

## **AGENDA 1:**

### **IMPACT OF TTIP AND BREXIT ON WORLD ECONOMIES AND FINANCIAL INSTITUTIONS**

#### **INTRODUCTION:**

The Transatlantic Trade and Investment Partnership is a proposed partnership between the US and the EU countries. The negotiations are currently in progress. The primary objective of the TTIP is to cut tariffs and remove regulatory barriers to trade. It also aims at improving the cooperation between the US and the EU by agreeing to set international standards. This will expand their markets, as companies located in both these regions will have access each other's market. It is believed to affect various industries in these regions. If this agreement takes place, it will drastically change international trade.

The British Government believes that the TTIP could add £10 billion to the UK economy, £80 billion to the USA and £100 billion to the EU annually. While this agreement may bring about certain benefits like increase in per capita income and increase in employment, there has been some opposition to the TTIP, majority of which has come from Europe. Such opposition will have to be addressed before the agreement goes through. Despite the acknowledgment that negotiations need to take place quickly, the EU and USA remain deadlocked due to certain criticisms.

#### **BACKGROUND:**

The US and the EU are the largest trade partners, accounting for about one-third of the world trade. In 2011, leaders of the EU and USA realised the need to further boost trade. A working group was set up following the EU-US summit in 2011. The working group was set up to find ways to achieve economic growth on both sides of the Atlantic.

In 2013, the working group recommended the formation of a bilateral trade agreement between the US and the EU, called the Transatlantic Trade and Investment Agreement (TTIP). The original deadline for the agreement was 2015. The agreement was initially halted

by US President Donald Trump. However, latest reports have suggested that the negotiations for the agreement have resumed.

## **DISCUSSION:**

### **INVESTOR-STATE DISPUTES SETTLEMENTS (ISDS)**

This is an instrument under the TTIP which will allow multinationals to sue foreign governments which may harm their economic benefits. This could reduce the power of the governments to act in the interests of their people. What is problematic is that such complaints will not be heard before ordinary courts, it instead will be heard in arbitration courts, comprising of 3 corporate lawyers. The ISDS could be a potentially limit the government's decision-making power, thus posing a threat to democracy. For instance, in 2010 the Uruguayan government was sued by Philip-Morris (USA multinational), for placing health alerts on cigarette packets. While the Uruguayan government did it to protect its citizens, Phillip-Morris saw this as a threat to their business.

The EU, particularly Germany and France have indicated that they would not agree to the TTIP unless the ISDS is removed. Is it appropriate for multinational companies to reduce the decision-making powers of the governments?

### **FOOD STANDARDS**

The food safety standards followed in USA is different from that followed by the EU. The EU has much stricter regulations when it comes to food safety. This may hinder economic opportunities for various companies located in the EU and USA. The removal of non-tariff regulations could make it difficult to ensure food safety standards. For instance, the USA uses growth promoting hormones in beef to make them grow faster. The EU has seen this as a serious health hazard. The EU has also blocked imports of genetically modified crops from the USA. Should the EU be ready to compromise on its food safety regulations for the sake of economic growth?

## BANKING REGULATIONS

After the Financial Crisis of 2008, USA introduced certain banking reforms that would reduce power of banks and prevent another crisis. As a result, the US banking regulations are a lot tougher than that of the EU. The TTIP will lead to harmonisation of the regulations of the EU and USA. Thus, it could weaken banking regulations adopted by USA. Should US weaken its regulations and risk another financial crisis?

The TTIP could be the biggest trade agreement yet. However, with both the parties having different policies, it will be difficult for them to reach an agreement. While the TTIP promises several economic benefits, there has been a lot of criticism to the TTIP. The beneficiaries of such an agreement will be the corporate sector and the banking sector. However, such sectors will benefit at the cost of taxpayers.

## IMPACT OF BREXIT ON TTIP

On 23rd June 2016, a referendum was held in which the UK voted to leave the European Union. Britain holds about 16% of the EU market. The TTIP is an agreement that involves the USA and EU. The UK has always looked to adopt the free-market approach to international trade. In fact, without the free trade agreement USA is UK's second largest import partner.

However, Barack Obama, while speaking about the TTIP did say that the UK would be at the "back of the queue" if they go ahead with the Brexit. This could mean that the UK would be left out of the TTIP agreement if Brexit takes place. The question that now arises is whether the UK and US could strike a similar trade deal between them, considering their trade relations? It is important to note that if Britain leaves the EU, it would reduce the EU's eagerness for the TTIP. Would the two countries go ahead with the TTIP even if the Brexit takes place?

The information provided within this background guide is intended to serve as a brief introduction into specific aspects that affect the matters listed. The Executive Board requests that you pursue deeper research for a better understanding of the regional and global impacts of TTIP and Brexit.

## IMPACT OF BREXIT ON FINANCIAL SPACES

We suspect that Brexit may have limited impact, probably even less so than asset and wealth management unless financial investors are seen to be providing advice or services to third parties. European investors are not a large contributor of funding to UK private equity managers. Also, UK hedge funds and private equity companies may face a relatively easier test than others should they wish to continue providing services to customers in the EU. The key test is the “equivalence” of UK regulation compared with international standards, such as those set by the Financial Stability Board. Other financial institutions such as banks may face a more difficult hurdle with the key test being the equivalence of UK regulation with those in the EU. One would hope that any exit arrangements would deal with any adverse tax consequences relating to where funds are established, assets held or beneficiaries reside.

### **Qarma:**

What measures must the government take to make sure MNC's don't reduce their decision making power?

What measures should the EU take to balance out its food regulation standards and ensure economic growth?

What modifications can be made to the existent TTIP?

What additional measures can the banking sector take to ensure there isn't another financial crisis?

What actions must the European Union take, keeping in mind Brexit to ensure there is no another financial crisis?

### **Research resources:**

<https://www.bbc.com/news/uk-politics-32810887>

[https://trade.ec.europa.eu/doclib/docs/2014/may/tradoc\\_152462.pdf](https://trade.ec.europa.eu/doclib/docs/2014/may/tradoc_152462.pdf)

<https://theconversation.com/fact-check-is-brexit-the-way-to-escape-ttip-59943>

<https://www.investopedia.com/terms/t/transatlantic-trade-and-investment-partnership-ttip.asp>

<http://bruegel.org/2016/07/will-ttip-survive-brexite/>

<https://www.thebalance.com/transatlantic-trade-and-investment-partnership-ttip-3305582>

<https://waronwant.org/what-ttip>

<http://www.nortonrosefulbright.com/files/impact-of-a-brexite-on-the-financial-institutions-industry-137261.pdf>

<https://www.forbes.com/sites/elyrazin/2018/08/08/how-brexite-could-affect-finance-real-estate-and-the-global-economy/#2aef16ac40df>