

## PositionPaper

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10 September 2013

### **EU-US Transatlantic Trade and Investment Partnership: additional bilateral market openings and regulatory convergence to deliver competitiveness and a level playing field**

The talks between the EU and US for a Transatlantic Trade and Investment Partnership (TTIP) began in Washington on 8 July. These negotiations aim to achieve ambitious outcomes in three broad areas: a) market access, b) regulatory issues and non-tariff barriers, and c) rules, principles and new modes of cooperation to address shared global trade challenges and opportunities.

The EU is the world leader in paper exports and the US is its main trading partner. Around 4.5 million tonnes of pulp and paper are traded between the two areas every year. Importantly, this trade has been free of import tariffs since 2004<sup>1</sup>. The European and the US paper industry together accounts for more than 40% of the global production.

CEPI supports launching negotiations with the US, aiming at the full liberalisation of bilateral trade in goods and services. In addition, we believe the EU-US TTIP gives an opportunity to explore further trade liberalisation in raw materials and energy. CEPI views the TTIP's biggest potential benefits as being the elimination, reduction and prevention of unnecessary "behind the border" obstacles to trade and investment. This is of primary importance, especially for the companies operating on both sides of the Atlantic.

We hold the TTIP should envisage convergence in a wide range of areas, including not only wood legality and renewable energy legislation but also standards for paper for recycling. This convergence should deliver reductions in both compliance costs and administrative burdens.

In parallel, the TTIP should create a basis for genuine international leadership as well as providing new momentum to developing and implementing international regulations and standards. Overall, CEPI believes it represents a strong potential driver of mutual job creation, economic growth and competitiveness.

#### **Non-discriminatory access to US gas is a 'sine-qua-non' condition**

The TTIP negotiations have to ensure no discrimination or restriction regarding access to energy within the transatlantic market, particularly natural gas in the US.

Natural gas provides 40% of the European pulp and paper industry's energy needs, next to the over 50% bioenergy in our fuel mix. Many of the most efficient power plants run on

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<sup>1</sup> As a result of the WTO Uruguay Round sectoral agreement of 1994.



natural gas. Significantly, while gas prices in Europe have doubled since 2003 and are expected to keep rising, shale gas has brought US gas prices to extraordinary low levels.

CEPI holds the TTIP should lead to a common strategy to reduce energy and raw material export restrictions at the global level. It should set rules to provide an open, stable, predictable, sustainable, transparent and non-discriminatory framework for traders and investors worldwide.

### **Tariffs on the pulp and paper industry's raw materials and chemicals have to be eliminated on both sides on the agreement's entry into force**

CEPI calls for tariff elimination to occur on the agreement's entry into force, with transition periods, if any, being kept as short as possible for sensitive products. In addition to wood and paper for recycling, the pulp and paper industry is a major user of non-fibrous raw materials and chemicals. Imports of chemicals into the EU are still affected by tariffs<sup>2</sup> and starch imports also subject to substantial tariffs<sup>3</sup> to enter EU markets.

### **Cooperation on rules and standards mean higher efficiency, lower compliance costs and a reduced administrative burden**

The European and US paper industries, as founding members of the ICFPA<sup>4</sup>, have both actively promoted sustainable forest management and fought illegal logging at the global level while also increasing recycling.

The US and EU have taken major steps regarding wood legality, with the former having implemented the Lacey Act for several years and the latter having recently adopted the Timber Regulation. CEPI firmly believes that the convergence of the two schemes in terms of scope and requirements should be aimed at and the declaration systems simplified as much as possible. However, an end to the illegal wood trade can only be achieved through a push at a global level.

Equally, convergence would also deliver mutual benefit in recycling. We believe paper for recycling grades definitions<sup>5</sup> requires harmonisation on both sides of the Atlantic.

We call for increased cooperation between EU and US standardisation bodies to reduce redundant and burdensome testing, harmonisation of certification requirements and further development of international standards.

### **Convergence on climate change and energy policies is needed to avoid highly distorting measures and deliver higher results at the global level**

The European paper industry has made strong and clear commitments to sustainable development and mitigating climate change, transparently reporting on its progress.

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<sup>2</sup> HS Chapters 28, 29, 32, 35 and 38 with average ad valorem import tariffs of 5-6%.

<sup>3</sup> HS Chapters 11 and 35 with import tariffs up to 224 euros / tonne.

<sup>4</sup> International Council of Forest and Paper Associations - <http://www.icfpa.org/>

<sup>5</sup> European standard EN 643.



However, regulatory convergence is required to deliver on climate change mitigation and environmental protection objectives. Consequently, CEPI believes EU and US policies aiming at reducing greenhouse gas emissions and promoting bioenergy and biofuels should converge to raise efficiency and reduce distortion.

We view the TTIP as being a platform to address the most distortive forms of subsidies and scenarios where government interference is distorting markets. For example, US fuel tax credits have highly distorted competition with Europe in recent years, without any significant environmental benefits.

Carbon neutrality of biomass and sustainability criteria should be jointly promoted for the sustainable sourcing and conversion of solid biomass, irrespective of the final wood use. This convergence process should bind both parties at all administrative levels (EU Member States and the US state governments) to ensure a maximum efficiency and effectiveness.

### **Future regulation developments: the need for increased consultation and cooperation**

CEPI considers it essential to promote cooperation between regulators from both sides at an early stage. A framework for future cooperation has to be set up, where procedures for consultation and impact assessment are considered. Ex-ante impact assessments on trade and investments flows should be carried out when preparing regulatory initiatives, with only compatible regulations being adopted. This should be done through an effective, evidence-based bilateral consultation mechanism, with its outputs shared transparently.

Furthermore, the TTIP should include provisions on ex-post analysis of existing regulations that come up for review. We consider it essential to avoid missing opportunities to both increase compatibility and coherence as well as remove unnecessary regulatory complexity.

Cooperation on new and emerging issues such as nano-materials would help prevent future trade irritants. We believe mutual consultation at an early stage should become common practice, triggered whenever US agencies or the European Commission start developing new criteria or legislation.

Beyond the agreement, the TTIP should remain a dynamic, 'living' agreement with sufficient flexibility to incorporate new areas and issues over time.

CEPI will contribute to a successful TTIP by delivering relevant sectoral provisions to be included in the agreement through a constructive dialogue with its US counterpart.

### **Note to the Editor**

#### **CEPI aisbl - The Confederation of European Paper Industries**

The Confederation of European Paper Industries (CEPI) is a Brussels-based non-profit making organisation regrouping the European pulp and paper industry and championing this industry's achievements and the benefits of its products. Its collective expertise provides a unique source of information both for and on the industry; coordinating essential exchanges of experience and knowledge among its members and with the industry stakeholders. Through its 18 member countries (17 European Union members plus Norway) CEPI represents some 640 pulp, paper and board producing companies across Europe, ranging from small and medium sized companies to multi-nationals, and 960 paper mills. Together they represent 24% of world production.

Website: [www.cepi.org](http://www.cepi.org)