

Transatlantic Trade and Investment Partnership

EFTA states mull over how to avoid losing out

By Brian Beary in Washington | Wednesday 05 June 2013

The upcoming EU-US free trade pact talks, the so-called TTIP, put the EU's closest neighbours, European Free Trade Association (EFTA) members Iceland, Liechtenstein, Norway and Switzerland, in a bit of a bind. As things stand, they rely heavily on trade with both the US and the EU. The TTIP, however, could disadvantage them because they will have no seat at the negotiating table and they have no clear path to accede to this mother-of-all free trade treaties should it come to pass. EFTA government officials are starting to mull over their options and will address the TTIP conundrum at a ministerial meeting in Trondheim, Norway, on 24 June.

The case of Switzerland illustrates the tricky predicament they find themselves in. The Swiss have several bilateral free trade agreements (FTAs) with the EU but none with the US. They considered starting talks for a Swiss-US FTA in 2005 but ultimately declined to do so. It remains unclear whether the EU and US will allow third countries to accede to the TTIP. The latest draft mandate of the European Commission advocates that countries that have FTAs both with the EU and US be allowed to accede eventually. At present, only four states - Chile, Mexico Peru and South Korea - meet this criterion of having FTAs with both the EU and the US. Switzerland does not fit the bill, nor do the other EFTA trio. Another option would be for EFTA countries to collectively negotiate accession to the TTIP. But that gets complicated given that three of them - Iceland, Liechtenstein and Norway - are part of the EU single market through membership of the European Economic Area (EEA), whereas Switzerland has chosen not to join the EEA.

If the TTIP eliminates tariffs on goods traded between and EU and US as is the goal, that will put EFTA states' exporters at a competitive disadvantage, in particular with access to the US market. While EU-US tariffs on average are only about 3%, in certain sectors, including agriculture, they are much higher, so a zero tariff transatlantic deal will hurt them. As for the non-tariff barriers, a 2012 EU-US agreement on mutual recognition of each other's 'organic' label highlights how alignment of EU and US norms can disadvantage their neighbours. This agreement has had the effect of making it harder for Swiss chocolate exporters to get their chocolate certified as 'organic' by US authorities. With Washington and Brussels having so much on their plate with the TTIP, it will be a real challenge for the EFTA states to keep themselves on the radar during the negotiations.

COMMISSION MODIFIES MANDATE

Meanwhile, the Commission has revised its draft negotiating mandate for the TTIP from its initial version of 12 March. EU ministers are expected to adopt the mandate on 14 June. The new draft, the annex of which *Europolitics* has seen, makes significant changes in areas like labelling and consumer rights, protecting the audiovisual sector and ending the US' "Buy American" public procurement regulations. Modifications include:

- Goals of the TTIP: new mentions of "setting the path for global standards" and pledge for "consumer" protection (environmental and labour protection were already referenced)

- Allowance made for member states to keep “existing policies and measures” supporting their audiovisual sectors
- Call to “establish a regulatory dialogue on trade defence matters”
- Call to “develop a framework to facilitate mutual recognition of qualifications”
- Clause assuring the TTIP will not stop countries “applying national laws on entry and stay, work and labour conditions”
- Addition of explicit reference of wanting to end “Buy American” provisions in public procurement
- In the sanitary and phytosanitary chapter, “consideration should also be given to provisions on labelling and means of avoiding misleading information for consumers”
- On intellectual property rights (IPR), call for the TTIP to “build upon TRIPS,” a 1994 WTO agreement, and “explore opportunities to address other significant IPR issues”
- New clause that “nothing” in the TTIP “should affect EU or member state laws regarding public access to official documents”.

The revised draft EU mandate is available at www.europolitics.info > Search = 336913