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**HOW TO MOVE TOWARDS A SUCCESSFUL TRANSATLANTIC TRADE
AND INVESTMENT PARTNERSHIP (TTIP)**

ADDITIONAL INFO

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- **MARKUS J. BEYRER, DIRECTOR GENERAL OF BUSINESSEUROPE**
- **DAMIEN LEVIE, HEAD OF THE US AND CANADA UNIT, DG TRADE,**
- **THEA LEE, DEPUTY CHIEF OF STAFF, AMERICAN FEDERATION OF LABOUR AND
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INTERVENTION BY MARKUS J. BEYRER, DIRECTOR GENERAL OF BUSINESSEUROPE

The transatlantic trade and investment partnership will bring the world's two largest trading partners closer and represents a unique opportunity for the EU to boost growth and jobs. TTIP will strengthen the competitiveness of European enterprises and stimulate the internationalization of SMEs. Our objective is to move towards a successful agreement that increases opportunities for SMEs and to ensure that they can take advantage of the opportunities offered by TTIP.

SMEs are the backbone of the European economy with more than 20 million firms that account for more than 98% of all enterprises, 67% of total employment and 58% of gross value added. They are a key driver for economic growth and job creation and play an important role in generating innovation. Innovative companies are internationally more competitive and



more likely to export. In turn, exporting has a positive impact on innovation. However, a study on the level of internationalization of European SMEs reveals that only about 13% of them are active in markets outside the EU. A number of factors can explain this relatively low level of internationalization. For example, it can be challenging for very small companies to take the risk of going international. On the other hand, many more European medium sized companies could probably export or invest internationally but the regulatory risk may be too high. Ambitious trade and investment agreements can reduce those risks significantly.

For example, analyses have been carried out that compare the effects that different degrees of bilateral liberalization across the Atlantic would have on welfare, growth and employment. The Commission impact analysis of the TTIP and also a recent survey of German industrial associations¹ show that SMEs would benefit more from a comprehensive agreement covering traditional trade barriers like tariffs as well as regulatory and investment barriers.

Several chapters of the future agreement will increase the degree of internationalization of SMEs, from Intellectual Property Rights to the elimination of tariffs and non-tariff barriers, which will be critical to enable enterprises to gain entry to the US market. Today I would like to stress the importance of regulatory cooperation for SMEs.

The findings of the survey of German associations (part of the study “Dimensions and Effects of a Transatlantic Free Trade Agreement Between the EU and US”) show clearly that the elimination of tariffs and non-tariff barriers will have a different impact depending on the size of the company. Larger companies that are already present on the US market would benefit most from complete tariff elimination, while SMEs would benefit more from the reduction of Non-Tariff Barriers and from regulatory convergence. This is because SMEs see regulatory divergence between the EU and the US as a significant market entry barrier which is very costly to overcome.

Tariffs are low on average, while NTBs are much more important. Just to give an example, EU exports to the US in the machinery sector, which is mainly comprised of small firms, face NTBs that increase costs by an

¹ Survey amongst selected trade associations in Germany cited in the study “Dimensions and Effects of a Transatlantic Free Trade Agreement Between the EU and US” conducted by the Ifo Institute - Leibniz Institute for Economic Research at the University of Munich, in July 2013-January 2013.



estimated 46%! Imagine the savings possible from regulatory convergence for this sector where many important SMEs operate across Europe.

Non-tariff barriers are a significant obstacle to a more integrated transatlantic economy. They take the form of technical regulations and specifications, standards and conformity assessment procedures and improving the transparency of our regulatory systems. We believe that EU and US should adopt a mechanism by which regulators can recognize mutually compatible regulatory regimes and thus accept in their market goods and services approved for sale in the other market. We also need transparent regulatory procedures including transatlantic trade and investment impact assessments and an effective right of consultation for each other's industries.

For standards in regulation, we share the view that the EU and the US must find a solution to prevent well-intended standards from becoming barriers to transatlantic commerce. To solve this challenge, we must stop debating the definition of an "international standard" and instead focus on how to effectively prevent standards referencing from becoming barriers to each other's markets.

We must also work together to improve coordination between regulatory authorities, to increase convergence of regulatory approaches and mutual recognition of policies in as many sectors as possible. This would save companies' money and strengthen regulation across our two economies.

A strong regulatory chapter of TTIP would be a genuine achievement for business. This would significantly reduce regulatory compliance burdens for small firms, and improve the time to market for new products. This is why BUSINESSEUROPE calls for an ambitious chapter on regulatory convergence in TTIP, both at horizontal and at sectoral level.

The High Level Regulatory Cooperation Forum held in Washington in April 2013 provided for an important platform for discussion of cross-sectoral and sectoral regulatory cooperation and showed the high level of engagement of business in this policy area. We firmly believe that European organisations and industries are both prepared and well placed to help the negotiators to advance this important part of the TTIP negotiations, to the benefit of SMEs.

Let me conclude by raising a more political point for this institution, the European Parliament. As I have outlined today, we believe that SMEs will benefit disproportionately from an ambitious TTIP covering regulatory cooperation and convergence. However, to achieve this will require



engagement by both the US and the EU to embrace an ambitious regulatory chapter. As such, both we and the US will need to be open minded to proposals to improve our regulatory systems to promote trade while maintaining high standards of regulation. We hope that the Parliament will support this approach to ensure that companies of all sizes will be able to seize the opportunities emanating from this historic agreement.