



EUROPEAN COMMISSION
Impact Assessment Board

Brussels,
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Opinion

Title **DG TRADE - Impact Assessment on the future of the EU-US Trade Relations**
(draft version of 20 November 2012)*

(A) Context

During their 28 November 2011 Summit meeting, President José Manuel Barroso, President Herman Van Rompuy and President Barack Obama established the High Level Working Group on Jobs and Growth (HLWG). They tasked it with identifying policies and measures to increase trade and investment to support mutually beneficial job creation, economic growth, and competitiveness. A report by the HLWG with recommendations on preferred options for enhancing trade and investment is planned to be published before the end 2012. European Council conclusions point towards comprehensive trade and investment negotiations in 2013. The European Parliament also called for the launch of negotiations of a comprehensive EU-US trade agreement. In advance of any possible decision to request a negotiating mandate, the Commission services have undertaken an impact assessment of a potential trade initiative with the United States (US). This impact assessment report will feed into the Commission's deliberations regarding any decision to propose draft negotiating directives.

(B) Overall assessment

The report needs to be improved in a number of respects. First, the problem definition should be enhanced by providing greater clarity on the most sensitive issues or sectors and by specifying and substantiating the concrete problems and gaps to be addressed, for instance in the area of upstream cooperation. Second, the report should better explain how the options would address the problems, and how the barrier reductions targets have been set. Third, the report should strengthen the assessment of impacts on consumers, employment, investment flows and third countries. It should complement the quantitative modelling results with qualitative analysis, notably regarding investments and the risk of transitional negative effects, including possible mitigating measures. Spill-over effects need to be better explained and the impact on Member States (or regions) described. Finally, the report should systematically present stakeholders views, in particular, in the sections analysing and comparing the options.

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

(C) Main recommendations for improvements

(1) Better explain the problem. The report should enhance the problem definition by describing in greater detail what the critical issues and sectors are. It should, in particular, clarify in which sectors the planned average barrier reductions targets would be more difficult to attain and why. Concerning up-stream coordination, the report should more clearly explain and substantiate with credible evidence what the concrete problem is, notably, what the main gaps are (clearly differentiating between sector specific and more horizontal issues) and what needs to be done. The report should also better describe how investment flows are hindered by the identified problems.

(2) Improve the intervention logic and the presentation of the options. The report should better link the options with the problems they are designed to address. It is, for example, not clear how the proposed measures will improve up-stream coordination or would solve the problems posed by the existence of different US standardisation bodies or regulatory entities at State level. Regarding the barrier reductions targets, the report should explain in more detail how they had been set and how feasible they are, e.g. by using the results of other free trade agreements as an indicative benchmark. In addition, given the stated limitations of option B, the report should better explain why this option has been retained for the analysis.

(3) Further develop and rebalance the analysis of impacts. The report should develop the analysis of impacts, in particular on consumers, employment, investment flows and third countries. Quantitative data should be completed by a more in-depth qualitative analysis of the main impacts. The reviewed analysis should also refer to potential drawbacks or risks (e.g. production delocalisation, redundancies) and more critically present the model limitations and assumptions (for instance as regards investment flows and the service sector). Assumptions such as the built-in reallocation of resources do not appear realistic in the short and medium term. Thus, the report should clarify whether transitional negative impacts are expected before the identified long-term benefits materialise and describe what mitigating measures are envisaged, including recourse to adjustment funds. The report should also better explain how spill-overs will work and how the nature and size of the assumed spill-overs reflects experience with previous free trade agreements. It should clarify whether the likely increase of CO₂ emissions as a result of an increase in transport (due to more trade) has been taken into account in the calculations. Finally, the report should broadly indicate whether certain Member States or regions will be more affected than others by the envisaged trade agreement.

(4) Better present stakeholders' views. The report should systematically present stakeholders' views (including on sustainability) in the sections analysing and comparing the options, in particular those of Member States, sectors or economic actors that can be expected to be the most impacted by the envisaged trade agreement. When reporting on those views, the report should identify the corresponding stakeholder category or sector, instead of using percentages.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report

(D) Procedure and presentation

The report should use a more neutral language to avoid any bias towards the preferred option. It should be more balanced in terms of potential risks and benefits. Furthermore, it should be streamlined with a view to reduce its excessive length. The report should also facilitate access to the sources/studies used for the analysis by providing their title (in addition to the author name) and, where possible, a weblink. The executive summary should be reviewed so that it follows the structure set out in the IA guidelines.

(E) IAB scrutiny process

Reference number	2013/TRADE/001
External expertise used	No
Date of IAB meeting	18 December 2012