1. RULE-MAKERS OR RULE-TAKERS? AN INTRODUCTION TO TTIP

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1. The transatlantic economy, now and in the future

Despite the rise of other powers, including many emerging growth markets, the United States and Europe remain the fulcrum of the world economy, each other's most important and profitable market and main source of 'onshored' jobs. The transatlantic economy generates $5.5 trillion in total commercial sales a year and employs up to 15 million workers in mutually 'onshored' jobs on both sides of the Atlantic. It is the largest and wealthiest market in the world, accounting for over 35% of world GDP in terms of purchasing power.[1]

No other commercial artery is as integrated. Every day roughly $1.7 billion in goods and services crosses the Atlantic, representing about one-third of total global trade in goods and more than 40% of world trade in services. Ties are particularly thick in foreign direct investment, portfolio investment, banking claims, trade and affiliate sales in goods and services, mutual R&D investment, patent cooperation, technology flows and sales of knowledge-intensive services. Together the United States and Europe accounted for 70% of the outward stock and 57% of the inward stock of global foreign direct investment (FDI) in 2013. Moreover, each partner has built up the great majority of that stock in the other's economy. Mutual investment in the North Atlantic space is very large, dwarfs trade and has become essential to US and European jobs and prosperity.

But the primacy of the transatlantic economy should not be taken for granted. Due to the rise of emerging markets, the share of global

[1] The data cited in this chapter are drawn from Hamilton & Quinlan (2015).

trade accounted for by the EU and the US has fallen and China is set to overtake both soon to become the single most-important trading power in the world. The United States remains by far the largest single bilateral export market for the EU, but its share in overall EU exports has fallen from about 27% to less than 20%, whereas that of China has almost doubled over the last few years. On the import side, the US ranks now only third for the EU. In the longer run, the transatlantic economy is bound to decrease in relative size in the world economy. Extrapolations for 2050 suggest that China will be of an economic size equal to transatlantic GDP, and India, Brazil and other rising economies are becoming increasingly integrated into the global economy.

2. TTIP's rationale: Three drivers

In short, the world that created the original transatlantic partnership is fading fast. Each side of the Atlantic is facing daunting economic challenges at home and abroad. In this context, the United States and the European Union initiated negotiations on a new Transatlantic Trade and Investment Partnership, known as TTIP, which was born of a realisation on each side of the Atlantic that Americans and Europeans must work with greater urgency to build a partnership that is more effective in generating economic opportunity and confidence at home; engaging rising powers; and strengthening and extending basic norms and principles guiding the international system.

A first and prominent driver behind TTIP is a new and common recognition among US and European leaders that they need to act more urgently to open transatlantic markets in ways that can position each partner, and both together, to succeed in a world of diffuse economic power and intensified global competition. The addition of four billion people to the globalised economy and the rise of other powers, together with recent Western economic turmoil, have convinced US and European decision-makers that the window of opportunity may be closing on their ability to maintain high labour, consumer, health, safety and environmental standards and to advance key norms of the liberal rules-based order unless they act more effectively together.

For more than two centuries, either Europeans or Americans, or both together, have been accustomed to setting global rules. In the post-World War II era, the US and the evolving EU, each in its own way, has been a steward of the international rules-based order. Yet, with the rise of new powers, the resurgence of older powers and the emergence of serious challenges at home, Europeans and Americans now face the prospect of becoming rule-takers rather than rule-makers, unless they act more effectively together to ensure that high standards prevail.[2]

Given these considerations, TTIP's potential economic value extends beyond the transatlantic market itself. Properly constructed, it can also be a useful policy initiative to help open global markets. TTIP reflects a growing recognition on both sides of the Atlantic that the United States and the European Union must invest in new forms of transatlantic collaboration to strengthen multilateral rules and lift international standards. Given the size and scope of the transatlantic economy, standards negotiated by the US and the EU can quickly become a benchmark for global models, reducing the likelihood that others will impose more stringent, protectionist requirements for either products or services, or that lower standards could erode key forms of protection for workers, consumers or the environment. Given deep transatlantic economic integration, the benefits of such an initiative to both parties could be substantial. And given that the transatlantic economy remains the fulcrum of the global economy, there could be significant positive spillovers to third countries in rules, standards and regulatory affairs.

A second driver is the ongoing evolution in the nature and scope of global trade negotiations. Europeans and Americans share an interest in extending prosperity through multilateral trade liberalisation, yet the primary multilateral trade negotiation, the Doha Round, has been at a standstill for some time. Far greater dynamism is apparent with regard to preferential trade agreements (PTAs), which already govern over 50% of world trade and are likely to shape the nature of commercial connections across the Atlantic and around the world in coming decades. Mega-regional trade agreements are likely to be particularly important -- not only TTIP but also the 12-nation TPP (Trans-Pacific Partnership) and the Regional Economic Comprehensive Partnership (RECP) involving more than 20 countries in Asia. Negotiations to establish a preferential Trade Agreement in Services (TISA) currently involve 50 countries accounting for over 68% of global trade in services, including the US and the EU.

These mega-regional arrangements and a number of other 'deep-integration' PTAs seek to go beyond tariff reductions to define new structures and modalities for all sorts of non-tariff barriers to trade, along with new rules for important trade-related issues such as

[2] See Hamilton (2014a).

investment and competition, and new concerns e.g. environment, climate, labour, food scarcity, animal welfare, privacy standards and mounting consumer pressures.[3] The EU and Japan, for instance, launched negotiations towards a deep free trade agreement that includes regulatory issues, and the EU-Canada CETA agreement, which also touches on rules, standards and regulatory issues, has been successfully negotiated (although at this writing not yet ratified).

As these initiatives all went forward, it was becoming increasingly odd that leading trading partners such as the United States and the EU had not advanced their own efforts together. On both sides of the Atlantic, more and more voices argued that it was in the enlightened self-interest of both parties to undertake an exemplary initiative in earnest.

Moreover, US-EU agreement via TTIP has the potential to unblock the WTO Doha negotiations and jumpstart multilateral negotiations, just as NAFTA helped jumpstart Doha's predecessor negotiation, the Uruguay Round, and US-EU negotiations on an Information Technology Agreement also eventually became the basic multilateral agreement in this area. Moreover, even a successful Doha Round agreement would not address a host of issues that are not part of its mandate and yet are critical to the United States, the European Union and the global economy. In this regard TTIP can be a pioneering effort to extend the multilateral system to new areas and new members.

Third, global value chains (GVCs), which render a country's exports essentially the product of many intermediate imports assembled in many other countries, are revolutionising trade in both goods and services, with important implications for the conduct and priorities of trade negotiators and for our understanding of the transatlantic economy.

In today's global economy, a good produced in the United States and exported to the EU might include components from Mexico or China, using raw materials from Canada or Australia or services from Turkey or Switzerland. Goods and services are increasingly from 'everywhere', rather than exclusively from 'somewhere', as they are defined today.[4] They are unlikely to be fully "made in Germany", and "made in China" does not necessarily mean "made by China".

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[3] See Hamilton (2015) and Herfkens & Michalopoulos (2015).

[4] See remarks by OECD Secretary General Angel Gurría (2013) at the launch of the OECD-WTO Database on Trade in Value-Added.

This growing process of international fragmentation is changing our traditional understanding of the patterns and structure of international trade. Traditional measures do not show how supply is driven by the final customer or reveal where the creation of value-added occurs, in terms of wages and profits. They also underplay the role of services in overall trade.[5] The OECD and the WTO have now created tools that are transforming our understanding of trade flows by revealing what was hidden before. This new 'value-added' approach tracks the direct and indirect flows of value-added associated with international trade. It shows where value is actually created. Their findings lead to some surprising conclusions that reinforce our understanding of the dense binding forces of transatlantic integration.

Take German-US trade as an example. Under traditional measures, the United States ranked slightly behind France in 2009 as Germany's major export market and ranked only fourth as an exporter to Germany, behind France, the Netherlands and China. But under the value-added approach, the United States jumps ahead to be both Germany's single most-important export market, accounting for 11% of German exports, and also Germany's most important supplier, accounting for over 12% of German imports.[6] This bilateral trade relationship can also be seen as more lucrative than previously understood, since Germany exports and imports more to and from the United States in value-added terms than in gross terms.

The value-added lens also shows that US bilateral trade with many other EU member states, and with the EU as a whole, is even more important than previously understood. In value-added terms, the EU exports (and imports) relatively more to (from) the United States and relatively less to (and from) China.

The United States also replaces Germany as Italy's top trading partner when exports are viewed on a value-added basis. This is because many of the inputs that Italy provides to other European partner countries, particularly Germany, become part of final goods that ultimately are exported to the United States. The value-added approach gives a similar lift to French-American trade. The United States emerges as France's number one trading partner, in terms of both

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5 See www.wto.org/english/res_e/statis_e/miwi_e/tradedataday13_e/paul_schreyer_e.pdf.

6 All data presented here are drawn from the joint OECD/WTO Database on Trade in Value-Added (see www.oecd.org/sti/industryandglobalisation/TiVA%20Germany.pdf).

exports and imports, whereas conventional measures rank it third behind Germany and Belgium.

The value-added approach does not change America's position as the main destination for UK exports, but it does reveal that it actually received a much higher share of UK exports (21% vs 16%) than when trade is evaluated in gross terms during the baseline year of 2009. This suggests that, like Italy and France, the UK's exports to other EU countries are at least partly intermediate services and inputs, which are then further processed and shipped elsewhere, especially to the United States. Moreover, under the value-added approach, the United States displaces Germany as the UK's main supplier. While the EU as a whole is a more important trading partner for Britain than the United States, more of Britain's lucrative exports head across the Atlantic than previously believed.

The United States is engaged in a variety of dynamic regional value chains with NAFTA partners Canada and Mexico, similar to those that EU member states conduct among themselves. Trade within NAFTA is extensive. But much of it is composed of intermediate goods and services that are processed in Canada or Mexico and re-exported to the United States. The final export destination may lie elsewhere, with Europe garnering a higher share than previously understood. For instance, according to conventional methods, Germany was America's 6th largest export market in 2009. But according to value-added estimates, Germany followed only Canada as the most important export market for the United States, ahead of Mexico and China. In addition, according to value-added calculations, the US trade deficit with China is a quarter lower than estimated under conventional measurements, and is redistributed to Japan, Korea, Germany and other intermediate input suppliers to China.

The value-added approach not only underscores the continuing importance of the transatlantic economy, it is an important consideration as the United States and the EU consider removing tariff barriers across the Atlantic. Since many of these barriers are relatively low, sceptics wonder about the benefits of going to 'transatlantic zero'. But given that many US and EU exports in the end result from many different intermediate imports, and that related-party trade, or trade among affiliates of the same company, is so important in transatlantic commerce, even relatively low tariffs can have multiple knock-on effects all down the value chain. As the OECD (2013) notes: "Success in international markets today depends as much on the capacity to import world class inputs as on the capacity to export. Protection measures against imports of intermediate products increase costs of production and reduce a country's ability to compete in export markets: tariffs and other barriers on imports are a tax on exports." Moreover, given the size of the transatlantic economy, even small changes can have big effect.

Another policy implication of the value-added approach has to do with services. Traditional trade figures suggest that services account for less than one-quarter of global trade. But these new data highlight that services are not just exported through trade in services, they are integral to manufacturing trade as well. Transport equipment, electrical equipment and food products are manufacturing industries with significant services content. For the EU economy as a whole, 55% of the value of all gross exports originates in the services sector. The figure for the United States is 56% – roughly the same. For many EU member states, including the UK, the percentage is even higher; on average, 60% of the value of UK gross exports is comprised of value-added originating from the services sector. And the high value content of Britain's services-sector exports to the United States make them more valuable than they may first appear. Germany is perhaps an even more surprising example. While Germany tends to specialise in manufacturing industries, its exports of manufacturing goods incorporate significant shares of services value-added – over 40% in food, textile products and transport vehicles. In fact, fully half of the value of gross German exports represents services value-added.

In sum, companies and countries keen on improving their manufacturing performance increasingly are pressed to improve their services performance as well. Manufacturing produces for the services sector, and the services sector contributes to manufacturing. The two are increasingly intertwined; the supposed trade-off between manufacturing and services is a false choice. Liberalisation of services trade would not only allow for more-efficient and higher-quality services, it would enhance the competitiveness of manufacturing firms as well.

This is of direct importance to the transatlantic economy. The United States and the EU are the world's most important services economies, and each other's most important and profitable services markets. In the current policy environment, freeing the transatlantic services economy through TTIP could be the single-most important external initiative either side could take to spur growth and create jobs on both sides of the Atlantic.

3. Why TTIP is different

Given this background and these aims and drivers, TTIP is not just another free trade agreement. According to Pascal Lamy, former Director-General of the World Trade Organization, "TTIP is the first show of the new world of trade".[7] Partly for this reason, TTIP negotiations have been accompanied by a swirl of confusion and controversy manifested in debates in the public domain, particularly but not only in parts of Europe, about their content and ultimate goals. Let us first note why TTIP is different and then set out exactly the structure of the TTIP negotiations.

TTIP is certainly intended to reduce traditional barriers to transatlantic trade. While average transatlantic tariffs are relatively low, at about 3-4% on average, with many tariffs at zero, tariffs remain quite high for some specific products in such categories as agriculture, textiles and apparel, and footwear. So there is room for barriers to come down. In addition, since the volume of US-EU trade is so huge, eliminating even relatively low tariffs could boost trade significantly. A report by the European think tank ECIPE estimated that a transatlantic zero-tariff agreement could boost US and EU goods exports each by 17% – about five times more than expected under the US-Korea free trade deal ratified in 2011.[8] Moreover, since a large percentage of transatlantic trade is intra-firm, or trade in parts and components within the firm or value-chain, even small tariffs add to the cost of production and result in higher prices for consumers on both sides of the ocean. The more intense the intra-industry trade component of trade between two parties, like the one that characterises US-EU commerce, the greater the effects and benefits of lower tariffs. Freer transatlantic trade without tariffs and with lower technical barriers could translate into millions of new jobs in the United States and Europe and improve both earnings and competitiveness for many companies, particularly small- and medium-sized enterprises.

Trade in goods, however, accounts for only about 20% of transatlantic commerce. Even greater gains could be had if TTIP opens the transatlantic services economy, where most jobs could be created; ensures an open rules-based order for investment; tackles technical and other non-tariff barriers and regulatory differences; and repositions the United States and the EU to respond more effectively to greater global competition. These dimensions are central to the TTIP negotiations and

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[7] See Lamy (2015).

[8] See Erixon & Bauer (2010) and also Berden et al. (2009).

explain why TTIP is more than just another free trade agreement. TTIP's potential and its promise is to go beyond traditional trade arrangements to forge understandings regarding mutual investment, open services markets, non-tariff and regulatory barriers, basic ground rules of the international economic order and new agreements in areas not yet covered by multilateral regimes. All of these elements make TTIP a next-generation negotiation that breaks the mould of traditional trade agreements. At the heart of the ongoing talks is the question whether and in which areas the two major democratic actors in the global economy can address costly frictions generated by their deep commercial integration by aligning regulations and other instruments and setting benchmarks for high-quality global norms and rules.

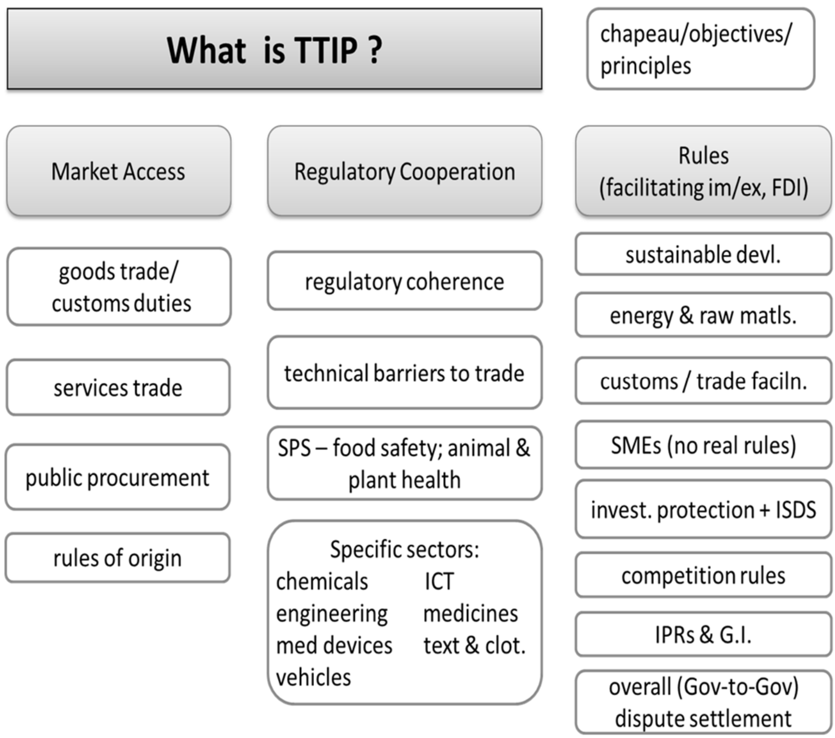
At its core, TTIP is about far more than trade. It is about creating a more strategic, dynamic and holistic US-EU relationship that is more confident, more effective at engaging third countries and addressing regional and global challenges, and better able to strengthen the ground rules of the international order. TTIP can potentially serve as a symbolic and practical assertion of Western renewal, vigour and commitment, not only to each other but to high rules-based standards and core principles of international order. It is an initiative that can be assertive without being aggressive. It challenges fashionable notions about a 'weakened west'. In this sense, TTIP is poised to be the major political, strategic and economic driver of the transatlantic relationship over the course of this decade.

4. What is TTIP? Structure and substance

There are many reasons why TTIP debates leave much to be desired. Many discussions zoom in on only one or two aspects, and even then often on the basis of assertions in the (social) media rather than as a result of careful study of the actual documents and/or serious analysis. The present volume should be a considerable help for the reader genuinely interested in the subject.

However, it is useful to simply depict what TTIP is all about and how the negotiations are structured. Figure 1.1 provides an elementary introduction to the substance of TTIP. Apart from a general set of principles and the basic rationale (in the so-called 'chapeau' of a future treaty, see top right), there are three lines of negotiation: market access, regulatory cooperation and 'rules'. The core of TTIP is the middle column (regulatory cooperation) with the addition of public procurement and services (from the left column) as well as GIs (geographical indications) and investor-state dispute settlement (ISDS) from the right hand column. The present volume deals with all these core subjects, including several sectors specified at the bottom of the middle column, but also a few services sectors.

Figure 1.1 What is TTIP all about?



Source: Authors' own configuration.

In addition to opening transatlantic markets, each of TTIP's three pillars has the potential either to strengthen and expand multilateral rules (WTO-plus) or to generate standards and norms in new areas beyond the current system (WTO-extra).

TTIP's market-access pillar, for instance, could potentially result in clearer, more straightforward and transparent rules-of-origin arrangements that could serve as the basis for future preferential rules of origin. Clear, simple and aligned rules of origin would facilitate global trade and thus serve as a common public good.[9]

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[9] For more on the impact of TTIP on emerging powers and the international system, see Hamilton (2014b).

TTIP's second pillar could pioneer new ways for countries to ensure high standards for consumers, workers, companies and the environment while sustaining the benefits of an open global economy. New consultative mechanisms among regulatory agencies, including as part of TTIP's 'living agreement' provisions, could eliminate redundant regulations, identify more efficient procedures and avoid conflicts that create unnecessary costs for companies and consumers, while ensuring high standards that can prevail not only across the Atlantic but around the world. Mutual recognition of essentially equivalent norms and regulatory coherence across the transatlantic space not only promises economic benefits at home but could form the core of broader international norms and standards.

The standards being negotiated as part of TTIP's third pillar are intended to be more rigorous than comparable rules found in the WTO. Agreement on such issues as intellectual property, services, discriminatory industrial policies or state-owned enterprises could strengthen the normative underpinnings of the multilateral system by creating benchmarks for possible future multilateral liberalisation under the WTO. US-EU agreement on such principles, and agreement to act together to advance such norms globally, could not only take the international trading system further but establish broader political principles regarding the rule of law, human rights, labour, environmental and consumer standards.

The idea of an ambitious transatlantic economic agreement is of course not new; yet over the past two decades such efforts have foundered on a range of US-EU differences. Remaining transatlantic tariff barriers, especially in agriculture, often reflect the most politically difficult cases. Some of the most intense transatlantic disagreements have arisen over differences in regulatory policy. Issues such as food safety or environmental standards have strong public constituencies and are often extremely sensitive in the domestic political arena. To complicate matters further, responsibility for regulation is split in the EU between European and national levels, and in the United States among federal, state and even local governments as well as a range of independent regulatory agencies. Investment barriers, especially in terms of infrastructure and transport-sector ownership, could be very difficult to change. Critics charge that a transatlantic agreement could well subvert the multilateral economic system.

In short, the issues can be tough and complex. TTIP could very well fail to achieve its potential.

The potential payoff for jobs and growth, however, is so high that the United States and the EU have committed themselves to overcome past differences and to forge new types of transatlantic mechanisms to manage future disputes while generating new economic opportunities.

5. The contribution of this book to the TTIP debate

This volume is intended to cut through the caricatures swirling around TTIP and to illuminate the broad range of complex issues that are being addressed in the TTIP negotiations. We have brought European and American scholars and experts together to explain both the economic and broader geopolitical context of TTIP, and to explore the challenges and consequences of US-EU negotiations across numerous sensitive areas, ranging from food safety and public procurement to economic and regulatory assessments of technical barriers to trade, automotive, chemicals, energy, services, investor-state dispute settlement mechanisms and regulatory cooperation. We believe their insights can also help decision-makers understand how the United States and the European Union can remain rule-makers rather than rule-takers in a globalising world in which their relative influence is waning.

As our work will show, much of the more extreme criticisms of TTIP are either not or at best partially justified. The authors and editors are motivated to show how solid analysis and serious fact-finding can contribute to a better appreciation of TTIP's potential while also offering a more detached assessment of risks and challenges.

The book is divided into two parts.

Part I. Rules, norms and standards

The first substantive section looks at cross-cutting issues of rules, norms and standards. Peter Chase and Jacques Pelkmans explain why TTIP differs from previous US-EU efforts at economic and regulatory cooperation, and the opportunities inherent in 'turbo-charging' regulatory cooperation. They identify the many levels of international regulatory cooperation and provide a detailed annex on what the two parties have accomplished in this area since 1995. They argue that TTIP regulatory cooperation will be significant, but not ambitious, while political and legal limits on cooperation in both the EU and the United States should minimise many concerns. TTIP must accept these political and legal constraints, build trust and confidence among counterpart regulators so each comes to believe that their transatlantic partner can help them do their work better, and provide tools to help regulators on both sides make informed decisions while retaining their regulatory autonomy and accountability to their politicians and citizens. In so doing, TTIP should, over the longer term, provide both the economic and regulatory benefits that the two sides envisage.

Michelle Egan joins Jacques Pelkmans to explain why technical barriers to trade (TBTs) are TTIP's 'hard core' and why they are so difficult to address effectively. Outside of heavily regulated sectors such as chemicals, automobiles or medicines (which have separate chapters in TTIP), TBTs can be caused by divergent (voluntary) standards, technical regulations and conformity assessment. Indeed, in all three areas the United States and the EU have long experienced frictions or indeed, at times, considerable trading costs. However, the authors reject what they believe to be an unproductive 'stand-off' between US and EU negotiators on standardisation and suggest that the two parties clarify the enormous economic 'installed base' of prominent US standards in the world economy and build a solution from there. As for technical regulation, partly due to 'referred' standards (in US law) and partly due to independent agencies' preferences, the prospect of converging regulation (via harmonisation) is often dim, but equivalence (given similar levels of regulatory protection) could be an option.

Koen Berden and Joseph Francois provide an authoritative overview of all important empirical studies on non-tariff barriers and offer a methodology to quantify non-tariff measures (mostly, TBTs) so as to estimate the potential benefits that may be derived from TTIP. They urge policy-makers to dive deeply into sector-specific elements of non-tariff measures (as they differ greatly) and focus on those sectors where the largest potential gains can be made, such as in agriculture, chemicals, automobiles, steel, textiles and insurance services.

Investor-state dispute settlement mechanisms goes to the heart of TTIP's role as a regulatory pace-setter, and yet have been among the most controversial and least understood areas under negotiation. In that spirit, we present two contrasting approaches to the issue. Lauge Poulsen, Jonathan Bonnitcha and Jason Yackee present a cost-benefit analysis of the inclusion of investment protection provisions, including investor-state arbitration, in an investment chapter in TTIP. They argue that there is little evidence to suggest that investor-state arbitration will provide the EU with meaningful benefits, such as increased foreign investment from the United States, and may impose non-trivial costs in the form of litigation expenses and reduced policy space. They conclude that the case for including investor-state arbitration in TTIP is weak. Freya Baetens offers a point-by-point response in her own chapter, and then argues that an investment chapter in TTIP, including, ISDS offers an unprecedented opportunity to incorporate key public policy objectives and protect states' right to regulate.

TTIP's potential impact on levels of consumer protection has also been an issue that has been subjected to great heat yet little light; Stephen Woolcock, Barbara Holzer and Petros Kusmu examine these concerns by studying existing approaches to regulatory cooperation and presenting three short case studies. They find that regulatory powers on both sides of the Atlantic are unlikely to be significantly affected by TTIP, but suggest that European and American legislators will need to ensure that their priorities shape the TTIP regulatory cooperation agenda and not the other way around.

Much analysis and debate has focused on TTIP's potential economic impact. There has been relatively little exploration of its geostrategic implications. TTIP, however, is not just another trade agreement. It is about creating a more strategic, dynamic and holistic US-EU relationship that is more confident, more effective at engaging third countries and addressing regional and global challenges, and better able to strengthen the ground rules of the international order. Steven Blockmans and Daniel S. Hamilton explore TTIP's broader geopolitical ramifications to round out the first section of the book.

Part II. Sectoral issues

In Part II, European and American experts join together to examine TTIP's potential impact on key sectors of the transatlantic economy.

Tim Josling and Stefan Tangermann explore the possibilities and pitfalls of greater openness in transatlantic agricultural commerce and agro-food, which historically has been one of the most contentious issues faced by US and EU negotiators. They argue that progress in this area will largely be determined by the level of ambition in the negotiations as a whole. If ambitions are modest, a low-level agreement could include some limited commitments on agricultural market access and food regulations. Bolder ambitions would imply removing some long-standing irritants in the area of agricultural policy and food regulations: this is where the economic gains are likely to be significant and the spill-overs useful. They argue that it is worthwhile making the effort to secure a constructive and imaginative agreement on agriculture and food regulations in the TTIP, and offer a fairly detailed list of potential sub-deals that could be achieved.

Stephen Woolcock and Jean Heilman Grier look at TTIP's implication for public procurement markets across the North Atlantic in great detail. They propose ways the two sides can use TTIP negotiations to expand their current commitments as well as develop a longer-term approach by making TTIP a 'living agreement'.

Patrick Messerlin examines the transatlantic services economy, with original ideas on how to realise economic gains. He argues that substantial gains are only likely to come from deep discussions of regulatory issues, and that solutions cannot be found in the negotiating techniques normally used for goods. He suggests that a better approach should be based on mutual recognition and equivalence of regulations enforced in the services concerned, preceded by a mutual evaluation to grant such equivalence – all measures to be carried out by the regulatory bodies concerned, not by trade negotiators.

Andrea Renda and Christopher S. Yoo study TTIP's digital dimension in six different aspects. They explore the current divergences between the two legal systems on key digital issues and discuss possible scenarios, from a basic, minimal agreement limited to e-labelling and e-accessibility measures to more ambitious scenarios on network neutrality, competition rules, privacy and interoperability measures.

Donald Elliott and Jacques Pelkmans look at the why and how of greater TTIP ambition in chemicals, and find that the negotiators could approach it differently with better long-run results. They argue that the talks have focused too much on the differences in the two 'systems', rather than on the actual levels of health and environmental protection for substances regulated by both the US and the EU. They critique the two systems, advocate significant improvement of market access where equivalence of health and environmental objectives is agreed and propose to lower the costs for companies selling in both markets by allowing them to opt into the other party's more stringent rules, thereby avoiding duplication while racing-to-the-top.

Paolo Natali, Christian Egenhofer and Gergely Molnar look at TTIP and energy, mainly gas, an area that has been subjected to relatively limited analysis. The US shale revolution, growing interconnectedness of energy markets (recently proven by the disappearance of the 'Asian gas premium') and the EU's quest to diversify its energy supplies set favourable conditions to reinforce energy relations between the EU and the United States. The question is whether there is sufficient political will to tighten relations in a strategic area with implications for national security and sovereignty.

Finally, Caroline Freund and Sarah Oliver look at the automotive industry, a major employer on both sides of the Atlantic, by evaluating the equivalence of US and EU regulations and deriving the potential economic gains that may accrue by aligning such regulations. They estimate that the removal of regulatory differences in autos could increase trade by 20% or more, an effect only slightly smaller than the effect of EU accession on Europe's auto trade. The large economic gains from regulatory harmonisation imply that TTIP has the potential to improve productivity while lowering prices and enhancing variety for consumers.

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