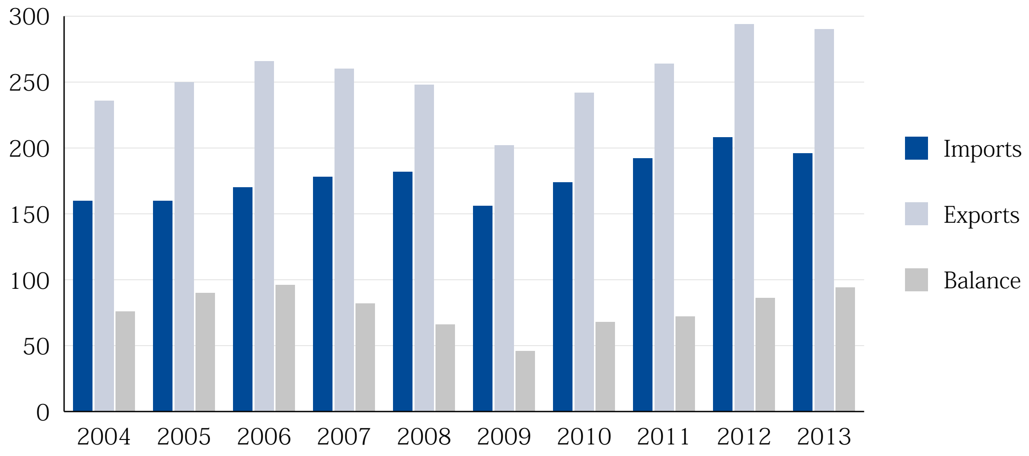
19 Source: Commentary of R. Kičina, PAS Executive Director, for Európske noviny – Najväčšia obchodná zmluva súčasnosti! Čo prinesie dohoda EÚ s USA? (The Biggest Trade Agreement Today! What Will EU's Agreement with USA Bring), 2014, http://www.europskenoviny.sk/10/02/2014/najvacsia-obchodna-zmluva-sucasnosti/

2.2
ECONOMIC MOTIVES

EThere are several economic reasons for deepening the links between both economies. The EU's market is the world's largest. From the perspective of trade in goods, the USA is the main destination of the EU's exports and the third largest source of the EU's imports. At the same time, the EU represents the second most important export market and the second most important source of imports for the USA. Together, both markets make up nearly one half of the world's economy – what would the largest and wealthiest market in the world, covering more than three quarters of the global financial market and more than a half of the world's entire trade. As much as 91.3 % of worldwide transactions are made in US dollars (61.7 %), Euros (25.7 %) or British pounds (3.9 %).

An overview of foreign trade volumes involving goods between the EU and the USA for the past 10 years is shown in Graph 1, in addition to a table of the structure of traded goods by commodity classes in 2013.

Graph 1 – Trade in Goods between the EU and the USA since 2004 (imports, exports and EU's balance; in € billions)



Source: European Commission[20]

Direct mutual investment amounts to almost 3 trillion Euros. "Transatlantic economy" generates 5.3 trillion USD in commercial trade, employing 15 million people.

By successfully liberalizing trade, TTIP will bring both economic powers a new impulse for development. The results will include lower prices, stronger competition, more efficient use of resources and, ultimately, higher economic growth and higher employment. London's Center for Economic Policy Research estimates that an ambitious and complex trade and investment partnership would bring an additional 119 billion Euros annually for the EU's economy or an extra 545 Euros per single average household.

20 Source: European Commission, 2014, European Union, Trade in goods with USA, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf

Table 5 – Commodity structure of EU - USA trade in goods (EU perspective) by SITC section

SITC section	Import 2013 [mil. €]	Share in total	Export 2013 [mil. €]	Share in total
Machinery and appliances	74 406	37.96 %	122 750	42.59 %
Chemicals	43 467	22.18 %	62 107	21.55 %
Miscellaneous manufactured articles	25 031	12.77 %	35 745	12.40 %
Mineral fuels	18 933	9.66 %	17 331	6.01 %
Manufactured goods	12 736	6.50 %	27 428	9.52 %
Crude materials	8 845	4.51 %	2 561	0.89 %
Food and live animals	5 909	3.01 %	5 874	2.04 %
Commodities and transactions n.c.e.	3 578	1.83 %	2 426	0.84 %
Beverages and tobacco	1 533	0.78 %	7 934	2.75 %
Other	1 271	0.65 %	3 330	1.16 %
Oils and fats	280	0.14 %	754	0.26 %
Total	**195 989**	**100.00 %**	**288 239**	**100.00 %**

Source: European Commission[21]

For the US economy, the deal should bring an additional 95 billion Euros annually or 655 Euros per single household basis[22]. A study by Bertelsmann Stiftung[23], Germany's biggest non-profit organization, estimates that TTIP will give rise to 2.04 million new jobs and a 2.34 % increase in real wages in OECD countries overall.

At the same time, a free trade zone will further strengthen the position of the major economic zone USA – EU, which will have the greatest potential for setting global standards while bringing lower prices for consumers, particularly due to lower duties and corporate transaction costs.

Additionally to the above data, it should be borne in mind that the USA and the EU are important trade partners for other regions; thus, further liberalization of transatlantic relations could have favorable impact on the rest of the world including third countries.

Given the importance of trade exchange between the EU and the USA it is reasonable to expect that both economies will strive towards minimizing the existing impediments and using the potential of further growth in foreign trade with all the associated benefits.

21 Source: European Commission, 2014, European Union, Trade in goods with USA, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113465.pdf

22 Source: Centre for Economic Policy Research, London, 2013, Reducing Transatlantic Barriers to Trade and Investment – An Economic Assessment, http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf

23 G. Felbelmayr (Bertelsmann Stiftung), 2013, Transatlantic Trade and Investment Partnership (TTIP) – Who benefits from a free trade deal?, http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf

3

ANALYSIS OF ECONOMIC RELATIONS BETWEEN THE USA AND SLOVAKIA AND THE EU AND SLOVAKIA

3.1
ANALYSIS OF ECONOMIC RELATIONS BETWEEN THE USA AND SLOVAKIA

The USA has concluded bilateral investment treaties to help protect private investment and promote export with 40 countries of the world including Slovakia. Currently, more than 120 US corporations are active in Slovakia, including, among others, U. S. Steel, Johnson Controls and Honeywell International. The latter is a good example of an investor whose investment relies not only on a cheaper labor force but extends to research and development and products with high added value[24]. With TTIP, inflow of similar investment could be easier.

According to statistics of the National Bank of Slovakia, flow of direct foreign investment (DFI) from the USA to Slovakia reached 69.7 million Euros in 2011 and the overall US investment in Slovakia grew to 539 million Euros as of 31 December 2011. In the same period, Slovakia's investment in the USA totaled 1.45 million Euros[25]. However, the statistics of both the National Bank of Slovakia and Slovak Ministry of Economy reflect only the geographical aspect while many US companies do business in Slovakia via their Europe-based subsidiaries. Unofficial statistics available to the US Embassy in Bratislava estimate the current direct foreign investment by US investors in Slovakia at over 2 billion Euros.

The volume of mutual trade between Slovakia and the USA has seen a particularly high growth since 2003, driven by Slovak exports of personal motor vehicles, furniture and electrical appliances to the USA. Imports were propelled by international companies with an established presence in Slovakia; these are current exporters to the US market. After a temporary drop in trade with the USA in 2008 and 2009, Slovak exports to the USA have been growing steadily. The 2012 turnover reached 1.7 billion Euros, making the USA the fourteenth most important trade partner of Slovakia.

24 For more details, see http://presov.korzar.sme.sk/c/5831421/honeywell-v-presove-slubuje-priemerny-plat-1300-eur.html

25 Source: Slovak Ministry of Foreign and European Affairs, Territorial Economic Information – United States of America, http://www.mzv.sk/App/wcm/media.nsf/vw_ByID/ID_028E393F6EA17C00C125786500424FB5_SK/$File/131212_EIT_USA.pdf

Table 6 shows an overview of Slovakia' 2008-2012 foreign trade volumes with the USA; tables 7 and 8 show the major export and import commodities traded between Slovakia and the USA.

Table 6 – 2008-2012 Exports, Imports and Trade Balance Slovakia-USA (mil. €)

	2008	2009	2010	2011	2012
Slovakia's exports to the USA	847	426	729	897	1 169
Slovakia's imports from the USA	584	436	433	512	521
Balance	263	-10	296	385	648
Turnover	1 431	862	1 162	1 409	1 690

Source: Slovak Statistical Office, Yearbook of Foreign Trade Development of the Slovak Republic 2008 – 2012

Table 7 – Overview of the most traded export commodities from Slovakia to the USA

Goods description	Export 2011 [mil. €]	Export 2012 [mil. €]	Share in total 2012 [%]
Cars and motor vehicles for passenger transportation	517	606	51.8
Semi-finished products of iron or non-alloy steel	43	113	9.6
New tires of rubber	15	66	5.7
Air pumps, compressors, ventilators	28	38	3.3
Other furniture and its parts	31	31	2.7
Parts, components and accessories for motor vehicles	24	31	2.7
Footwear with outer sole	12	21	1.8
All other categories together	227	263	22.5
Total	**897**	**1170**	**100.0**

Source: Slovak Statistical Office, Annual publication of Foreign Trade Development of the Slovak Republic 2008 – 2012

Table 8 – Overview of the most traded import commodities from the USA to Slovakia

Goods description	Import 2011 [mil. €]	Import 2012 [mil. €]	Share in total 2012 [%]
Bituminous coal, briquettes and ovoids	68	62	5.3
Cars and motor vehicles for passenger transportation	64	60	5.1
Drugs for therapeutic use	30	31	2.7
Medical and surgical instruments	21	20	1.7
Machinery for automatic data processing and their units	7	15	1.3
Mirrors	13	13	1.1
Reciprocating or rotary spark-ignition internal combustion engines	12	13	1.1
All other categories in total	297	307	58.9
Total	**512**	**521**	**100.0**

Source: Slovak Statistical Office, Annual publication of Foreign Trade Development of the Slovak Republic 2008 – 2012

3.2
ANALYSIS OF ECONOMIC RELATIONS BETWEEN SLOVAKIA AND THE EU[26]

The Slovak Republic became – with nine other joining countries – an EU member state on 1 May 2004. While public expectations of this membership were mixed, the current situation shows that this past decade has seen Slovakia improve in all major economic indicators. In 2004-2013, real wages increased overall by 23.4 %[27] while GDP grew in real terms by 49.1 %, which helped Slovakia's fast convergence to EU's average, with GPD at purchasing power parity (PPP) per capita in Slovakia and EU growing from 56 % in 2003 to 76 % in 2013[28]. Since joining the EU, Slovakia's unemployment rate dropped by 3.2 percentage point (from 17.4 % in 2003 to 14.2 % in 2013)[29] .

According to UniCredit Bank analyst Ľubomír Koršňák[30] , the upside of Slovakia's EU membership vastly outnumbers its downside. The domestic market extended as barriers in trade with other EU countries were removed. Also, the requirements of compliance with membership criteria have prompted implementation of necessary domestic reforms. On the downside, the country's agriculture has been hit as EU regulations brought additional investments to farmers and the food industry.

Slovakia is now part of the internal market which allows unhindered exports of Slovak products. Approx. 85 % of Slovak exports are destined for European markets. Beside exports, the share of foreign investment in Slovakia also grew – currently, as much as 90 % of foreign investment comes directly from EU countries. International companies have brought state-of-the-art technologies, thus substantially improving work productivity and product quality.

Mutual trade between Slovakia and other EU countries has been growing significantly since the country joined the EU with the sole exception of 2009, the year of crisis, which sent foreign trade to dramatic lows; the recovery came in less than two years, with the turnover reaching new highs: at year-end 2012, foreign trade with EU countries amounted to no less than 74 % of Slovakia's overall foreign trade volume.

Table 9 shows an overview of Slovakia's 2008-2012 foreign trade volumes with the EU; Table 11 enlists the country's major trade partners on an EU non-exclusive basis while the overall commodity structure of Slovakia's foreign trade is shown in Table 10.

Table 9 – 2008-2012 Exports, Imports and Trade Balance Slovakia-EU (mil. €)

	2008	2009	2010	2011	2012
Slovakia's exports to EU	42 187	34 040	40 652	48 072	51 989
Slovakia's imports from EU	33 970	26 486	30 887	35 950	37 261
Balance	8 217	7 554	9 765	12 122	14 728
Turnover	76 157	60 526	71 539	84 022	89 250

Source: Slovak Statistical Office, Annual publication of Foreign Trade Development of the Slovak Republic 2008 – 2012

26 Sources: http://www.teraz.sk/ekonomika/ekonomika-sr-eu-clenstvo-analytici/82329-clanok.html; http://www.webnoviny.sk/ekonomika/clanok/820506-desat-dovodov-preco-je-slovensku-v-europskej-unii-lepsie/

27 Source: Statistical Office of the Slovak Republic, http://portal.statistics.sk/showdoc.do?docid=187 and own calculation

28 Source: Eurostat, http://epp.eurostat.ec.europa.eu/ and own calculation

29 Source: Statistical Office of the Slovak Republic, http://portal.statistics.sk/showdoc.do?docid=5512 and own calculation

30 Source: http://www.teraz.sk/ekonomika/ekonomika-sr-eu-clenstvo-analytici/82329-clanok.html

Table 10 – Slovakia's 2008-2012 Most Important Trade Partners (mil. €)

Indicator	2008	2009	2010	2011	2012
Imports total	**50 280**	**38 775**	**47 494**	**55 768**	**58 588**
Germany	9 267	5 911	7 520	8 978	9 852
Russian Federation	5 442	3 467	4 659	6 183	5 933
Czech Republic	5 331	4 319	4 863	5 661	5 724
South Korea	2 871	2 519	3 788	4 183	5 601
China	2 788	2 165	2 918	3 321	3 671
Poland	1 826	1 434	1 938	2 213	2 172
Hungary	2 324	1 851	2 049	2 238	2 155
Italy	1 763	1 440	1 589	1 842	1 803
France	1 865	1 653	1 709	1 834	1 717
Austria	1 362	1 006	1 193	1 332	1 363
Exports total	**49 522**	**39 721**	**48 272**	**56 783**	**62 144**
Germany	9 785	7 855	9 291	11 479	13 273
Czech Republic	6 702	5 277	6 612	8 181	8 707
Poland	3 223	2 788	3 527	4 134	5 003
Hungary	3 308	2 737	3 209	4 058	4 342
Austria	2 790	2 350	3 271	3 982	4 100
France	3 342	3 088	3 304	3 620	3 352
Italy	2 833	2 379	2 670	2 815	2 881
Russian Federation	1 870	1 414	1 921	2 070	2 620
United Kingdom	2 327	1 823	1 805	2 036	2 460
Netherlands	1 498	1 171	1 405	1 367	1 405

Source: Slovak Statistical Office, Annual publication of Foreign Trade Development of the Slovak Republic 2008 – 2012

Table 11 – Overall commodity structure of Slovakia's foreign trade (mil. €)

SITC Code	SITC	Imports total 2011	Imports total 2012	Exports total 2011	Exports total 2012
0	Foodstuffs	2 873	2 987	2 206	2 533
1	Beverages and tobacco	374	354	121	135
2	Crude materials	1 974	2 077	1 523	1 705
3	Mineral fuels	8 075	7 886	3 596	3 667
4	Oils and fats	242	348	155	321
5	Chemicals	4 891	4 884	2 807	2 620
6	Manufactured goods	8 537	8 865	10 682	11 293
7	Machinery and appliances	22 526	24 015	29 991	34 113
8	Misc. manufactured articles	6 078	7 003	5 598	5 611
9	Other	198	168	104	127
	Total	**55 768**	**58 588**	**56 783**	**62 144**

Source: Slovak Statistical Office, Annual publication of Foreign Trade Development of the Slovak Republic 2008 – 2012

4

BAS SURVEY: ENTREPRENEURS VIEW TRANSATLANTIC DEAL MOSTLY FAVORABLY

4.1 RESPONDENTS: THEIR EXPERIENCE WITH EXPORT AND FAMILIARITY WITH TTIP

In September-October 2013, BAS made a survey of TTIP's impacts on the business environment among entrepreneurs: 453 respondents took part, of which 323 represented small enterprises (up to 50 employees), 101 medium enterprises (51-250 employees) and 29 large enterprises (over 250 employees).

The share of exports in the respondents' revenues averaged as high as 40 % (data for 2012), more specifically, 34 % for small enterprises and 52 % for medium and large enterprises. The imports, in turn, amounted to a rough third of the respondents' aggregated cost, for both small and larger enterprises[31].

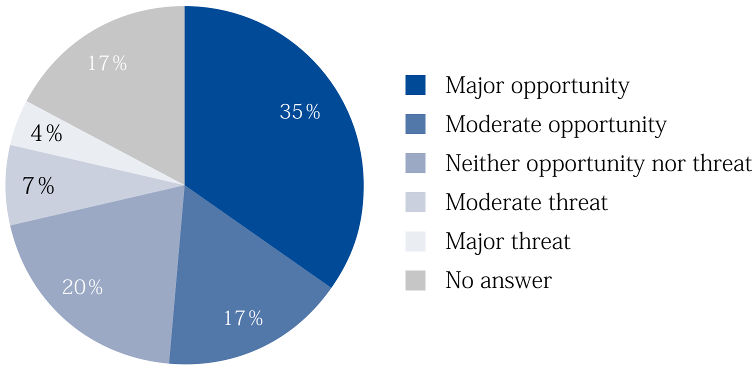
During the survey (i.e. during the initial stages of TTIP negotiations) nearly a half (43 %) of all participating respondents were familiar with TTIP or were in any manner interested in the developments of opening the transatlantic market; more than a third (37 %) of respondents had no knowledge of TTIP whatsoever.

31 These values represent arithmetic average figures for individual enterprises..

4.2
ENTREPRENEURS' VIEWS ON THE UPCOMING DEAL ON EU-US COMMON MARKET

More than a half of the entrepreneurs estimate that the common market deal between the EU and the USA will bring new business opportunities and help boost Slovakia's economy. A free trade agreement as a major or moderate opportunity is seen by 52 % respondents, with only 11 % taking an opposing view; every fifth entrepreneur replied to this question neutrally, seeing TTIP neither as an opportunity nor as a threat for his or her business; the remaining 17 % respondents left the questioned unanswered.

Graph 2 – How do you see creation of a free trade zone between the EU and the USA?

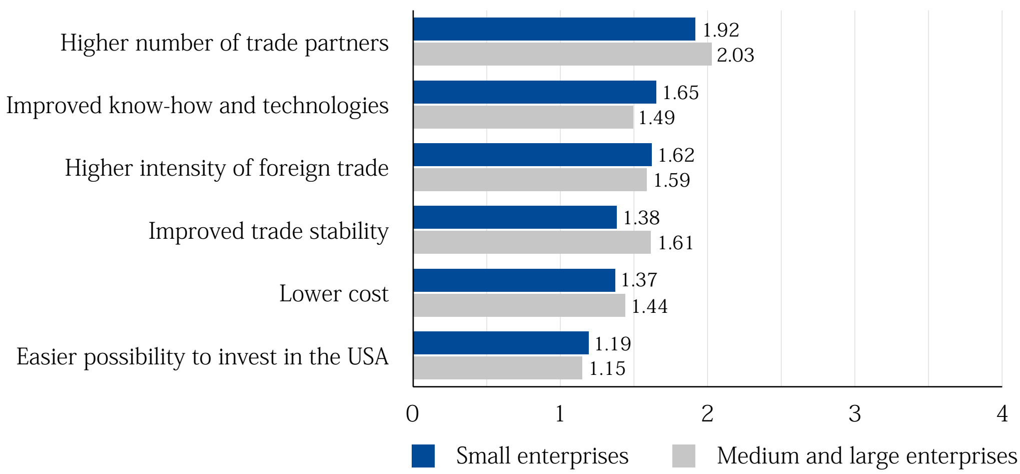


Note: The survey was attended by 453 respondents, of which 323 representing small enterprises (up to 50 employees), 101 medium enterprises (51-250 employees) and 29 large enterprises (over 250 employees).

4.3
TTIP'S BENEFITS FOR BUSINESS

The entrepreneurs see the most significant benefits of a transatlantic free trade zone for the possibility of upsizing the number of trade partners, higher intensity of foreign trade and easier transfer of know-how and technologies; additionally among the benefits, they expect higher stability of international trade relations, lower costs of international trade and easier investment in the USA.

Graph 3 – How will your business benefit from TTIP?



Note: Entrepreneurs (453 respondents) valued the benefits on the scale of 0 points (no perceived benefit) to 4 points (perceiving major benefit); the graph shows answers as per average.

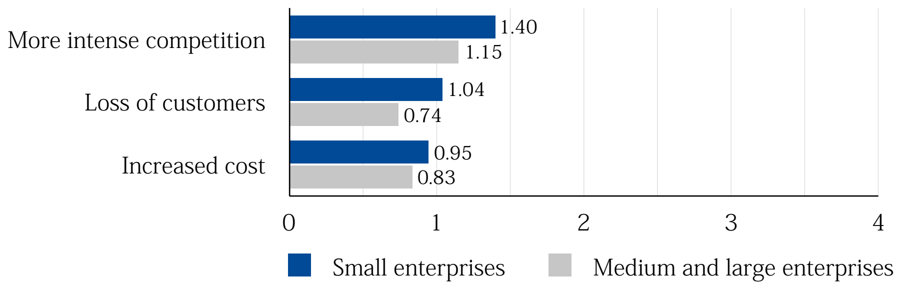
4.4
TTIP'S RISKS FOR BUSINESS

The dominant optimism of entrepreneurs toward a common EU and US market is reassured by answers on TTIP's risks. The risks list is shorter than the advantages list; in comparative terms, the entrepreneurs perceive the individual threats as less pronounced than the advantages.

The most frequent concern is more intense competition on the marketplace, which may be beneficial for the economy as a whole, yet may also reduce profits or even undermine the viability of some businesses; these are the major concerns expressed in the BAS survey. In this area, the USA as the world's fifth most competitive economy according to a World Economic Forum's assessment will be able to benefit from the advanced technology of its products, more liberal business rules and extraordinary ability to innovate. The upsides for Slovakia will include, in particular, lower cost of production and intensive ties to major European economies whose competitiveness is on par with that of the USA.

As a result of TTIP, a portion of Slovak entrepreneurs expect to lose existing customers and higher production costs; however, both risks are seen as less serious.

Graph 4 – What risks will TTIP bring for your business?

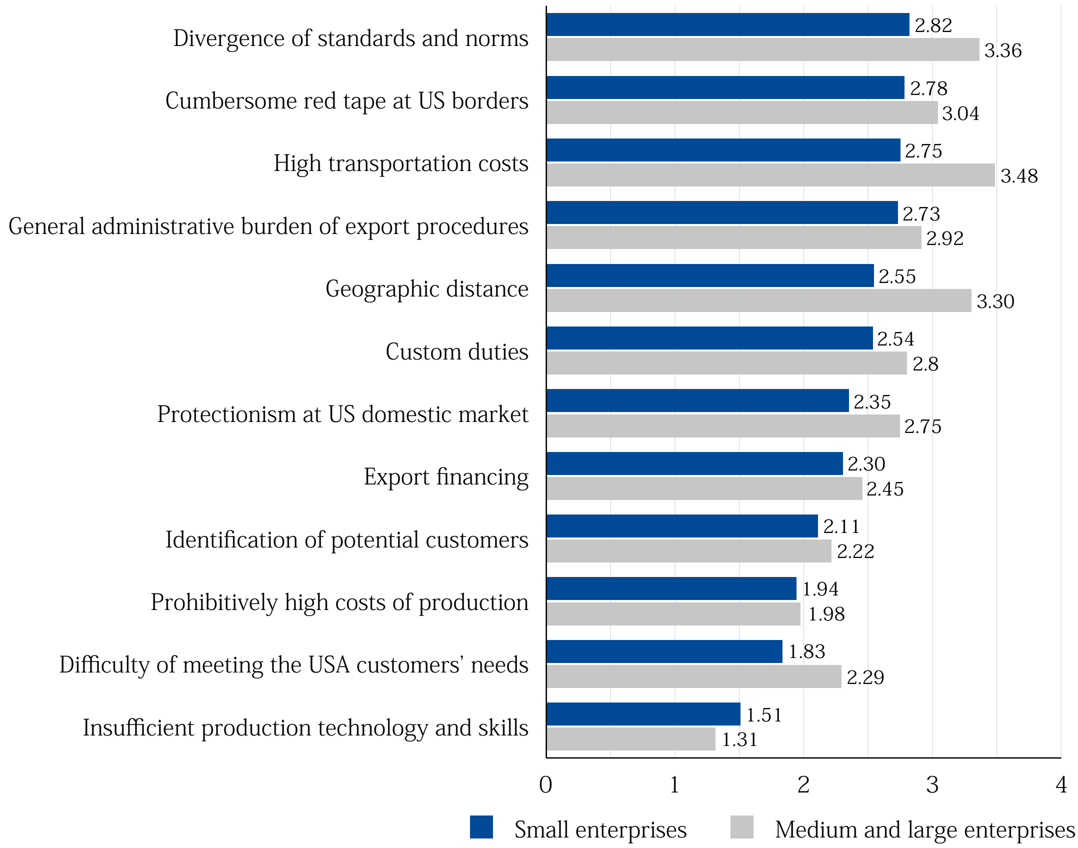


Note: Entrepreneurs (453 respondents) valued different risks on the scale of 0 points (no perceived risk) to 4 points (perceiving major risk); the graph shows answers as per average.

4.5
WHAT MAKES DOING BUSINESS WITH THE USA MORE COMPLICATED FOR ENTREPRENEURS

Slovak entrepreneurs see the largest barrier for intensifying foreign trade with the USA in the geographic distance and the resulting high transportation costs, which, however, could be cut down, once the TTIP deal has been reached, by economies of scale. Other perceived barriers include diverging standards and norms, administrative burden of export procedures and custom duties. Minimizing this triplet of barriers is at the core of TTIP negotiations, a major improvement of the conditions is expected. Just as sensitive is their perception of the issue of export funding; here, entrepreneurs can be helped by the government through Eximbank and its programs.

Graph 5 – Factors perceived as complicating exports to the USA



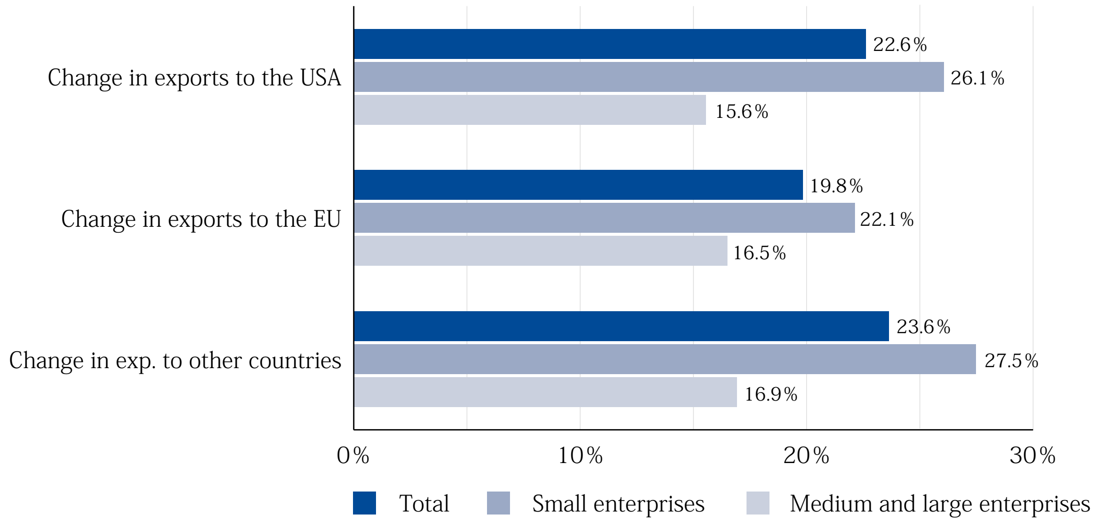
Note: Entrepreneurs (453 respondents) valued different factors on the scale of 0 points (no perceived complication) to 4 points (perceiving major complication); the graph shows answers as per average.

4.6
EXPECTED CHANGES IN FOREIGN TRADE

While only a portion of participating entrepreneurs have their own experience with direct export to or import from the USA, 96 % of respondents are aware of the adverse influence of the current transatlantic market barriers on the end price of both exported and imported goods and services.

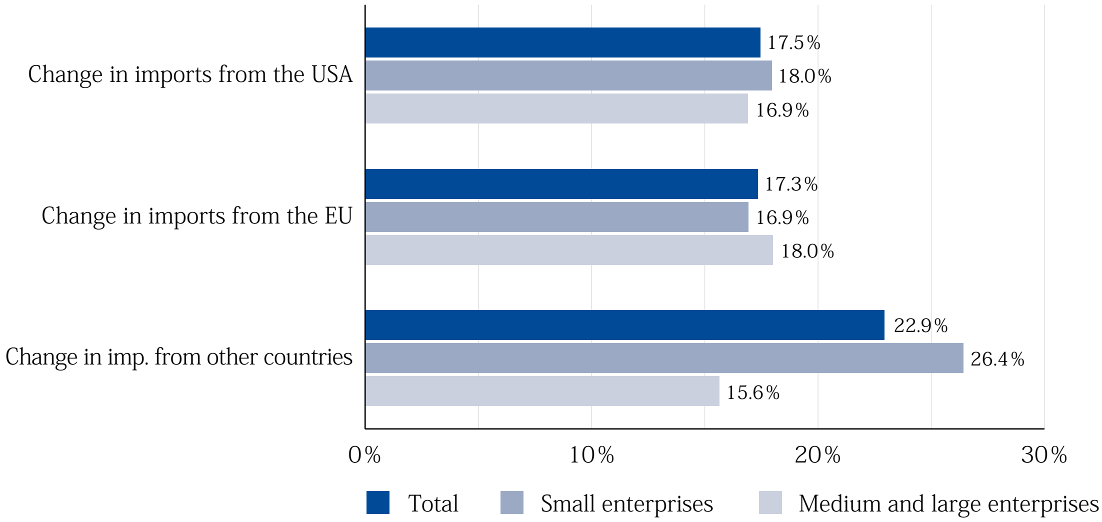
If the said barriers were to be fully removed (Graph 5), entrepreneurs estimate an average growth of their US exports by 23 % but also of the exports to EU countries (20 %) and the rest of the world (24 %). This can be explained, among other things, by the existence of the intermediate products market (or internal transfers). To the extent that a transatlantic free trade zone that will, among other things, boost US exports of German companies and if such companies have suppliers from Slovakia, further growth of exports from Slovakia can be expected to follow. Although formally not direct exports from Slovakia to the USA, the fact that many final products with components from Slovakia will end up the US market will be manifested not only by a growth in exports from Slovakia to the USA but also to EU countries and the rest of the world. Additional information on respondents' expectations from a change in exports following removal of barriers (as shown in Graph 5) can be found in Graph 6.

Graph 6 – Expected change in Slovak exports following removal of barriers



Similarly, entrepreneurs expect growth of imports, namely 17 % for imports from the USA and EU countries and 23 % for other countries (Graph 7).

Graph 7 – Expected change in Slovak imports following removal of barriers

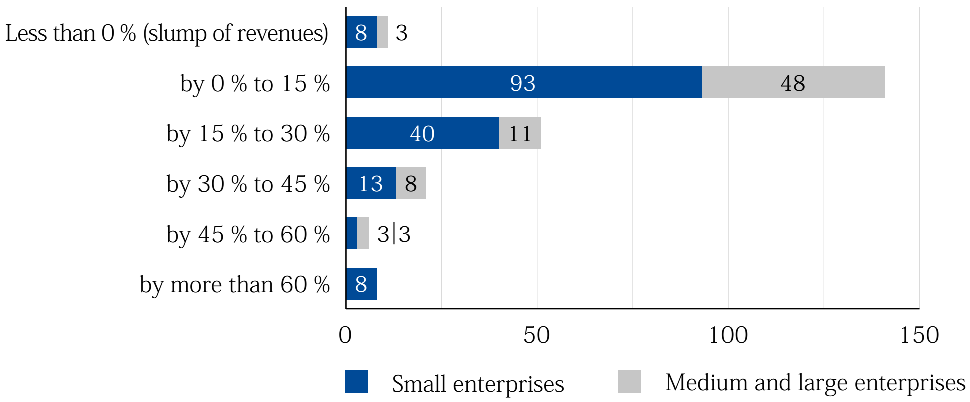


4.7
TTIP'S IMPACT ON CORPORATE REVENUES AND EMPLOYMENT

Entrepreneurs expect that creating a transatlantic free trade zone and removing trade and regulatory barriers will have a beneficial effect on revenues as well as employment in the economy.

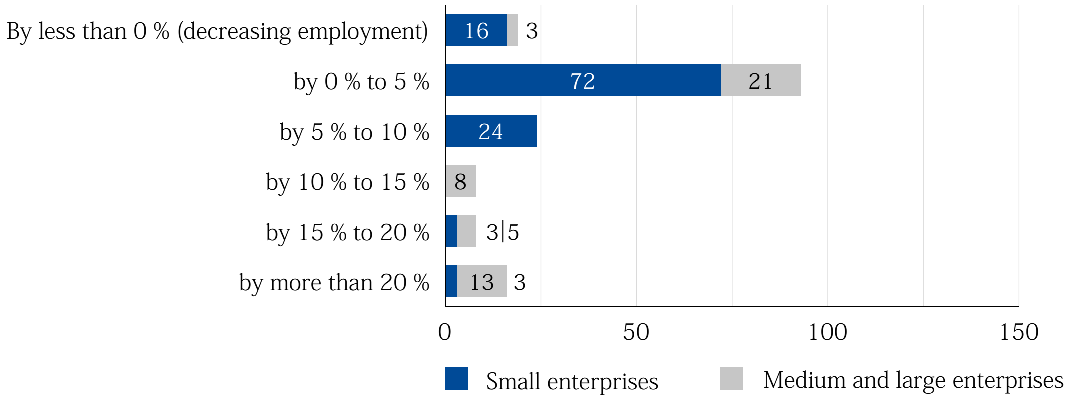
Only 4.6 % of corporate representatives taking part in the survey expect that the TTIP deal would be followed by a slump in their corporate revenues; the remaining 95.4 % of respondents expect growing revenues (Graph 8), averaging 17 % (238 of 453 entrepreneurs participated in this section of the survey; 215 did not answer).

Graph 8 – Expected growth of revenues following removal of barriers



Finally, respondents have predominantly shown a belief that liberalization of trade will lead to increased employment (88.7 % of respondents). In turn, 11.3 % of corporate representatives expect to downsize their staff (Graph 9); however, less than half of the overall number of respondents (168) have indeed answered this question, with 285 of respondents being unable to answer. The average value of expected change in employment amounts to 7.8 %, i.e. implying that removing trade barriers will have a positive impact on employment.

Graph 9 – Expected growth in the number of employees following removal of barriers



Note on the survey's optimistic estimate of changes in revenues and employment

According to Róbert Kičina, BAS Executive Director, the average 17 % growth of revenues and 7.8% increase in employment as expected by entrepreneurs can be viewed as an optimistic estimate. The overall impact on the economy is likely to be lower, as the BAS survey featured predominantly companies engaged in foreign trade and might not have taken due account of entrepreneurs at the local market.

That the survey was attended by a sample of prevalently export-oriented or, for that matter, import-oriented Slovak companies is reconfirmed by the fact that the attending companies with 10.4 billion Euros in overall revenues employed, in 2012, approx. 34.900 employees, with as much as a 59 % share of exports in revenues, which is an extremely high value (exports amounted to no less than 6.2 billion Euros or 176,000 Euros per single employee annually).

At the same time, Slovakia's exports for the same period totaled more than 62 billion Euros; this, however, was attained by the whole of 2.33 million people working in Slovakia (or 27,000 Euros per single working person annually). Based on this comparison (176,000 Euros against 27,000 Euros), it can be concluded that the survey featured predominantly companies with higher-than-average foreign trade orientation. Thus, the survey's results should be seen in this context.

Also of note is that the survey's results respond to the full removal of barriers scenario.

On the other hand, both domestic estimates and estimates of international institutions[1] converge that Slovakia should in any event be among the outstanding beneficiaries of the transatlantic deal.

1 Source: http://alianciapas.sk/vacsina-podnikatelov-sa-k-transatlantickej-dohode-stavia-pozitivne/

5

TTIP'S IMPACT ON SLOVAKIA'S ECONOMY: A FORECAST

5.1
MODEL ASSUMPTIONS (USING BAS SURVEY RESULTS)

In the previous chapter it was mentioned that entrepreneurs attending the survey estimated that removal of barriers would be followed by a 17 % growth of their corporate revenues, 7.8 % increase in employment, a 20 % to 24 % growth of exports and a 17 % to 23 % growth of imports. At the same time, however, it should be noted that respondents represented a group of Slovak companies that have higher-than-average pro-export orientation. To have realistic estimates for growth of revenues, employment and exports and imports, the survey data should be adjusted in such a manner so that the model recalculation could best approximate the actual achieved values of foreign trade for Slovakia's companies as a whole.

In terms of data availability, the most suitable indicator to use for adjusting the survey data is the export share per single employee; this indicator can be determined for both the companies involved in the survey and for all Slovakia's companies alike. Comparing these values will yield the degree of variation between the respondents sample in the survey and the remaining companies in Slovakia (with respect to foreign trade orientation); thus, it will be clear to what extent should be a simulation of Slovakia's economy considering other than export-driven companies (to attain a realistic model by adjusting the export-driven sample of respondents).

Companies responding the survey achieved 10,420,163,622 Euros in aggregate revenues for 2012, of which 6,160,249,563 Euros (59.1 %) were in exports. These export-generated revenues were achieved by a total of 34,949 employees, which yields 176,264 Euros of revenues per employee. As indicated in the previous chapter, this 2012 value for the entire Slovak economy was, according to Slovak Statistical Office, 26,683 Euros per single working person (62,144 billion Euros/2,329 million working people). To simplify the matter, it is thus necessary, when modelling, to assume for a single average employee of a company responding the survey the existence of 5,606 additional "fictional" people working in companies that have no zero share in exports from Slovakia. That ratio will yield the actual share of revenues from exports per single working person as achieved in 2012 on average for all working people in Slovakia.

In the next step, we chose a conservative assumption that Slovak companies with zero shares on foreign trade will have zero benefits from TTIP. While some of those companies such as sub-suppliers of exports that are not exporters themselves could be in fact assumed to benefit from removal of barriers, such beneficial impacts are nevertheless almost impossible to estimate based on available data, and therefore will be disregarded here (i.e. assuming zero growth of revenues and employment for such companies).

5.2
FORECAST BASED ON OWN MODEL

If the derivative division of Slovak companies were to be extrapolated to yield a representation of the overall Slovak economy, the adjusted result of removing trade barriers will be an expected 2.57 % growth in revenues, 1.19 % in employment (27,652 new jobs), approx. 3.10 % in exports (3.4 % in US-bound exports, 3.0 % in EU-bound exports and 3.6 % in exports to the rest of the world) and a 2.93 % expected growth in imports (2.6 % from the USA and the EU and 3.5 % from the rest of the world). The expected growth of turnover in cross-border trade would be at 3.02 %. Thus, the adjusted benefit for Slovakia's economy could be as much as 3.6 billion Euros (1.743 Euros per single household). TTIP's expected nominal benefit for Slovakia's foreign trade by 2018 is shown in Table 12.

Tables 13 to 15 show the Table 4 forecast broken down by region – separately for the USA, the EU and the rest of the world.

Table 12 – Slovakia's 2009-2012 Exports, Imports and Trade Balance adjusted by 2013-2018 Forecast (€ million)

Total less TTIP	2009s	2010s	2011s	2012s	2013p	2014p	2015p	2016p	2017p	2018p
Exports	39721	48272	56783	62144	66883	70659	73952	76908	79685	82371
Imports	38775	47494	55768	58588	62167	64896	67483	69886	72229	74548
Balance	946	778	1015	3556	4716	5762	6469	7022	7457	7823
Turnover	78496	95766	112551	120732	129050	135555	141434	146794	151914	156919
Total with TTIP	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Exports							74868	78576	81908	84924
Imports							68273	71319	74132	76732
Balance							6595	7258	7775	8192
Turnover							143141	149895	156040	161655
Total – TTIP's contribution	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Exports							916	1668	2222	2553
Imports							790	1433	1904	2184
Balance							126	236	318	369
Turnover							1707	3101	4126	4736

Source: for 2009-2012: Slovak Statistical Office, Annual Foreign Trade Development of the Slovak Republic 2008 – 2012; for 2013-2018: own computation

Table 13 – Slovakia's 2009-2012 Exports, Imports and Trade Balance with the USA adjusted by 2013-2018 Forecast (€ million)

USA without TTIP	2009s	2010s	2011s	2012s	2013p	2014p	2015p	2016p	2017p	2018p
Slovakia's exports	426	729	897	1 169	1 350	1 508	1 628	1 727	1 811	1 886
Slovakia's imports	436	433	512	521	548	567	587	606	625	645
Balance	-10	296	385	648	802	941	1 041	1 121	1 186	1 242
Turnover	862	1 162	1 409	1 690	1 897	2 074	2 215	2 333	2 436	2 531
USA with TTIP	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Slovakia's exports							1 650	1 768	1 867	1 950
Slovakia's imports							593	617	640	661
Balance							1 057	1 151	1 227	1 289
Turnover							2 243	2 385	2 507	2 612
TTIP contribution alone	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Slovakia's exports							22	41	55	64
Slovakia's imports							6	11	15	17
Balance							16	30	41	47
Turnover							28	52	70	81

Source: for 2009-2012: Slovak Statistical Office, Annual Foreign Trade Development of the Slovak Republic 2008 – 2012; for 2013-2018: own computation

Table 14 – Slovakia's 2009-2012 Exports, Imports and Trade Balance with the EU adjusted by 2013-2018 Forecast (€ million)

EU without TTIP	2009s	2010s	2011s	2012s	2013p	2014p	2015p	2016p	2017p	2018p
Slovakia's exports	34 040	40 652	48 072	51 989	55 762	58 705	61 329	63 702	65 953	68 145
Slovakia's imports	26 486	30 887	35 950	37 261	39 291	40 832	42 350	43 786	45 210	46 633
Balance	7 554	9 765	12 122	14 728	16 472	17 873	18 979	19 915	20 744	21 512
Turnover	60 526	71 539	84 022	89 250	95 053	99 538	103 678	107 488	111 163	114 778
EU with TTIP	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Slovakia's exports							62 065	65 039	67 734	70 189
Slovakia's imports							42 790	44 583	46 267	47 846
Balance							19 274	20 456	21 466	22 344
Turnover							104 855	109 623	114 001	118 035
TTIP's contribution alone	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Slovakia's exports							736	1 338	1 781	2 044
Slovakia's imports							440	797	1 058	1 212
Balance							296	541	723	832
Turnover							1 176	2 135	2 839	3 257

Source: for 2009-2012: Slovak Statistical Office, Annual Foreign Trade Development of the Slovak Republic 2008 – 2012; for 2013-2018: own computation

Table 15 – Slovakia's 2009-2012 Exports, Imports and Trade Balance with other countries (except the EU and the USA) adjusted by 2013-2018 Forecast (€ million)

Others without TTIP	2009s	2010s	2011s	2012s	2013p	2014p	2015p	2016p	2017p	2018p
Slovakia's exports	5255	6891	7814	8986	9771	10446	10995	11479	11921	12340
Slovakia's imports	11853	16174	19306	20806	22328	23497	24546	25494	26394	27270
Balance	-6 598	-9 283	-11 492	-11 820	-12 558	-13 051	-13 551	-14 014	-14 473	-14 930
Turnover	17108	23065	27120	29792	32099	33943	35541	36973	38315	39610
Others with TTIP	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Slovakia's exports							11154	11769	12307	12784
Slovakia's imports							24890	26118	27225	28225
Balance							-13 736	-14 349	-14 918	-15 440
Turnover							36043	37887	39532	41009
TTIP's contribution alone	**2009s**	**2010s**	**2011s**	**2012s**	**2013p**	**2014p**	**2015p**	**2016p**	**2017p**	**2018p**
Slovakia's exports							158	289	386	444
Slovakia's imports							344	625	831	954
Balance							-185	-335	-445	-510
Turnover							502	914	1218	1399

Source: for 2009-2012: Slovak Statistical Office, Annual Foreign Trade Development of the Slovak Republic 2008 – 2012; for 2013-2018: own computation

Several studies have explored the ratio between GDP growth and employment growth. While the results are dependent on various factors such as period or region, among others, it can be generally summed up that employment elasticity (against GDP) is in most cases in the range of 0.3 to 0.5; the available estimates for Slovakia range from 0.2 to 0.3[32]. Lower values tend to prevail among countries of Eastern Europe and values around 0.5 or more are seen in Western European countries. We will consider the value 0.3 a suitable, more conservative estimate. This value indicates what employment growth can be expected from a 1 % growth in GDP (elasticity values are estimated on data regressions from the past). If applying such elasticity on our results, we will arrive at a conclusion that **a 1.19 % growth in employment is attainable with a 3.96 % growth in GDP**.

Yet another approach is estimating TTIP's impact on GDP growth by a change in cross-border trade. Again, several studies analyze the relationship between growth in trade exchange and growth in GDP; using data, it can be estimated that one percent growth in foreign trade is associated with as much as a 1.4 % to 1.6 % growth in GDP[33] (the 1.4 – 1.6 GDP elasticity represents a global estimate with a rather decreasing tendency identifiable in time). Using a conservative estimate, **a 3.02 % growth in cross-border trade can be estimated to lead to an approx. 4.22 % growth in Slovakia's GDP**.

32 Sources: http://ekonom.sav.sk/uploads/journals/236_wp_50.pdf, http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_elm/documents/publication/wcms_143163.pdf

33 Sources: http://www.nbs.sk/_img/Documents/_komentare/AnalytickeKomentare/2014/AK08_Trendy.pdf, https://lt.justice.gov.sk/Attachment/Pr%C3%ADloha%20%C4%8D.%202.rtf?instEID=-1&attEID=59933&docEID=333121&matEID=6685&langEID=1&tStamp=20131016131327920

Table 16 – Slovakia's 2009-2012 Employment adjusted by 2013-2018 Forecast (thousands)

	2009s	2010s	2011s	2012s	2013p	2014p	2015p	2016p	2017p	2018p
Without TTIP	2366	2318	2315	2329	2326	2322	2316	2315	2315	2320
With TTIP	2366	2318	2315	2329	2326	2322	2327	2334	2340	2348
TTIP's contribution	0	0	0	0	0	0	11	19	25	28

Source: years 2009 to 2012: Slovak Statistical Office, Employment in Slovakia; years 2013 to 2018: own calculations

Table 17 – Slovakia's 2010-2012 Unemployment Rate adjusted by 2013-2018 Forecast

	2010s	2011s	2012s	2013p	2014p	2015p	2016p	2017p	2018p
Without TTIP	14.3%	14.0%	13.3%	13.5%	13.7%	14.0%	14.0%	13.9%	13.8%
With TTIP	14.3%	14.0%	13.3%	13.5%	13.7%	13.6%	13.3%	13.0%	12.7%
TTIP's contribution	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%	-0.7%	-0.9%	-1.0%

Source: AWG; TTIP's contribution: own calculations

5.3
PUBLISHED ESTIMATES VS. FORECASTING USING OWN MODEL: A COMPARISON

The results using our own model (3.96 % to 4.22 % GDP for full removal of barriers) are consistent with the previously available estimates that forecast that smaller and open economies should be the major beneficiaries of removal of tariff and non-tariff barriers. Slovakia is a good example of such an economy; as such, its GDP has been independently forecasted to grow at 4.21 % once the said barriers are removed[34].

5.4
INTERNAL TRANSFERS

Numerous Slovak companies that do not export directly to the USA will profit from TTIP indirectly through growth in sales of intermediate products and services to companies that trade across the Atlantic; to that extent, many companies can benefit from the transatlantic deal even if they are no direct importers outside of their domestic market.

This aspect of the so-called internal transfers has been embodied in the forecast of TTIP's impacts in the previous chapter. Still, the forecast can be broken down further to identify the contribution of TTIP's positive impacts that come directly from increased exports bound to the USA, EU countries and the rest of the world.

One peculiarity of Slovakia's foreign trade is the clear prevalence of EU-bound versus US-bound exports; the latter have a very small, 1.9 % share in overall Slovak exports (1.17 billion Euros in the 2012 total of 62.14 billion Euros in 2012). This share is even lower for imports – only 0.9 % (0.52 billion Euros in the total of 58.59 billion Euros).

34 G. Felbelmayr (Bertelsmann Stiftung), 2013, Transatlantic Trade and Investment Partnership (TTIP) – Who benefits from a free trade deal?, http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf

As above, with a successful TTIP deal, Slovak exports to the USA can be expected to grow by 3.4 % and imports by 2.6 %. Obviously, the major contribution of a TTIP deal for the Slovak economy would not come directly from the increased foreign trade turnover between Slovakia and the USA; instead, it would largely be the increased internal transfers, i.e. increased sub-supplies or, for that matter, exports to other countries that further trade with the USA along the trading scheme.

The effect of direct growth of trade with the USA can be estimated for 2018 at approx. +52 million Euros for Slovak exports and +17 million Euros for Slovak imports; such growth in trade should generate about 400 new jobs.

Far greater, however, should be the nominal growth of exports and imports to and from other EU countries. Due to the effect of internal transfers, Slovak exports to EU countries can be expected to grow by 2.04 billion Euros and Slovak imports by 1.19 billion Euros (2018). The increased trade with EU countries should also create 19,400 additional jobs.

Finally, increased trading activity with the rest of the world should result in a Slovak exports growing by roughly 425 million Euros, Slovak imports by 900 million Euros, with about 7,900 new jobs (2018).

The highest growth should be seen in trade with Germany, the Czech Republic, Hungary and Poland, i.e. what are today Slovakia's major trading partners. These countries are particularly vital links in the indirect chain of trade between Slovakia and the USA that the TTIP deal should further expand. It is largely due to trading with these countries that the Slovak economy should achieve the forecasted benefits once the TTIP deal is done.

6

TTIP: SELECTED ASPECTS

6.1
TARIFF (CUSTOMS) BARRIERS

Making the transatlantic trade free of customs barriers on industrial goods is one of the fundamental issues of TTIP negotiations. Tariff rates average 5.2 % on goods imported to the EU and 3.5 % on goods imported to the USA (arithmetic average) or, for that matter, 2.8 % in the EU and 2.1 % in the USA measured as weighed arithmetic average by volume of traded products[35]. While relatively low, the tariffs are a considerable burden given the volume of trade exchange between the EU and the USA (2 billion Euros daily).

The EU's highest tariff rates are on imports of selected agricultural and food industry products. Among miscellaneous manufactured articles, the highest rates apply to trucks (22 %)[36], selected products of the shoe-manufacturing industry (17 %), audiovisual products (14 %) and clothes (12 %). In the USA, the highest tariff rates on agricultural and food industry products are relatively lower, with the exception of processed agricultural products (e.g. tobacco duties are 350 %). Compared with the EU, the USA has higher marginal rates imposed on selected imported manufactured articles in sectors such as textiles (40 %), clothes (32 %), leather and shoes (56 %); however, these marginal rates only apply to a fraction of traded goods (2 % of EU-bound imports and 0.8 % of US-bound imports)[37].

The highest average tariff rates and average tariff rates imposed on the most traded goods are summed up in the following tables.

35 Source: http://stat.wto.org/TariffProfiles/E27_e.htm; http://stat.wto.org/TariffProfiles/US_e.htm

36 Rather than average tariff rate, percentage rates in this paragraph reflect the highest tariff rate imposed on the selected product(s) within the particular sector.

37 Source: http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150759.pdf

Table 18 – The EU's highest tariff rates by commodity (duties on imports entering the EU)

Commodity	Average duty [%]	Share in imports [%]
Dairy products	48.3	< 0.1
Animal products	22.2	0.5
Sugars and confectionery	21.6	0.2
Beverages and tobacco	20.0	0.7
Cereals and preparations	14.3	0.5

Table 19 – The USA's highest tariff rates by commodity (duties on imports entering the USA)

Commodity	Average duty [%]	Share in imports [v %]
Dairy products	20.3	0.1
Beverages and tobacco	15.6	1.2
Clothes	11.7	4.3
Sugars and confectionery	10.3	0.2
Textiles	7.9	2.0

Table 20 – The EU's duties on most imported commodities

Commodity	Average duty [%]	Share in imports [%]
Petroleum	2.0	18.4
Minerals and metals	2.0	15.4
Electrical machinery	2.8	11.4
Non-electrical machinery	1.9	10.9
Chemicals	4.6	10.0

Table 21 – The USA's duties on most imported commodities

Commodity	Average duty [%]	Share in imports [%]
Non-electrical machinery	1.2	13.9
Petroleum	1.4	13.6
Electrical machinery	1.7	13.6
Minerals and metals	1.7	11.7
Chemicals	2.8	11.1

Source to Tables 18–21: World trade organization – World Tariff Profiles 2011[38]

38 Source: http://www.wto.org/english/res_e/booksp_e/tariff_profiles11_e.pdf

6.2
NON-TARIFF BARRIERS

As described in the previous chapter, tariff rates are perceived as relatively low by both parties and their removal was agreed to rather quickly[39]. Removing non-tariff barriers is the more difficult part of reaching a TTIP deal. The essential goal is to converge on mutual recognition or, for that matter, partial or full harmonization of standards, norms and regulations. An analysis by Bertelsmann Stiftung estimates that the positive impacts of fully liberalizing the trade between the EU and the USA (i.e. full removal of both tariff and non-tariff barriers) on average economic growth of the involved countries could be approx. 23-times higher than under the tariffs-removing only scenario[40].

The following is our account of selected specific non-tariff topics barriers that have proven most complex both at the negotiating table and for public acceptance.

Safety standards, protection of health and consumer rights

Both governments and regulatory authorities seek to protect citizens against risks for their health, safety and environment, against ruthless commercial practices and to sustain a sound financial system. To be able to sell its products in another country, a company must comply with the laws that are applicable in that country as well as those applicable on its domestic market. This may, with diverging regulations, complicate the trade in three ways:

- Unnecessary impediments – regulation may bar a foreign company entirely from selling its products for e.g. requiring products to be made in a particular manner. Notorious examples from the past include a ban on sales of European cheese in Australia where the local regulatory authorities believed that only pasteurized cheese could be safe; this prevailed until the regulators examined new scientific evidence and changed their opinion.
- Unnecessary expenses – regulation may result in a situation where efficient competition at marketplace becomes prohibitively expensive for a foreign product. In the past, this was the case of many European car manufacturers who were effectively discouraged from entering the South Korean market as that would mean complying with special safety standards of making fully separate production lines which was prohibitively expensive. Under the recently concluded trade deal, South Korea recognized the international norms applied by the EU as sufficiently safe for the Korean market, which helped boost the EU's imports to South Korea.
- Unnecessary duplicity – there are frequent instances of trade between the EU and the USA where companies are capable of selling their products in both markets while having to meet the requirements under two different sets of regulations. These translate to two different sets of costs that make trading less cost-effective and ultimately reduce the volume of economic activity. This is well exemplified by the solution for certification of medicines – cooperation between the EU and the USA has cut down unnecessary duplicity while maintaining and, in fact, stepping up the high level of consumer protection. The certification of medicines procedure is very thorough and, obviously, very expensive. The costs are now significantly lower as the regulatory authorities have aligned the respective certification procedures.

39 Doing away with tariff barriers was on the agenda of Round Five TTIP negotiations that took place 19- 23 May 2014

40 G. Felbelmayr, 2013, Transatlantic Trade and Investment Partnership (TTIP) – Who benefits from a free trade deal?, http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf

Drug certifications in the EU and the USA

Pharmacists see TTIP as a good opportunity for improving the regulation and efficiency of the system of development, research and market access. The EU's pharmaceutical industry currently provides direct employment to 700,000 people, with three to four times more employed indirectly. This industry ranks top in terms of research investment as its investment level is approx. 15 % of its sales. Pharmaceutical research is a cost-intensive and risky investment, albeit with an extremely high added value. The industry sees TTIP as vitally important, according to Pavol Adamkov (Public Affairs Director, PFIZER), in three major areas: registration of drugs, intellectual property - where the current situation is rather stable - and the drugs' entry on the market following registration and prior to their market launch[1,2].

The most sensitive issue is drug registrations, at the moment still an extremely regulated process at both sides; unification of the procedural rules would accelerate drug registrations and simplify inspection checks. A standard registration process of a new drug averages 14 months in the EU and two months less in the USA. This, however, often involves priority drugs which the US Federal Drugs Administration (FDA) is able to register within eight months, making the registration procedure almost half as short as in the EU. The average time differential in new drug registration is currently six months (USA is six months faster), which in practice means that the average time for a US-registered drug to get to the EU market is half a year. Thus, this area offers ample space for improvement, better synchronization and making more efficient rules for accelerating the entry of new drugs on the EU market.

1 For more information, see the TTIP Slovakia portal – http://www.ttip-slovakia.sk/m/contact/stretnutia-15/usa-vs-eu---porovnanie-vybranych-regulacii-39/

2 Pavol Adamkov's presentation is available at: https://www.youtube.com/watch?v=p1t5ZqUYld8

Investor to State Dispute Settlement

This topic, and its interpretation in particular, have caused such a stir that the European Commission decided in late January 2014 to suspend official TTIP negotiations and initiate public consultations to give more legitimacy to the entire process and explain the underlying principles of the said mechanism.

Above all, ISDS should be seen as a vital tool for protecting foreign investors in view of diverging legal systems – a country's strong legal system does not yet guarantee that foreign investors will receive the same level of protection as the domestic investors will. ISDS is the investor's guarantee of a legal mechanism for making legitimate legal claims of damages where this would be impossible with domestic courts or where domestic courts are incapable of duly hearing the dispute. While it does not prevent governments from adopting particular laws or void those laws that are applicable, this instrument will nonetheless allow foreign companies to receive compensation for damages sustained. Negotiations on the ISDS mechanism were suspended and a public consultation launched to discuss every aspect in need of clarification, which shows remarkable concern over transparency and participation of all stakeholders at TTIP negotiations[41].

ISDS does not strictly cover the relationships between investors and the countries of the EU and the USA; it is established in other countries as well. It works both ways, via the USA to the EU and vice versa. Its undeniable benefit is the increased protection of investment on both sides of the Atlantic, thus encouraging investors' confidence and improving predictability of conflict resolution[42].

41 The ISDS public consultation can be attended via the Commission's website at http://ec.europa.eu/yourvoice/ipm/forms/dispatch?form=ISDS

42 ISDS is covered in the drafted free trade deal between EU and Canada (Canada-EU Comprehensive Economic And Trade Agreement – CETA); its chapter concerning investment includes reform measures towards understanding ISDS. CETA has yet to be ratified; the unofficial text of CETA's Investment Chapter was made accessible at http://eu-secretdeals.info/upload/2014/02/EU-Canada-FTA-Negotiations-Investment-chapter-4-April-2014_clean.pdf

Many countries of Western Europe do not see the need for having a special investment arbitration tribunal as they believe such disputes can be settled through their own domestic courts. Interestingly, the current success rate of investor-state disputes with investors as claimants is approx. 60 %, in favor of individual states. If negotiations between the world's two biggest economies prove successful, TTIP would cover the state's right to regulate its economy without the possibility of seeing such interventions as infringements of investors' rights; this would be on a level that would gradually become a global standard of investor-state dispute settlement.

Dispute resolution by national courts: a complicated alternative to ISDS

According to Andrej Leontiev, a partner at TaylorWessing e/n/w/c, efficiency of national courts in EU countries varies considerably. The quality of courts in Western Europe and the USA bears no comparison with the courts of Central and Eastern Europe where the quantity of disputes is several time higher. "Protection of investment and common definition of dispute resolution mechanism should be part of the TTIP deal given the differences in the condition and level of national justice in individual EU member countries. Weaknesses of the current practice also include heterogeneousness and unpredictability of decisions, low transparency, independence and impartialness of arbitration, high costs for states and intervention into legislative sovereignty," Leontiev said [1].

1 Andrej Leontiev's presentation is available at: https://www.youtube.com/watch?v=vhJzAPHgnIw

Intellectual property rights

Intellectual property rights are divided into two basic groups – rights to intellectual property in culture and rights to intellectual property in industry. In culture, the most frequently discussed issue is protection of copyrights, which is of particular interest for the USA given its vast domestic market of the music and film industry. This issue is also sensitive in that copyright protection is diametrically different in Europe and the USA, in its very roots[43].

The second area is further divided into industrial rights for results of creative intellectual activity and industrial rights of designations: the former include the actual creative labor such as that of an inventor, designer and such like while the former encompasses the law of trademarks, designation of origin and geographic designations that are of particular import in TTIP negotiations. Additionally to these basic areas, intellectual property rights also cover issues such as protection of know-how, logo, confidential trade information and innovations, among others.

The entire area of intellectual property rights is regulated under international treaties and trade agreements such as the Berne Convention of 1886 for copyright and related rights and the Paris Convention of 1883 governing industrial property rights. Also of vital importance is the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which goes far in providing for the issue of enforceability. As mentioned, international copyright is governed by the Berne Convention. In this respect, the USA did not become a party to this convention before 1989, more than a century later than Europe, which shows a major variation in the legal regulation. At the same time, there is current discussion in Europe seeking to reform and fundamentally change the law of copyright. If the current model of copyright were to be embodied in TTIP, it would complicate the options of opening a new space in the future.

43 Before the beginning of TTIP negotiations, France made a reservation to exempt audiovisual services from the scope of negotiations, arguing with cultural differences, concern over curtailing subventions and support for French audiovisual industry and the dominance of US film industry over that of France and Europe. French minister of trade Nicole Bricq further emphasized that "cultural industry, and audiovisual industry in particular, has not been covered under any trade agreement in the past".
(Source: http://europolitics.eis-vt-prod-web01.cyberadm.net/france-firm-on-excluding-audiovisual-sector-from-ttip-art350666.html)

Major differences prevail on both sides of the Atlantic in the law of patents. In Europe, no invention may be published in any manner before filing application to ensure its global novelty, unlike in the USA, where a certain form of priority is granted even if a particular technical solution is published before being patented. In this case, however, the negotiations could lead to a certain compromise.

Harmonizing intellectual property rights

Given the substantial differences in particular areas, some conflicts seem easier to overcome than others. US copyright, for instance, is based on narrowly defined rights and broadly conceived exemptions, which is the exact opposite of Europe. Another disparity is the US doctrine for exemptions that allows use of works for strictly defined purposes while in Europe authorial works can be used, under certain circumstances, even without the author's consent – even if such circumstances are very strictly defined. According to Zuzana Adamova[1], managing director of INGENIUM Slovakia, the issue of copyright should be excluded from TTIP negotiations due to incompatibility and complexity. For a gradual harmonization of intellectual property rights to succeed would require either of the parties to make concessions in several areas and fundamentally change their legal regulation.

1 Zuzana Adamova's presentation is available at: https://www.youtube.com/watch?v=8PNr68hstvM

6.3
TTIP'S IMPACT ON SLOVAKIA'S SELECTED INDUSTRIES

According to Daniel J. Ikenson of the Cato Institute, it is likely that TTIP's benefits will not be visible immediately; yet, if the deal proves true to its commitments, industries that are today plagued by incoherent regulations such as chemical, pharmaceutical, cars, engineering and the agriculture and food industries will profit most from the deal. However, it is still very likely that services such as transportation will remain immune to reforms that would introduce more competition in the industries and would be beneficial for the economies to both continents and globally. Vladimír Sirotka, President of Slovakia's Association of Small Enterprises, said that Slovakia's 300,000 small and medium enterprises generated only 18 % of Slovakia's overall exports, expecting that cheaper imports of raw materials and components could help them become more competitive and boost their exports[44].

Agriculture

Mutual trade between Slovakia and the USA in the agricultural sector contributes less than one percent to the overall trade exchange between the two countries, according to Director of Food Industry Chamber Jarmila Halgašová, who said that, due to the systems of subsidies, the overall setup of agricultural production and legislative rules, US agricultural and food industry products have a huge competitive advantage, which is a risk for Slovak producers[45].

Transatlantic trade in agriculture is a complex and politically sensitive issue. A particularly difficult chapter is the sector of biotechnologies and the related genetically modified organisms. The value of deals stopped or not concluded due to incongruity in safety standards and measures applicable in the USA and the EU reaches several dozens of billion USD. The goal is then to cooperate on issues that are unsubstantiated. According to Martina Newell-McGloughlin, Director of International Program in Biotechnology at the University of California, both the public and the agricultural professionals lack information to be sufficiently familiar with

44 Source: http://ttip-slovakia.sk/m/contact/stretnutia-15/horizontalne-otazky-19/

45 Source: http://www.ttip-slovakia.sk/m/contact/stretnutia-15/polnohospodarstvo-21/

numerous benefits of genetically modified produce. This requires a dialogue on all levels on both sides of the Atlantic to disseminate the newest scientific knowledge. Upcoming negotiations should focus particularly on removal of tariffs and excessive red tape while maintaining the existing high standards.

As noted by Jozef Bíreš, Director of State Veterinary and Food Administration of the Slovak Republic, unless we actively look for a way out of the current situation, Slovak market may be flooded with cheaper, yet lower quality agricultural and food industry products from other countries. The USA is interested in trading with Slovakia and our country should not be afraid of something it does not know.

US farmers naturally benefit from economies of scale as they cultivate more farming land per single producer than European farmers. A particular obstacle for Slovak farmers is the absence of recognized standards e.g. on the use of fertilizers even among EU countries themselves. Slovakia's representatives in Brussels should strive towards attaining fully harmonized conditions for the agricultural business across all EU countries as well as removing exemptions and special regimes that are favorable for only some countries. An efficiently functioning common market between the EU and the USA can be hardly expected to thrive without full harmonization of the rules in this sector within the EU itself.

Other important topics include sanitary and phytosanitary issues complicating both imports and exports of food due to different approaches to product control. While the USA insists on having scientific evidence of harmful effects when introducing new regulations, the EU accepts the so-called precautionary principle even in the absence of submitted evidence. This relates to the question of technical impediments such as ensuring openness, transparency and convergence of regulatory procedures, requirements and norms in order to reduce stress-testing and certification requirements.

One of the primary goals of the USA is maximum reduction of barriers for imports of genetically modified foodstuffs to EU member states. These can only be sold in the EU, if certified as foodstuffs, feedstuffs or seeds by the European Foods Safety Authority. According to the European Commission, although the negotiations will have no effect on GMOs marketing procedures, the transatlantic partnership should nevertheless contribute towards eliminating the consequences of this European system on trade.

Showcasing Slovakia's agricultural sector[1]

Agriculture is a vital component of Slovakia's economy as it is closely linked with the industry while fulfilling the requirements of national food safety or sustaining employment.

According to the Slovak Statistical Office, the 2012 pre-taxation profit in Slovakia's agricultural sector was 48.7 million euros, a more than 30 % drop against the previous year. The decreasing performance of Slovakia's agriculture is discernable in the 23.8 % year-on-year slump in revenues. This is due to the lower volume of agricultural production as prices of animal and vegetable production have risen.

The decreasing economic performance of agriculture also correlates with the sector's dropping employment figures –50,400 in 2012, 3.3 % less than previous year. The average wage was 630 euros; 2 million hectares of land was used for agricultural cultivation in 2012.

1 Source: Slovak Ministry of Agriculture and Rural Development, 2013, Slovakia's 2012 Agriculture and Food Industry Report (Green Report), http://mpsr.sk/index.php?navID=122&id=8150

Information and communication technologies (ICT)

Vital issues with respect to the ICT sector negotiations include, in particular, trade in goods and services (the Internet economy), public procurement and technical standards.

According to Karl Cox, Vice-President for Public Policy and Corporate Affairs of Oracle, the most important TTIP concern for the Internet economy and e-commerce is to gradually achieve harmonization of standards in general access to digital environment (e-accessibility), e-health, smart grids, electronics, data flow, protection of intellectual property and more flexible mobility of highly qualified workforce[46]. He additionally pointed out the problems facing transnational Internet corporations when needing to relocate their staff from one country to another; this is, principally, an issue of visa quotas and the processing time of applications and mutual recognition of diplomas and qualifications. For Karl Cox, EU's highest IT priority should be liberalization of public procurement in the USA and its full opening to European companies.

According to Ondrej Sočuvka, of Google Slovensko, the Internet brings dramatic efficiencies for traditional commercial activities and contributes significantly to the creation of new jobs, as exemplified by France where every job abolished due to the Internet was replaced by, on average, 2.4 new jobs. Freer use of technologies would significantly ease market entry for start-up enterprises. While the cost of founding a successful start-up was approx. 5 million USD back in 1997, it is now less than 50,000 USD. As suggested by Ondrej Sočuvka, TTIP negotiations should focus primarily on encouraging a flexible, balanced and clear protection of intellectual property.

Another participant in the discussion co-organized by BAS was Michal Meško, founder of Slovakia's most successful online bookshop; for him, the main reason for many Slovak startups to leave Slovakia is excessive regulatory burden at the early stage of starting up a business, citing the United Kingdom as a good example where this takes only about 20 minutes.

Yet another major challenge of the ICT sector will be simplification of free data flow and protection of privacy and data security. Digital trade has outpaced all other sectors. The TTIP deal should include a set of legally enforceable rules and customary usages respecting the provisions of electronic communication services. These rules should aim at ensuring the same conditions for providers of electronic communication services. Based on classifications and definitions, a WTO computer services agreement should cover any computer-related services and its security. While e-trade is a major tool for boosting trade opportunities in many industries, it is essential for the EU and the USA to agree on encouraging further e-trade development. Chief topics for discussion should include access to public tenders on both the federal and sub-federal level as resolving this issue would significantly boost trade in the ICT sector.

46 Source: http://www.ttip-slovakia.sk/m/contact/stretnutia-15/it-a-e-commerce-22/

Showcasing Slovakia's sector of information and communication technologies[1]

ICTs are essential for encouraging innovations, creativity and competitiveness in all industries and services. A workhorse of Slovakia's economy, the ICT sector employed almost 40,000 people in 2012 in many typically small-staffed companies. With a 2.3 % estimated share in employment in 2012, the sector's average monthly wage is in excess of 1,800 Euros and share in GDP almost 4 %.

The sector has been growing steadily in Slovakia, closely following the car industry in its volume of exports. "That Slovakia is a major player in the ICT industry is shown by the sector's large share in Slovakia's exports but also by international comparisons. In fact, ICT exports are more significant in Slovakia than in Ireland or Japan; they are higher than in the Czech Republic which is considered a major regional ICT producer," citing a study by Slovakia's IT Association, which further says that "Clearly, Slovakia is a stopover for ICT products underway from Asia to Western Europe. This is best seen when looking at ICT's import and export structure – while a majority of ICT imports to Slovakia are electronic components and other ICT parts and pieces, almost 80 % of exports is made up by consumer electronics. The job of a finisher of consumer electronics has moved here from Western Europe where production of ICT ready-mades has been at the going down steadily."

1 Source: IT Association of Slovakia, INESS Consult, 2012, Význam IT sektora pre Slovensko (The Import of IT Sector for Slovakia), http://itas.sk/category/1-itas?download=449

Car industry

Car safety laws vary in the USA and the EU including cases where the afforded safety standards are ultimately comparable. In fact, within a special European approval system, cars that have been approved in the USA are already roadworthy in Europe as well. Through transatlantic partnership, the European Commission seeks to accomplish a formal recognition of regulators that significant portions of our two regulatory systems are, in terms of safety, largely identical.

The EU and the USA have, for instance, diverging yet similar safety requirements for lights, locks, brakes, steering, safety belts and electronically controlled windows. Many of these could be formally recognized as requirements affording the same level of safety.

A particular issue of its own is that of e-cars which offer a vast potential for combating climatic change and pollution while encouraging growth. To make their use practical requires new infrastructure as well as technologies and norms to ensure their safety. This is why the regulatory authorities of the EU and the USA and the norm-makers on both sides of the Atlantic Ocean are beginning to collaborate now at the early stages of this process, having agreed to build testing labs that will cooperate when it comes to requirements of safety and output of e-cars and batteries.

In the discussion of TTIP's impact on the car industry, Ján Pribula, Director of Secretariat of Slovakia's Car Industry Union (ZAP SR) said that a free trade zone between the EU and the USA is generally encouraged by Europe's car industry[47]. He emphasized that "according to an EU's impact study, full elimination of non-tariff trade barriers could boost car exports from the EU to the USA by 149 % from 2017 to 2027, which would be very important for Slovakia's economy as well".

47 Source: http://www.ttip-slovakia.sk/m/contact/stretnutia-15/automobilovy-priemysel-40/

J. Pribula sees TTIP's main benefits for the Slovak car industry in growing exports of finished products and viable imports of components from the USA. In his view, growing competition as a negative factor for producers will depend on the marketing used by US companies and their ability to accommodate the needs of European customers.

Showcasing Slovakia's sector of car industry[1]

The car industry is a particularly vital sector for Slovakia; it is the heart of the country's economy given its share in the industrial production, exports and employment. According to Slovak Statistical Office, the country's car industry output in 2005 totaled almost 6 billion Euros; by 2012, this figure exceeded 20 billion Euros. In 2013, the car production had a 43 % share in Slovakia's overall industrial output and 26 % share in the country's export. A major milestone in the history of this industry came in 2006 when car factories of Kia in Žilina and PSA Peugeot Citroën in Trnava became fully operational; before then, the only car producer had been Volkswagen Bratislava with annual production of approx. 300,000 cars. After 2006, the three factories boosted car production in addition to employment and production in sub-supplying companies, with the annual car production increasing to nearly 600,000. With the exception of the crisis-ridden year of 2009, Slovakia's car industry has seen significant growth of annual production. Since 2012, due to now extended capacities and growing production of Volkswagen, the number of cars produced in Slovakia topped 900,000 per annum, making the country the 19th biggest car producer worldwide and, in fact, the world's number one car producer per 1,000 inhabitants. Together with car producers in the Czech Republic, Poland and Hungary, Central Europe is particularly well-suited for growth of related services and production with high added value.

Currently, cars production directly employs 60,000 people, approx. 2.7 % of Slovakia's overall employees. With the production headquartered chiefly in the western part of the country, Slovakia's car industry overall employs as much as 200,000 people, including induced jobs. As car production requires a much higher number of technical and qualified staff than other industries, wages in the car industry are higher than the economy's average.

The industry's technological effects on Slovakia's economy should be seen as distinct for imports and exports and development. Imported technologies are vital, especially in areas lacking capacities for their own research. According to 2011 National Bank of Slovakia's data on DFI, the country's car industry has been the leader in imports of technologies. With the industry's major advances in the past decade, research and development has come increasingly to the forefront and so did investment in this area. According to available data of the Slovak Statistical Office, the transport equipment industry invested 29 million Euros for research and development in 2011.

Given the importance of the car industry for Slovakia, unification of car safety regulations and removal of formal barriers with respect to the transatlantic trade exchange can be expected to further improve the conditions for growth of the country's car industry.

Slovakia's Car Industry Union (ZAP) has been pursuing the vision of creating optimum conditions for permanently sustainable competitiveness of the industry. In ZAP's view, the current problem lies in university education, particularly, its low efficiency and weak cooperation with the business sector. University education is not set for practical use and the graduates are not prepared for research and development. This is an opportunity for improvement, increasing efficiency and development in Slovakia's car industry.

1 Source: European Commission, 2013, Transatlantic Trade and Investment Partnership - The Regulatory Part, http://trade.ec.europa.eu/doclib/docs/2013/july/tradoc_151605.pdf; J. Holeček, Zväz automobilového priemyslu SR (Slovakia's Car Industry Union), 2014, Inovácie ako predpoklad konkurencieschopnosti automobilového priemyslu (Innovations as a prerequisite for competitiveness of the car industry); Zápis zo sektorového stretnutia o automobilovom priemysle (Memo from a car industry sector meeting), http://www.ttip-slovakia.sk/m/contact/stretnutia-15/automobilovy-priemysel-40/

Lukáš Folbrecht, External Affairs Coordinator at Škoda Auto, expects removal or harmonization of non-tariff barriers which currently prevent sales of cars made to meet the standards and norms applied in Europe[48]. "If we at Škoda Auto wanted to export to the USA, we would need to develop an entirely new car to meet the needs of such a marketplace," Folbrecht said, adding that "we need to make sure that the working standards in both the USA and the EU remain as high as they are, without any substantial change and find a way that they can be mutually recognized." He sees one of the key prerequisites for European car makers to succeed under TTIP in the possibility to participate in public tenders in USA[49].

Chemical industry

Chemical substances are regulated differently in the EU and the USA. Under Europe's laws, all chemical substances sold in Europe must be registered with the European Chemicals Agency while US requirements are less rigid. However, as both parties are very concerned about products safety, their coordination could be improved.

If regulators can agree to coordinate their respective safety assessments of the same chemical substances by assessing the same product at the same time and exchanging information, this would preempt the need of companies to do repetitive testing, saving the testing costs of companies and test assessment costs of regulators alike.

Also, regulators could agree to fully implement the existing global classification and designation agreement for diverse chemicals. This would relieve trading both across the Atlantic and worldwide, making the regulatory work more efficient and effective.

Showcasing Slovakia's chemical industry[1]

With its importance for Slovakia's economy, the chemical industry was transformed in the early 1990s to a market economy based on both considerable production and research. This industry also took a major benefit from Slovakia's entry into the EU, which paved the way for transnational companies entering the Slovak market.

Slovakia's 2011 revenues from industrial activity totaled approx. 62 billion Euros, of which 20 % was made in the chemical sector with over 12 billion Euros in turnover.

The overall number of people employed in Slovakia's industrial sector was almost 500,000 in the first quarter of 2012, with nearly 62,000 employed in the chemical industry. The same period saw the highest average monthly wage of 1,518 Euros in the refined oil products sub-industry; the lowest average monthly wage, 838 Euros, was in rubber and plastic production.

1 Source: SARIO, Chemical and pharmaceutical industry, 2012, http://www.sario.sk/sites/default/files/content/files/chemicky_priemysel.pdf

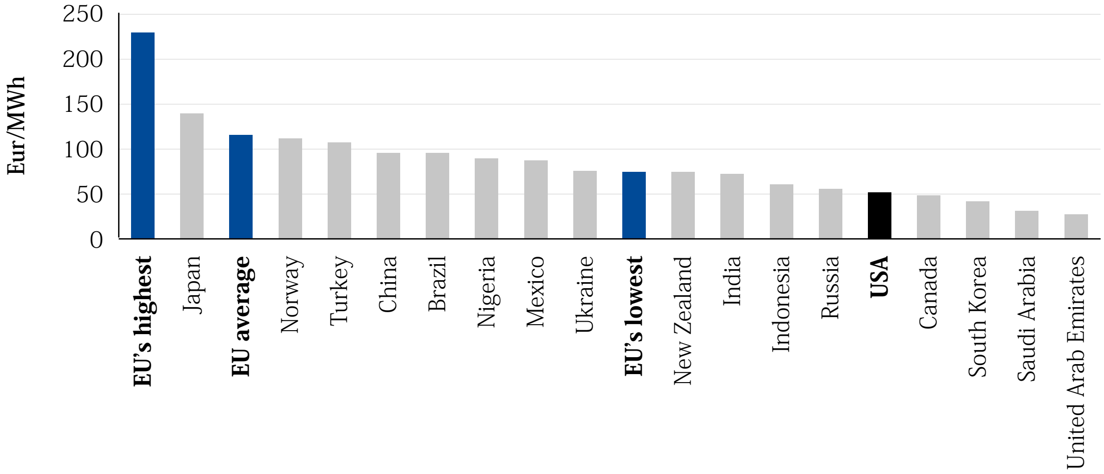
48 Source: http://www.ttip-slovakia.sk/m/contact/stretnutia-15/automobilovy-priemysel-40/

49 Presentations by Ján Pribula and Lukáš Folbrecht are available at: https://www.youtube.com/watch?v=wGzlyFRlG0Q

Energy sector

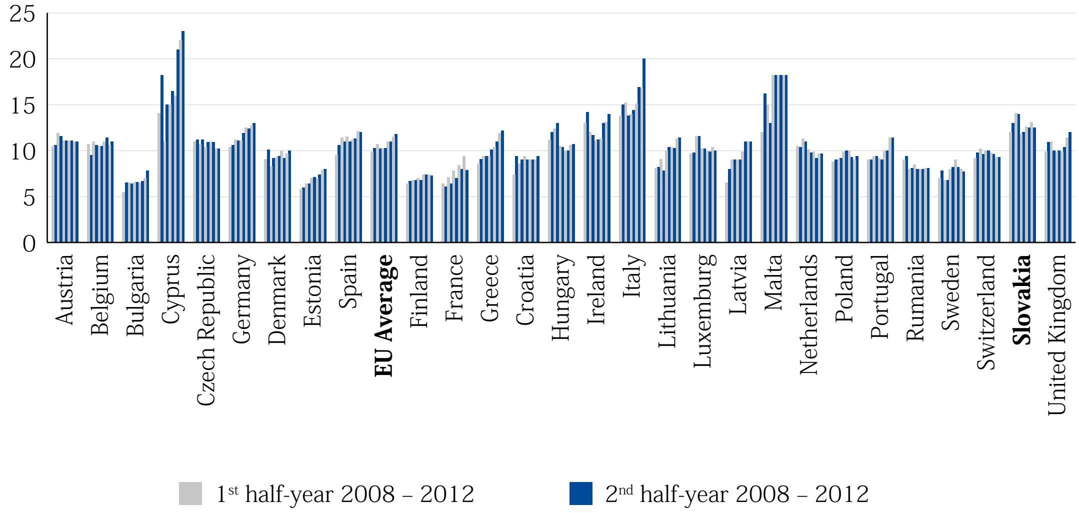
The energy sector in general and the energy prices specifically are a particularly sensitive issue for Slovak entrepreneurs. In competitive terms, Slovak producers are disadvantaged against the USA and a majority of other EU members in costs of consumed energies that are among the world's highest. This is why Slovakia should encourage any activity towards having a broader offer of energy suppliers and diversification of sources.

Graph 10 – Comparison of end prices of electricity for the industry in the EU and the USA



Source: European Commission[50]

Graph 11 – Comparison of end prices for electricity for the industry in Slovakia and the EU



Source: European Commission[51,52]

50 Source: European Commission, 2014, Energy prices and costs report, http://ec.europa.eu/energy/doc/2030/20140122_swd_prices.pdf

51 Prices exclusive of VAT, taxes and mandatory contributions (that are refundable) but also of any allowances or reliefs

52 Source: European Commission, 2014, Energy prices and costs report, http://ec.europa.eu/energy/doc/2030/20140122_swd_prices.pdf

Timothy R. Carr, Professor of Energy Studies at West Virginia University, said in the discussion of the energy sector that the increased shale gas production in the past decade had dramatically cut down the prices of all energy resources, particularly natural gas[53]; average gas price in the USA is currently three to four times lower than in the EU.

According to Lívia Vašáková of the European Commission's Representative Office in Slovakia, "US shale gas is a major challenge for Europe's industry"[54]. Solving the energy security issue is decidedly one of the EU's top priorities. "To boost competition and improve supply security, the European Commission does not oppose any sources of energy, including shale gas. Of course, the basis for this is compliance with applicable environmental standards, particularly in water protection", L. Vašáková added. According to estimates, Europe has 16 trillion cubic meters of shale gas, the potential of economic production is unclear, however. "Even the best case scenario of shale gas production in the EU would not be able to cover the EU's overall gas needs, certainly not in near future. This is another reason why the European Commission is interested in easing the restrictions on shale gas imports from the USA, to which the transatlantic trade and investment partnership deal could contribute."

"As for imports of US shale gas to Slovakia, any benefit would be based on the manner of transporting shale gas across the Atlantic and further into the mainland," Kristián Takáč[55], Public Affairs Officer of RWE Gas Slovensko, noted, adding that the EU currently lacks the necessary infrastructure for possible distribution of US shale gas to Slovakia.

Showcasing Slovakia's energy sector[1]

Slovakia is among EU countries with the highest dependence on imports of energy resources as imports cover approx. 90 % of primary energy resources. The past decade saw a more than 12 % drop in gross domestic consumption.

Slovakia's dependency on oil imports from the Russian Federation exceeds 99 %; in 2011, Transpetrol transported for Slovnaft 6 million tons of oil. Slovakia's annual consumption of engine fuels is at approx. 2.5 million tons; natural gas consumption is at approx. 5 to 6 billion CUM annually, of which 98 % is imported.

1 Source: Ing. Miroslav Kučera, ASENEM – Asociácia energetických manažérov (Energy Sector Managers Association), 2014, Energetika Slovenskej republiky (Slovakia's Energy Sector), http://static.tot.upgates.com/a/a52e269df3b6d1-kucera-energetika-sr.ppt

53 Source: http://www.ttip-slovakia.sk/m/contact/stretnutia-15/energetika-bridlicovy-plyn-23/

54 Source: http://www.ttip-slovakia.sk/m/contact/stretnutia-15/energetika-bridlicovy-plyn-23/

55 Source: http://www.ttip-slovakia.sk/m/contact/stretnutia-15/energetika-bridlicovy-plyn-23/

6.4
TTIP'S IMPACT ON SMALL AND MEDIUM ENTERPRISES (SMES)

SMEs make up 99 % of European and US companies (more than 20 million companies in the EU and 28 million in the USA) and along with start-ups are the major drivers for growth and new jobs in the market. In the EU, such companies provide two thirds of jobs in the entire private sector and have a huge capacity to create new jobs; out of new jobs created in 2002-2010 as much as 85 % were created by small and medium companies; in the USA, this share was approx. two thirds over the last decades. SMEs are, on both sides of the Atlantic, a major resource for innovations, new products and services, from which they profit even today.

SMEs are in a very good position to benefit from removal of tariffs as sought by TTIP. This would be of great import for sectors where tariffs are still relatively high as even a small increase in price can, at today's competitive global marketplace, make the difference between getting and losing sales. Non-tariff barriers in the form of requirements applied at borders can also be ruinous for small and medium companies on both sides of the Atlantic as, with a shortage of resources, they struggle with overcoming barriers more than larger companies.

TTIP's tariff reforms, unburdened trading and harmonization of standards should make it easier for SMEs to engage in transatlantic trade, improve certainty in doing business and step up protection of intellectual property, which will be particularly appreciated by small innovative enterprises that are most vulnerable for copyright infringement[56]. TTIP negotiations have been paying special attention to SMEs in a separate chapter of talks.

56 Source: http://trade.ec.europa.eu/doclib/docs/2014/april/tradoc_152336.pdf

7

SELECTED INTERNATIONAL STUDIES ON TTIP'S IMPACTS: AN OVERVIEW

TTIP's impact on national economies has been analyzed by several international institutions; this chapter sums up the most relevant conclusions of such selected studies. Forecasts in individual studies vary slightly, using diverging analytical approaches and models. All studies share the underlying expectation of beneficial impacts both for the EU and the USA while admitting that the actual benefits on both sides will crucially depend on the scope of removing non-tariff barriers.

1. Transatlantic Trade and Investment Partnership: Perspectives, Obstacles, and Implications for the Czech Republic[57]

Author: Vilém Semerák, Association for International Affairs

Target country: Czech Republic

Conclusions: Expected GDP growth due to full removal of tariff and non-tariff barriers is relatively low, at +0.5 %. However, the estimate only takes into account static effects while dynamic effects (changes in behavior of economic players) can multiply the beneficial impact. More substantial economic gains would be obtainable by the Czech Republic if TTIP negotiations led to a more profound liberalization of the EU's internal market.

2. Potential Effects from an EU–US Free Trade Agreement – Sweden in Focus[58]

Author: Susanna Kinnman, Tomas Hagberg, Kommerskollegium

Target country: Sweden

Conclusions: With barriers fully removed, the estimated annual GDP growth is 0.18 %. More substantial changes would occur in foreign trade, with an estimated 17% growth in exports, 15 % in imports if tariff barriers are eliminated and roughly a double of the estimate for both indicators in the event of full liberalization. The study estimates the highest relative growth in the foods and beverages sector and electronic appliances. The largest gains from liberalization for Sweden come from liberalizing the business services sector, amounting to approx. one third of the gains.

57 Source: http://www.amo.cz/editor/image/produkty1_soubory/amocz-pp-2013-04.pdf

58 Source: http://www.kommers.se/Documents/dokumentarkiv/publikationer/2012/rapporter/Potential-effects-from-an-EU-US%20-free-trade-agreement.pdf

3. Model Simulations for Trade Policy Analysis: the impact of potential trade agreements on Austria[59]

Author: J. Francois, O. Pindyuk, The Vienna Institute for International Economic Studies

Target country: Austria

Conclusions: Economies of North America in aggregate make up 25 % of Austria’s export outside of the EU and above 20 % of imports. If adopted, TTIP is estimated to be favorable for economic growth (0.25 % increase in GDP).

4. Estimating the Economic Impact on the UK of a Transatlantic Trade and Investment Partnership (TTIP) Agreement between the European Union and the United States[60]

Author: Centre for Economic Policy Research

Target country: Great Britain

Conclusions: The analysis estimates that about 50 % of all non-tariff barriers are realistically reducible, working with two scenarios – optimistic and conservative. The conservative scenario estimates removal of 98 % of tariff barriers and 25 % of non-tariff barriers. In the optimistic scenario, tariffs are fully eliminated and all non-tariff barriers reduced by about one half. GDP is estimated to grow by 4 to 10 billion British pounds annually depending on the final TTIP deal.

5. Reducing Transatlantic Barriers to Trade and Investment an Economic Assessment[61]

Author: Joseph Francois, Centre for Economic Policy Research

Target country: the EU, the USA, other countries of the world and economic groupings

Conclusions: This study is the underlying analytical document referred to by the European Commission and its conclusions are often referred to by other analytical studies of TTIP. Conceiving both partial and full liberalization, the study estimates, for full liberalization, a growth of 119 billion Euros in revenues in the EU (i. e. additional 545 € of income per a four-member European family) and 95 billion Euros in the USA (i. e. 655 Euros for an American family); this represents a 0.48 % GDP growth for EU countries and 0.39 % for the USA. TTIP may boost EU global exports by 6 % and US global exports by 8 %; the analysis offer an overview of potential changes in foreign trade structure for both parties involved. Concluding that as much as 80 % of TTIP’s potential gains are tied with removal of non-tariff barriers, the study points out potential changes of production in industrial sectors, with expected drops of production in the EU’s electrical engineering and metal-working industries and growths in the car industry and financial sector. For the USA, drops of production are expected in the car and electrical engineering industries, with growing production in other transportation appliances and machinery. TTIP is estimated to have favorable impact on the labor market, expecting a growth in real wages of +0.50 % in the EU and +0.37 % in the USA. TTIP’s benefits can be perceived in other countries of the world, with an estimated growth of global GDP outside of the EU and the USA by 99 billion Euros (+0.14 %); the most dynamic growths are estimated for countries of ASEAN and Eastern Europe.

59 Source: http://www.fiw.ac.at/fileadmin/Documents/Publikationen/Studienpool_II/05.ResearchReport.Francois_Pindyuk.Model%20Simulations%20for%20Trade%20Policy%20Analysis.pdf

60 Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/198115/bis-13-869-economic-impact-on-uk-of-tranatlantic-trade-and-investment-partnership-between-eu-and-us.pdf

61 Source: http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf

6. Transatlantic Trade and Investment Partnership (TTIP) – Who benefits from a free trade deal?[62]

Author: Prof. Gabriel Felbermayr, Benedikt Heid, Sybille Lehwald, Bertelsmann Stiftung

Target country: Germany, EU, USA, 21 EU member countries (including Slovakia), other countries of the world

Conclusions: The analysis indicates a vast variation in TTIP's impact on different economies depending on the depth of liberalization of trade relations between the EU and the USA. For complex liberalization, trade exchange between Germany and the USA is expected to grow by 93.5 % (in the restricted scenario which considers merely removal of tariff barriers, foreign trade growth is virtually negligible at roughly 1.13 % to 1.65 %). Also indicated are drops in trade exchange between Germany and Great Britain (-41 %), France (-23.3 %) and GIIPS countries (-31 %); however, these drops are going to be compensated for Germany by what would then be its more intensive trade with the USA, the study estimates. TTIP can also impact the territorial structure of US foreign trade. With full liberalization, new intensification can be expected in trade exchange between the USA and the EU and, in turn, a decrease in trade between the USA and Canada (-9.32 %), Mexico (-16 %) and BRICS countries (-32 %). A remarkably intriguing portion of the analysis is its estimate of TTIP's impacts on GDPs of 21 selected EU countries. The analysis shows that while removal of tariff barriers has minimal impact on GDP growths of these countries (in the range of 0.11 in Belgium to 0.58 % in Lithuania), full liberalization can bring as high as twenty-fold growth in GDP (from 2.64 % in France to 7.3 % in Sweden and 9.70 in the UK). For Slovakia, GDP growth is forecasted at 4.21 % and for the USA as high as 13.4 %. In contrast to the study "Reducing Transatlantic Barriers to Trade and Investment – An Economic Assessment" (see above), the analysis by Bertelsmann Stiftung experts forecasts a slightly negative impact of TTIP on GDPs of other countries of the world. With respect to employment, full liberalization is estimated to bring 2.04 million new jobs, of which 1.06 million will be created in the USA and the rest in other OECD countries. Slovakia's employment growth relative to TTIP is expected at 0.56 %, with a possible estimated 0.48 % drop in unemployment and a 2.63 % growth of real wages. For the USA, a 0.78 % increase in employment is expected while unemployment should drop by 0.71 % while real wages should grow by 3.68 %.

7. Ideas for New Transatlantic Initiatives on Trade[63]

Author: Fredrik Erixon, Lisa Brandt, European Centre for International Political Economy

Target country: EU, USA

Conclusions: Expecting a 0.7 % growth in GDP for the EU and 0.3 % for the USA, if non-tariff barriers are cut down by a half. Exports should grow in this case by 2.1 % for the EU and 6.1 % for the USA. Removing non-tariff barriers will most significantly impact electrical appliances and machinery (+29 % in the USA and -5.5 % in the EU), car production (EU +5.7 %; USA -1.4 %) and chemical, cosmetic and pharmaceutical sector (EU +2.2 %; USA -3.3 %). Convergence of protection of intellectual property rights could generate additional national revenue of 0.8 billion Euros in the EU and 3.7 billion Euros in the USA.

62 Source: http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf

63 Source: http://www.ecipe.org/media/publication_pdfs/ideas-for-new-transatlantic-initiatives-on-trade.pdf

8. The Transatlantic Economy 2014[64]

Author: Daniel S. Hamilton, Joseph P. Quinlan

Target country: USA, EU, states within the USA, EU countries, selected other countries of the world

Conclusions: The study estimates that reducing non-tariff barriers by a half should send the EU's GDP growing by 0.7 % and the USA's by 0.3 %. No further substantial estimates of TTIP's impacts on the countries' economic performance are given but a detailed perspective on trade and investment links between the USA, the EU and other countries.

64 Source: http://transatlantic.sais-jhu.edu/transatlantic-topics/transatlantic-economy-series.htm

CONCLUSION

TTIP is yet the greatest and most realistic effort to interconnect the world's two largest economies. If concluded, the TTIP deal has the potential to encourage economic growth on both sides of the Atlantic. Nevertheless, TTIP's practical impact will depend on the scope in which tariff and non-tariff barriers of mutual trade are eliminated.

Tariff rates average 5.2 % on goods imported to the EU and 3.5 % on goods imported to the USA[65]. While relatively low, the tariffs are a considerable burden given the volume of trade exchange between the EU and the USA (2 billion Euros daily). Despite that, tariffs represent only a marginal burden when compared to non-tariff barriers where several international studies note that as much as four fifths of TTIP's potential gains are conditioned by removal of non-tariff barriers.

On the strength of the outcome of a questionnaire survey and our own calculations of TTIP's impacts on Slovakia's economy, we expect that, with full liberalization of transatlantic trade, Slovakia's GDP would grow in the range of 3.96 % to 4.22 %. The estimated growth of the economy is near the Bertelsmann Stiftung forecast, which estimates Slovakia's gain from full liberalization at 4.21 % of GDP[66].

The estimated impacts on foreign trade varies in different impact studies depending on what methodology they use. The EU's exports are estimated to grow in the range of 2.1 % to 6 % while US exports should grow anywhere from 6.1 % to 8 %. Based on our computations for Slovakia, the country's exports can be expected to grow by 3.10 % and imports by 2.93 %.

Full liberalization of transatlantic trade has the capacity to create approx. 2 million new jobs, half of which are in the US economy[67]. By our estimates, Slovakia can expect a 1.19 % growth in employment, which translates to 27,600 new jobs.

Expectations of Slovak entrepreneurs with respect to TTIP are largely positive. A majority of respondents in our survey was convinced that the TTIP deal could be beneficial for their companies where they expect growth in revenues, exports and employment. TTIP's beneficial impact on the car industry, chemical, pharmaceutical and financial sectors is reconfirmed by international analyses, expecting a minor recession in production of electrical appliances. One of the few sectors that actually fears the market opening is agriculture where the lower competitiveness of European producers combined with concerns over quality of US products make transatlantic trade in agriculture a particularly complex and politically sensitive issue.

Based on the analyses of international institutions, our own survey among the entrepreneurs and our own computations of TTIP's impacts we believe that, if successfully concluded, the TTIP deal will be a major benefit for both the EU and the USA and particularly for a small and open economy such as Slovakia. It is therefore imperative for Slovakia to encourage and actively engage in shaping the prospective deal, including raising public awareness and getting the third sector involved. ISDS, in particular, will be one of the key negotiation chapters.

65 Source: http://stat.wto.org/TariffProfiles/E27_e.htm; http://stat.wto.org/TariffProfiles/US_e.htm

66 Source: http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf

67 Source: http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf

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