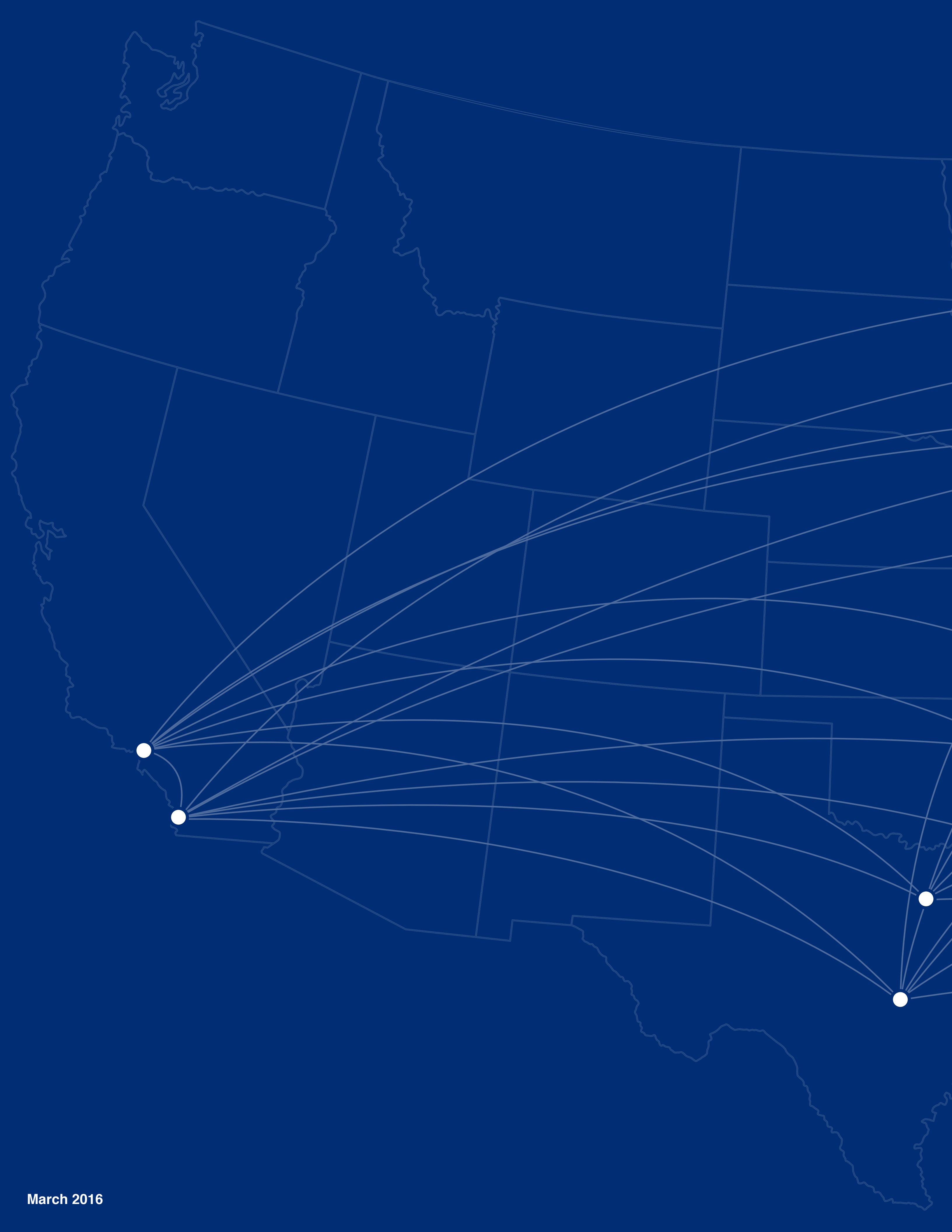
TTIP BEYOND THE BELTWAY
American Perspectives

BertelsmannFoundation



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Introduction

The Transatlantic Trade and Investment Partnership (TTIP) between the United States and the European Union may be the most comprehensive free trade agreement in history, linking the world's two largest economies and setting global standards for trade and investment. In Washington, the debate over TTIP's potential — whether positive or negative — has already begun. As negotiators continue talks, federal agencies and Congress are discussing what the agreement might look like in practice. Although the trade pact is debated in the capital, its impact will be felt throughout the United States. Econometric models forecast that it will boost gross domestic product (GDP) by nearly $100 billion and create 750,000 new jobs.[1]

Not all the predictions are positive, however. International trade is a disruptive force; in the course of creating new jobs, the executed agreement will likely displace others. Certain industries may lose export shares, and some firms may face burdensome changes to how they label and market their goods. Domestic regulations may come under the scrutiny of foreign companies, which may in turn challenge them in supranational tribunals. Arguments against TTIP seem as numerous as arguments in favor of it, and the great challenge lies in sorting them out.

To reach a reasonable consensus on the agreement's merits, stakeholders around the country must be informed and take part in the debate. To that end, the Bertelsmann Foundation convened a series of town hall-style events and meetings with stakeholders in five U.S. states to raise awareness and foster discussion of TTIP outside the Beltway. At each stop, the Bertelsmann Foundation hosted trade officials representing the U.S. government; the EU and its member states; civil society representatives; and local businesspeople who trade and invest abroad. Local stakeholders had the unique opportunity to engage with senior trade experts and to learn about TTIP's content and what it might mean for their state.

What we learned on the road was just as important as what we imparted to stakeholders. The most consistent takeaway was that knowledge of TTIP is generally low. The average businessperson, worker or consumer is unaware that the agreement is under negotiation, and some are unsure of the distinct roles that the EU and its individual member states play in the process. Among stakeholders who are aware of TTIP, many conflate it with the Trans-Pacific Partnership, or TPP, and other international agreements. Some dismiss it outright, expressing mistrust of anything that comes out of Washington, and many think that TTIP would have no material impact on their lives. The TTIP Town Hall program revealed a great, widespread need for education on the agreement, the EU and the broader trans-Atlantic relationship.

There are, of course, many people who are already engaged in the TTIP debate. Private industry stakeholders in Massachusetts claim a special relationship with the EU, which trades with and invests heavily in the state. Small business owners in Alabama are not only aware of TTIP, but are eager to learn more about specific elements under negotiation, including e-commerce provisions and food safety and labeling regulations.

The level of interest in TTIP varies from state to state as well. In California, which trades primarily with the Asia-Pacific region and NAFTA partners, people tend not to view TTIP as an important policy priority. Stakeholders in Texas, the top exporter in the country, do not have a strong knowledge base about the agreement, but are interested in learning how they might take advantage of it. Pennsylvanians show a range of interest in TTIP; some know details of the agreement's content and negotiations, while others do not follow it at all. Ultimately, it is up to Congress to approve or reject TTIP, and representatives will look to their constituents and a range of interest groups when deciding how to vote. It is in the interest of all stakeholders to be as informed as possible when the process reaches that point.

The following pages provide snapshots of the states we visited and the lessons we learned on the road. We hope that they might inform decision-makers about what is important to stakeholders beyond the Beltway and to enrich the debate in Washington. As TTIP negotiations progress, we will continue to raise awareness of this rising pillar of the trans-Atlantic relationship and to inform diverse stakeholders in the United States of its content and potential impact.

Pennsylvania

Harrisburg and Philadelphia

Of all the stops in the TTIP Town Hall program, Pennsylvania is perhaps the most representative of the average U.S. state. With its diverse economy; mix of urban, suburban and rural interests; and balance of trade proponents and skeptics, the Keystone State is neither for nor against TTIP, and neither wholly unaware of it nor fully engaged.

Pennsylvania's $678 billion economy is the sixth largest in the nation.[2] The state is home to headquarters of Fortune 500 companies such as Comcast, Sunoco and Urban Outfitters, and has a healthy concentration of small- and medium-sized enterprises, or SMEs. Nearly 1 million SMEs operate throughout Pennsylvania, representing 98 percent of employers and providing jobs to more than 2.4 million people.[3]

Pennsylvania exported more than $40 billion in goods in 2014, half of which went to free trade agreement partners.[4] Chemicals are its top export industry, followed by machinery, transportation equipment, and computer and electronic products.[5] In Philadelphia, Pennsylvania's main commercial center, higher education, health care and biotechnology, and business and financial services are primary economic drivers.

Pennsylvania is a major energy producer. In 2014, its gross natural gas production (primarily from the Marcellus Shale region) exceeded 4 trillion cubic feet, making it the second-largest natural gas producer in the country.[6] That same year, Pennsylvania was one of 10 states to set monthly records for oil production since 1995.[7] Pennsylvania also ranks second nationwide in electricity generation from nuclear power, and fourth in coal production.[8]

The state has a robust economic relationship with the rest of the world. Nearly 192,000 jobs are supported by goods exports,[9] and approximately 35 percent of known export value is generated by SMEs.[10] About 6,500 foreign-owned companies employ more than 275,000 people in the state, and have laid out more than $12 billion in capital investment since 2003.[11] Nine of the top 15 source countries of foreign direct investment (FDI) in Pennsylvania are EU member states; the United Kingdom ranks first, with Germany fourth and France fifth.[12]

Pennsylvanians' attitudes toward TTIP are mixed. In Philadelphia, representatives of large companies were generally enthusiastic, and primarily interested in the agreement's potential impact on sectors such as finance and business services. In Harrisburg, the state capital, and East Stroudsburg, stakeholders' awareness and understanding of TTIP was generally low. They were eager to discuss potential impacts on the energy sector, including opportunities for exporting, but showed less interest in details on regulatory cooperation and rules for labor, public health and the environment. Some stakeholders were skeptical, asserting that they had been negatively affected by previous trade agreements, and suggested that econometric projections of TTIP's potential impact might be incomplete or misleadingly positive.

PENNSYLVANIA AT A GLANCE

Population: 12,802,503 (2015)[13]

Labor force: 6,428,400 (2015)[14]

Gross domestic product (GDP): $658.3 billion (2014)[15]

GDP per capita: $47,215 (2014)[16]

GDP ranking among U.S. states: 6

Largest employers: [17]

- Wal-Mart Stores, Inc.
- City of Philadelphia
- Trustees of the University of Pennsylvania

Key EU employers:

- CRH plc (Ireland)
- EMR (United Kingdom)
- Securitas AB (Sweden)

As the national debate on TTIP evolves, Pennsylvania will be a state to watch. When the agreement comes before Congress, two senators and 18 House members will represent the interests of nearly 13 million people. There is no consensus among Pennsylvanians on how to move forward, and there seems to be a lack of enthusiasm for exploring the agreement in depth.

Key Takeaways from Harrisburg and Philadelphia

• **OPPORTUNITIES FOR ENERGY** The energy sector based around Philadelphia is watching TTIP, cognizant of the benefits it would stand to gain from a free trade agreement between the United States and EU. The Philadelphia energy cluster is positioned to service the Marcellus Shale in western Pennsylvania, and TTIP would accelerate the process for exporting natural gas. Without a trade agreement in place, that same approval process through the U.S. Department of Energy would be time-consuming, and could cost up to $200 million in legal fees.

• **SMES WRAPPED UP IN RED TAPE** With nearly 90 percent of Pennsylvania exporters categorized as SMEs,[18] informed stakeholders highlight the need for simplified regulatory and certification procedures. Duplicative testing and the costs associated with multiple production lines hamper these firms' ability to compete. They expect TTIP to cut down on red tape that does not add safety value.

• **REFLEXIVE AVERSION TO TRADE** According to Public Citizen, Pennsylvania has lost more than 300,000 manufacturing jobs since NAFTA was signed in 1994.[19] This experience has contributed to widespread skepticism of any future trade agreements. Despite the clear differences in negotiating a trade agreement with Mexico versus the European Union, many opponents of international trade in Pennsylvania will point to NAFTA as evidence that it is harmful to the average American worker.

What's in it for Pennsylvania?

The price of natural gas in the United States hovers around $2 per million British thermal units (MMBtu).[20] In the EU, its price has vacillated over the past two years between the current low of $4.90 per MMBtu and a high of $11.59 per MMBtu.[21] As the second largest producer of natural gas in the United States, Pennsylvania stands to gain ready access to a large market with high demand for one of its most abundant resources.

TTIP is projected to benefit Pennsylvania's largest export industry, chemicals, by $2.3 billion.[22] Although it is unlikely that regulatory practices in this sector will converge in a significant way, the United States and the EU are working on measures — such as uniform labeling and testing prioritization — that will streamline production, marketing and distribution on both sides of the Atlantic.

Services account for the majority of economic output in both the United States and EU.[23] This broad sector, which includes industries related to business, travel, logistics, law, accounting and others, is a major engine of growth in Pennsylvania, and particularly in Philadelphia. In TTIP chapters on market access and regulation, negotiators are working to make it easier for U.S. service providers to export to and operate in the EU, and vice versa. Restrictions related to a broad range of practices — from licensing to procurement bidding — might be eliminated, creating new opportunities for businesses and increasing lower-price choices for consumers.

> ***"I see greater harmonization of regulations as beneficial for both government and industry. Governments would be able to reallocate scarce resources to higher risk countries, and businesses would save money by not having to comply with two sets of comparable, and sometimes redundant, regulations."***
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> - Thomas Zieser on the potential impact of TTIP's regulatory cooperation provisions for his industry. Zieser is president and owner of JACE Systems, a medical device manufacturing company, and serves on the Mid-Atlantic District Export Council and the Industry Trade Advisory Committee on Chemicals, Pharmaceuticals, Health/Science Products and Services.

	Without TTIP	With TTIP	Additional Impact
GDP	$669 billion	$672 billion	$3.52 billion
Jobs	6.75 million	6.78 million	33,968
Exports	$43.42 billion	$49.36 billion	$5.94 billion

These figures reflect economic projections for 2027 with and without a fully implemented TTIP agreement.[24]

Texas

Austin and Dallas

Texas is a patchwork of cultures, landscapes and societies. From sparsely populated Panhandle prairies to massive, vibrant cities, this expansive state has it all. Perhaps that is unsurprising for a former republic roughly twice the size of Germany. Like the state itself, Texas' $1.65 trillion economy is as diverse as it is vast. The Lone Star State is home to more than 12 percent of the largest public and private companies in the United States, including AT&T, ExxonMobil and Dell,[25] as well as more than 2.4 million small businesses.[26] Ranking first in economic climate on Forbes' Best States for Business index,[27] Texas attracts significant FDI from around the world. Samsung, for example, invested more than $15 billion in Austin to build its largest semiconductor production facility outside South Korea. The state ranks second in the country for employment at U.S. subsidiaries of global companies, insourcing more than 476,000 jobs.[28]

Texas leads the nation in energy production. The state holds approximately 23 percent of U.S. natural gas reserves, and its crude oil stock exceeds that of any other state and all federal offshore production areas.[29] Its 27 refineries generate more than 5.1 million barrels of oil per day, constituting nearly 30 percent of total U.S. production.[30] Texas also leads the United States in wind-powered generation capacity; in 2014, the state produced more than 39 million megawatt-hours of electricity from wind sources alone.[31]

Although the energy economy is important throughout the state, other sectors, such as services and logistics, are the primary drivers of development, employment and exports in the Dallas and Austin regions. Officials from the Dallas Regional Chamber point out that natural resources and mining make up only 1.1 percent of the region's economy. In Greater Austin, which has an unemployment rate of 3.1 percent, the business and professional services sector employs nearly 20 percent of the workforce.[32]

The Dallas and Austin regions both have a high concentration of company headquarters, which operate within complex supply chain networks and work with a wide range of service providers, such as facilities management companies, consultancies, and law and accounting firms. These regions are also home to industry clusters — areas with above-average industry presence — in pharmaceuticals, communications devices, electronic instruments, aerospace products, software and financial services.[33]

EU member states have a strong economic relationship with Texas. More than half of Texas' FDI projects between 2010 and 2015 originated in Europe,[34] and nearly 2,000 affiliates of EU companies currently operate in the state.[35] Texas exports more goods to the EU — approximately $30 billion in 2014 — than most other U.S. states export to the entire world.[36]

Despite these figures, many Texans we spoke with do not view the EU as a particularly important economic partner. Most of the state's international trade activity is with NAFTA partners, East Asia, and Latin America. Officials from the Texas State Legislature report that TTIP is rarely, if ever,

TEXAS AT A GLANCE

Population: 27,469,114 (2015)[37]

Labor force: 13,070,600 (2015)[38]

Gross domestic product (GDP): $1.64 trillion (2014)[39]

GDP per capita: $54,055 (2014)[40]

GDP ranking among U.S. states: 2

Largest employers:[41]

- Texas A&M University
- Shell Deepwater Development Inc.
- University of Texas MD Anderson Cancer Center

Key EU employers:

- Brenntag AG (Germany)
- ERIKS nv (Netherlands)
- Schneider Electric SE (France)

discussed in the chamber, in great part because it is not an important policy priority for constituents. When pressed, however, Texans offer preconceived views — both positive and negative — of what TTIP might mean for the state. The lasting impact of NAFTA influences stakeholders' attitudes toward trade in general, and already frames the TTIP debate.

Key Takeaways from Dallas and Austin

• **IN THE SHADOW OF NAFTA** NAFTA colors conversations about trade in Texas. Some stakeholders see the agreement as a boon and welcome trade liberalization with other parts of the world. Austin city officials, for example, point out that Greater Austin exported more than $600 million in goods to Mexico in 2014. Members of the Dallas business community argue that NAFTA opened channels for more efficient supply chains and scale economies, which has attracted large companies to the region and has provided fertile ground for the development of SMEs. Others, including labor union representatives, attribute the loss of more than 80,000 Texas manufacturing jobs to NAFTA and worry that TTIP might have a similar impact.

• **SEEING IS BELIEVING** Informed stakeholders are skeptical of TTIP because of what they see as a lack of transparency in negotiations. Even among those who support TTIP in principle, some worry that a deal will be struck without sufficient input from the public. Of particular concern are provisions for investor-state dispute settlement, or ISDS. Stakeholders believe that a sweeping trade deal, negotiated in secret, could create opportunities for large corporations on both sides of the Atlantic to pare down standards in food safety, environmental protection, labor and other areas.

• **IT'S ALL ABOUT REGULATION** Stakeholders consistently recognize TTIP's regulatory pillar as having the greatest potential impact on trade, jobs and standards – for better or for worse. Labor union representatives are apprehensive about a "race to the bottom" that will lower EU standards and weaken U.S. safeguards in exchange for concessions in other areas under negotiation. Some in the private sector worry that TTIP will impose burdensome new regulations on Texas, while others see it as a means of cutting red tape and creating new opportunities for trade and investment.

What's in it for Texas?

Texas is a trade-oriented state. In 2014, it was the top exporting state for the 13th year in a row, with exports valued at more than $289 billion.[42] In 2013, more than 1.1 million of the nation's 7 million export-related jobs were in Texas.[43] And since 2002, the state's goods exports to free trade agreement partners have increased by 170 percent.[44]

The state's top three export industries — petroleum and coal products, computer and electronic products, and chemicals — face EU tariffs of up to 8 percent, 14 percent and 6.5 percent, respectively.[45] Given the volume of goods trade, the elimination of tariffs through TTIP stands to have an especially significant impact on the Texas economy. For SMEs, which make up 93 percent of Texas exporters,[46] this could be the determining factor to enter and compete in the EU market.

The EU imports more than half of the energy resources it consumes. Its import dependency is particularly high for crude oil (90 percent) and natural gas (66 percent),[47] which Texas has in great supply. With TTIP in place, the processes and requirements for natural gas trade would be simpler. Although economic and policy studies forecast that U.S. natural gas exports would skew toward Asian markets, the trans-Atlantic economy would benefit under a liberalized energy trade regime as well. Europeans would diversify their options, and demand from multiple international markets might generate higher profits for Texas producers. Spillover effects in sectors ranging from transportation and logistics to legal services could create further potential for income generation and job creation.


Wind Farm in Roscoe, Texas. (Spaces Blend Images/Newscom)

	Without TTIP	With TTIP	Additional Impact
GDP	$1.61 trillion	$1.62 trillion	$9.92 billion
Jobs	13.31 million	13.38 million	67,728
Exports	$277 billion	$291 billion	$14.68 billion

These figures reflect economic projections for 2027 with and without a fully implemented TTIP agreement.[48]

Alabama

Birmingham and Mobile

Despite the relatively small size of its economy, Alabama is home to a vibrant, informed, international trade-oriented community of SMEs that is eager to deepen ties with the rest of the world. Great opportunity for trade and investment lies in the state known as the Heart of the South, and Alabamans are ready to seize it.

Alabama's traditional international trade activity — importing and exporting — is concentrated primarily in Mobile, a thriving port where 55 million tons of goods are handled each year. In 2014, the state exported $19.4 billion in goods, $8.5 billion of which went to free trade agreement partners.[49] Alabama's export rate with those countries has increased by 123 percent since 2004.[50]

Alabama's economy is diverse. The state has a strong aerospace industry, with approximately 400 companies employing more than 83,000 people.[51] French aircraft manufacturer Airbus recently invested more than $600 million to construct its first final assembly line on U.S. soil in Mobile.[52] More than 660 bioscience companies call Alabama home and have working relationships with the state's network of 60-plus colleges and universities.[53] The chemical sector is significant as well; it employs roughly 9,000 people and, as the state's number two export industry, contributes more than $2 billion annually to its GDP.[54]

Alabama's top sector, by far, is automobiles. In 2014, the state exported more than $8.7 billion in cars and auto parts to 99 countries, representing roughly 45 percent of its total exports.[55] Alabama ranks fifth among the 50 states in the number of vehicles it manufactures — 994,000 in 2014 — and second in the number it exports.[56] Foreign investment plays a big role in this sector, with Mercedes-Benz, Toyota, Honda and Hyundai leading the field.

SMEs are the true engine of the Alabama economy, particularly in Birmingham, its most populous city. Approximately 386,700 SMEs operate in Alabama.[57] They make up 97 percent of all employers and provide jobs to more than 764,200 people — nearly half of the state's private workforce.[58] Of the nearly 4,000 companies that exported in 2012, 82 percent were small firms.[59] Given the importance of international trade in Alabama, stakeholders who manage their own businesses have great incentive to follow the development of TTIP and to take advantage of opportunities it might create.

The foundation for expanding Alabama's economic ties with Europe is already there. Foreign companies employ more than 86,400 people and have injected approximately $18 billion in capital investment into the state.[60] Like in Pennsylvania, nine of the top 15 source countries of FDI in Alabama are EU member states, and the U.K. tops the list with Germany fourth and France fifth.[61] Germany and the U.K. are Alabama's fourth and fifth largest export markets, respectively.[62]

Stakeholders in Alabama, at all levels of the business community, showed a uniquely high level of interest in and knowledge of TTIP and the broader trans-Atlantic economic relationship. Town Hall participants discussed trade in

ALABAMA AT A GLANCE

Population: 4,858,979 (2015)[63]

Labor force: 2,145,800 (2015)[64]

Gross domestic product (GDP): $200.4 billion (2014)[65]

GDP per capita: $37,643 (2014)[66]

GDP ranking among U.S. states: 26

Largest employers:[67]

- Redstone Arsenal
- University of Alabama at Birmingham
- Maxwell-Gunter Air Force Base

Key EU employers:

- Regus PLC (Luxembourg)
- Vicat SA (France)
- Daimler AG (Germany)

genetically modified organisms, or GMOs, and the role of geographical indications in the European economy. They were eager to hear about potential e-commerce and trade facilitation provisions in TTIP, as well as how the agreement's regulatory chapter might cut red tape and create new export opportunities. Overall, Alabama is highly receptive to TTIP and seems willing and ready to push for its passage.

Key Takeaways from Birmingham and Mobile

• **SWEET HOME ALABAMA** While much attention has been paid to SMEs, there are more than 300,000 microbusinesses (businesses with five or fewer employees) in Alabama,[68] many of which people operate out of their homes. Despite their modest size, there is a clear appetite on the part of these companies to export their products overseas. With a number of microenterprises clamoring to enter the EU market, proprietors expressed a need for simplified export processes and a reduction in red tape.

• **MOBILITY MATTERS** As the nation's ninth largest port, Mobile is particularly attuned to the needs of exporters in Alabama and throughout the South. The importance of the port to the state's economy cannot be overstated, as local businesses are increasingly looking abroad for new markets. With an already robust trade portfolio, Alabama is hopeful that TTIP will make customs processes more efficient and reduce regulatory hurdles that dissuade SMEs from expanding sales overseas.

• **GETTING THE WORD OUT** Of all of the cities participating in the TTIP Town Hall program, audiences in Birmingham and Mobile were the most well-versed on the details of TTIP. Perhaps this is unsurprising in a state that has a strong presence of multinational corporations and an active port, but it was the business community's strong knowledge base that was notable. From the one-employee cosmetic business operated out of a kitchen to global carmakers, Alabama stakeholders demonstrated a firm grasp of what is at stake in the TTIP negotiations.

What's in it for Alabama?

Alabama's SMEs stand to benefit from all three pillars of the TTIP agreement—market access, regulatory cooperation and rules. With the elimination of tariffs, small firms that might be operating on the margins will not have to choose between absorbing the cost of duties and passing them onto consumers. The EU tariff on chemical imports, for example, is a relatively modest 5.5 percent. Gains from tariff elimination could constitute a significant cost reduction for SMEs, however, and may be the difference between making and losing a sale.

Regulatory issues and non-tariff barriers disproportionately affect small businesses, as the cost of compliance is fixed and requires a greater percentage of resources than what larger firms need to expend. Changes in at-the-border barriers (such as raising the de minimis rate for imports) and behind-the-border barriers (such as difficult licensing requirements) could significantly impact a small firm's ability to trade with the EU.

The third pillar of TTIP, which would establish rules on a range of trade issues, is projected to include a chapter dedicated to SMEs. Provisions would aim to make doing business easier for small companies, for example, through public information on regulations and distribution requirements that are easy to access and understand.

TTIP's impact on Alabama's automotive sector stands to be significant. Econometric studies project that TTIP would increase auto exports by $13.5 billion. Associated industries, such as logistics, business services and metal products, would see gains as well.

"Customers have had to return our products when they couldn't pay the import fees on their end. In some cases, the goods were lost in customs for weeks before we got them back. This is costly for our business, and has made us have to block certain countries as potential sales areas."

- Tess Winningham on exporting to Europe. Winningham is CEO and co-founder of Alignment Simple Solutions, a portable wheel alignment systems producer for large and small vehicles. She started her business out of her home in 2012 and has exported to more than 100 countries.

	Without TTIP	With TTIP	Additional Impact
GDP	$201 billion	$202 billion	$1.21 billion
Jobs	2.25 million	2.26 million	9,077
Exports	$7.41 billion	$22.24 billion	$14.83 billion

These figures reflect economic projections for 2027 with and without a fully implemented TTIP agreement.[69]

California

Los Angeles and San Diego

The Golden State truly lives up to its name. Home to treasures such as Redwood National Park, Yosemite and the Mojave Desert, the state boasts abundant natural resources and some of the most culturally and demographically diverse cities in the country. California cannot be characterized in any one way, and the same is true of its economy.

Measured against the world's economies, California would be the eighth largest, behind Brazil.[70] The state's sheer size and population of 38.8 million[71] generate substantial commercial activity both within the United States and abroad. Southern California — specifically, Los Angeles, San Diego and the southeastern region known as the Inland Empire — is one of the nation's most important international trade hubs.

The Los Angeles Customs District, or LACD, which includes Los Angeles International Airport and the Ports of Los Angeles, Hueneme and Long Beach, handled a staggering $416.7 billion in two-way trade in 2014, taking in approximately 40 percent of all U.S. inbound container traffic.[72] Across the five counties of Greater Los Angeles, the primary industry sectors of transportation, warehousing and wholesale trade employ nearly 640,000 people.[73] The region is uniquely competitive in services as well. The Los Angeles metro area's services exports exceeded $37 billion in 2012 (the most recent year for which data is available) and accounted for 40 percent of the its total exports.[74]

The region is a national leader in several sectors, most notably entertainment, manufacturing and logistics. The entertainment industry employed nearly 138,000 Californians in 2013,[75] and entertainment-related services exports (including film and music royalties) exceeded $10 billion in 2012.[76] The logistics sector, which includes high-capacity rail, trucking, warehousing and distribution services, is a crucial component of international trade activity and employs more than 160,000 people in Los Angeles County alone.

Southern California trades primarily to the north, west and south. The region's top five two-way trading partners are all in East Asia,[77] where continued growth and increasing consumer demand attract exports ranging from agricultural commodities to scrap metal and advanced electronic equipment. Canada is the state's second largest export market and the Los Angeles metro area's first.[78]

Perhaps unsurprisingly, Mexico is one of Southern California's most important trading partners. The southern NAFTA neighbor attracts more than $25 billion annually in exports from the state.[79] It is the LACD's second largest export market and one of Los Angeles County's top sources of FDI.[80] In San Diego and the Inland Empire, the trade and investment relationship is even deeper. Of the $64.2 billion in goods that moved through the San Diego Customs District, or SDCD, in 2014, $55 billion (or 86 percent) went to or came from Mexico.[81]

CALIFORNIA AT A GLANCE

Population: 39,114,818 (2015)[82]

Labor force: 18,992,400 (2015)[83]

Gross domestic product (GDP): $2.31 trillion (2014)[84]

GDP per capita: $54,196 (2014)[85]

GDP ranking among U.S. states: 1

Largest employers:[86]

- Naval Base San Diego
- UCLA Health System
- University of California, Los Angeles

Key EU employers:

- Finmeccanica SpA (Italy)
- Rabobank Group (Netherlands)
- Aldi Nord GMBH & Co. (Germany)

EU member states maintain an important economic relationship with Southern California, primarily through investment. The U.K. and Germany are the Greater Los Angeles region's second and fourth largest sources of FDI, respectively, and Germany is the LACD's sixth largest trading partner, generating $11.3 billion in two-way trade in 2014.[87]

Southern California stakeholders are keenly aware of the important role that international trade plays in their economy. Much of their focus is on NAFTA and Asia-Pacific partners, however, with little attention paid to Europe and TTIP. In this region especially, where international trade is an integral part of the economy, TTIP stands to have a notable impact on businesses, workers and consumers. Stakeholders from private industry, local government and civil society have followed the development of TPP and are now primed for discussion of TTIP, which would similarly cut tariffs, harmonize regulations and establish rules on labor, environmental protection and human rights.

Key Takeaways from Los Angeles and San Diego

• **TTIP À LA CARTE** Entertainment industry representatives are cautiously enthusiastic about TTIP. They support codification of strong intellectual property rules and continue to push for greater market access in the European audio-visual sector despite its exclusion from negotiations. The industry hopes to maintain its current content distribution model, a complex licensing system with different rules for each EU member state. Overall, representatives call for a "do no harm" approach that would strengthen copyright protection without imposing new regulations or requirements on the industry.

• **OUT OF SIGHT, OUT OF MIND** In spite of a sizable EU FDI presence in Southern California, stakeholders tended to be unaware of TTIP and its potential impact on their state. Californians have followed the development of TPP, and often conflate the two agreements. Many stakeholders did not believe that TTIP will be as relevant to their work as NAFTA has been or TPP might be. Local government representatives admitted to never having had official discussions about TTIP, and were critical of what they saw as insufficient communication about TTIP at the federal level.

• **PORT POTENTIAL** International trade significantly affects the Greater Los Angeles economy. The LACD is the largest customs district in the country, and in 2014, Los Angeles International Airport processed more than 2 million tons of air cargo valued at $96.3 billion.[88] Informed stakeholders see great potential in TTIP in the context of customs and trade facilitation. Increasing the de minimis value for goods imports and streamlining container inspection processes, for example, would make the fixed costs of international trade more manageable, especially for SMEs.

What's in it for California?

According to econometric projections, California would be the greatest beneficiary of TTIP among the 50 states, with more than 75,000 new jobs and a 26 percent increase in exports.[89] The automotive, chemicals, machinery and business services sectors would see the largest increase in exports and job creation.[90]

TTIP would have a particularly significant impact on Southern California's automotive sector. Automobile exports are projected to increase by $3.3 billion.[91] Of Germany's $11.3 billion in exports that move through the LACD, 60 percent are automobiles and auto parts.[92] TTIP is expected to eliminate or substantially reduce auto tariffs, which are currently 2.5 percent in the United States and 10 percent in the EU. Through the harmonization or mutual recognition of standards, automakers on both sides of the Atlantic could use one assembly process to build cars for both markets. A senior official from a European auto manufacturer predicts that this type of regulatory cooperation would save the company $500 million per year.[93] TTIP's impact on the automotive sector is expected to spill over into other associated industries, including metal products, logistics, electrical machinery and business services.

California is a major producer of agricultural commodities and processed foods, which face a wide range of moderate to high EU tariffs. TTIP negotiators aim to eliminate all trans-Atlantic duties, which would substantially decrease the cost of U.S. commodities in the EU market. Furthermore, if TTIP relaxes EU rules on geographical indications and opens the market to U.S. GMOs, California farmers will be able to export a host of products to the EU that are currently banned or otherwise marginalized.

	Without TTIP	With TTIP	Additional Impact
GDP	$2.3 trillion	$2.31 trillion	$12.29 billion
Jobs	18.78 million	18.85 million	75,347
Exports	$68.14 billion	$83.48 billion	$15.34 billion

These figures reflect economic projections for 2027 with and without a fully implemented TTIP agreement.[94]

Massachusetts

Boston

Boston is unique among American cities in the degree to which it blends old and new — a characteristic that is particularly attractive to EU investors, according to both local government officials and European stakeholders. Founded in 1630, it is one of the oldest cities in the country, and maintains long-standing institutions of international significance. Massachusetts ranks second among the 50 states in the number of National Historic Landmarks (187), for example, with approximately one-third in the City of Boston alone.

Against this Old World backdrop is an established and continually developing innovation ecosystem that has produced hundreds of startup businesses over the past several decades and has fostered major advancements in medicine, energy and technology. According to the U.S. Patent and Trademark Office, more than twice as many patents were granted in Massachusetts than the national average in 2014.[95] The 2015 Bloomberg U.S. Innovation Index, a ranking of the most innovative states according to six broad metrics, named Massachusetts the most innovative state in the nation.[96] Massachusetts surpassed others, such as California and Washington, thanks to Greater Boston's colleges, universities, research centers and hubs such as the Cambridge Innovation Center, Boston Innovation District and MassChallenge, the world's largest no-equity, nonprofit startup accelerator.

U.S. and European stakeholders in the diplomatic, academic and start-up communities often report that Europe lacks the culture of innovation that makes Massachusetts — and Greater Boston, in particular — unique. In the EU, established business networks with high entry barriers, limited vehicles for venture capital, restrictive labor laws and cultural aversion to risk are just a few of the factors inhibiting the development of innovation ecosystems.

European companies understand this better than anyone. The Bay State's appeal as a place to do business is borne out in its strong economic relationship with the rest of the world, and with Europe in particular. Firms and investors are drawn to the region's high-tech value chains, educated labor force and cooperative network of government, industry and academia. More than 1,000 affiliates of EU companies operate throughout Massachusetts, and nine of the top 15 source countries of FDI are EU member states.[97] The U.K. ranks first, and British companies alone employ approximately 40,000 people across the state.

For all of the European trade and investment activity in the state, however, Massachusetts stakeholders are relatively unaware of TTIP and its potential impact. Interviews with local government officials and business leaders revealed that the agreement is not widely considered a policy priority. Many had heard of the agreement, but few could define its content. It is clear that the people of Massachusetts, like stakeholders across the country, need information that is easy to access and understand in order to make reasonable, informed decisions about TTIP and what it might mean for their state.

MASSACHUSETTS AT A GLANCE

Population: 6,745,408 (2014)[98]

Labor force: 3,557,500 (2014)[99]

Gross fomestic product (GDP): $425 billion (2014)[100]

GDP per capita: $63,005 (2014)[101]

GDP ranking among U.S. states: 15

Largest employers: [102]

- Brigham and Women's Hospital
- Massachusetts General Hospital
- Boston Children's Hospital

Key EU employers:

- Banco Santander, S.A. (Spain)
- Rexel SA (France)
- Siemens AG (Germany)

Key Takeaways from Boston

• **A NATURAL PLACE FOR EUROPEAN BUSINESS** According to officials at the Massachusetts Office of International Trade and Investment, European companies feel a strong connection and right at home in Boston. Local government representatives cite the city's historical relationship with Europe, its European cultural roots and common values as the foundation of this affinity. Likewise, Massachusetts businesspeople see the EU as a valuable economic partner because of its relative proximity to the state, the reliability of its regulatory and legal systems, and the multitude of existing channels through which they can do business.

• **COMPETING POLICY PRIORITIES** TTIP stands to be a complex, comprehensive agreement with elements that could offset or counter other policy priorities. Stakeholders voiced concern, for example, about how TTIP might increase fossil fuel extraction in the United States. The agreement would open the EU market to U.S. natural gas exports, which seems at odds with reducing carbon emissions, a major pillar of U.S. President Barack Obama's climate policy. Another common concern was the challenge of exporting U.S. GMOs to the EU, where many believe that these goods pose risks to the environment and consumer health. Given the complexity of the TTIP agreement, informed stakeholders question its potential reach and hope for balance with other priorities.

• **OUTREACH IS NECESSARY** Stakeholders from state and city governments, academia, industry and civil society were, for the most part, receptive to the prospect of an ambitious TTIP agreement. Across the board, however, they claimed to know little about it. Some had heard of TTIP, but assumed it would focus primarily on tariffs. Others had touched on it in meetings with visiting European officials and businesspeople, but did not know details of its structure or content. Overall, stakeholders felt that their governments, including at the local level, could do a better job of educating the public about TTIP and its potential impact on their communities.

What's in it for Massachusetts?

Massachusetts companies, workers and consumers should care about TTIP because they are already part of a robust trans-Atlantic marketplace. Economic studies show that U.S. states with deep trade and investment ties with the EU will likely see the most significant impact of a fully executed TTIP agreement, in terms of actual value.

The innovation economy, in particular, has much at stake in an ambitious TTIP agreement. For example, exports from the information and communications technologies sector to the EU averaged $1 billion annually between 2012 and 2014.[103] These goods currently face EU tariffs as high as 14 percent.[104] With ambitions set on eliminating all trans-Atlantic tariffs through TTIP, these products might be sold more competitively in the European market, creating opportunities for U.S. small businesses and increasing choices for European consumers.

Regulatory coherence in TTIP, which would allow U.S. and EU officials to work together in developing new regulations, could set global standards for new technologies and broaden markets for companies that create them. Clean-energy firms exploring new methods of nuclear waste disposal or automakers experimenting with self-driving vehicles might be guided by one set of requirements for both the European and American markets. Given the importance of innovation in the Massachusetts economy, TTIP's potential impact in this area cannot be overstated.

"Europe is a very mature market with a lot of old, established companies with business networks that are difficult to break into. Within the EU, it's difficult to navigate the different legal and regulatory systems of each individual market. Standardization and homogeneity across the EU would go a long way in attracting foreign investment."

- James Bowen on the EU and TTIP. Bowen is director for International Renewables at VERTEX Energía, an energy and environmental management firm. He reports that free trade has helped his business expand into new markets.

	Without TTIP	With TTIP	Additional Impact
GDP	$465 billion	$468 billion	$2.31 billion
Jobs	3.64 million	3.66 million	17,744
Exports	$29.82 billion	$35.25 billion	$5.43 billion

These figures reflect economic projections for 2027 with and without a fully implemented TTIP agreement.[105]

Conclusion

Pharmaceuticals research lab in Boston, Massachusetts. (Photoshot/Newscom)

The path ahead is long and potentially difficult. Trade has become a politically divisive issue over the past several decades, and congressional consideration of TPP and the 2016 U.S. presidential election will only complicate the TTIP debate. Negotiators remain stuck on important market access and regulatory issues, and stakeholders are increasingly doubtful that an agreement will be struck before the end of 2016. General awareness of TTIP outside of Washington is low, and initial reactions to sweeping trade agreements are often skeptical at best.

However, there is great potential for TTIP. Attitudes toward the EU are generally positive. When presented with factual information on TTIP's possible impact, stakeholders want to learn about how the agreement might affect their state, economic sector and life in general. Policymakers and other stakeholders who hope to see TTIP ratified should make concerted efforts to inform the public of its potential. Given the varying levels of engagement from state to state, and even within communities, proponents should undertake a multi-layered education campaign, providing basic information and details on content and the negotiations as necessary.

Throughout our travels, one message was consistent and clear: Stakeholders need more information. The TTIP Town Hall program made inroads on this front, but much remains to be done.

A freighter is being loaded by cranes at the port of Mobile, Alabama.

Acknowledgements

A vineyard in Santa Ynez Valley, California. (Timothy Hearsum/Newscom)

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British Embassy Washington

British-American Business Council of Greater Philadelphia

British-American Business Council of New England

Consulate General of France in Houston

Consulate General of Italy in Houston

Dallas Regional Chamber

District Export Council of Southern California

Drexel University

East Stroudsburg University

Embassy of the Kingdom of Belgium in the United States of America

German Embassy in the United States

German-American Chamber of Commerce California

German-American Chamber of Commerce, Philadelphia

Greater Philadelphia Chamber of Commerce

Los Angeles - West U.S. Export Assistance Center

Mobile Area Chamber of Commerce

Office of the United States Trade Representative

Pennsylvania Department of Community and Economic Development

Philadelphia Regional Port Authority

Philadelphia U.S. Export Assistance Center

Representative of German Industry and Trade

Texas AFL-CIO

Texas Fair Trade Coalition

The VERTEX Companies

U.S. Chamber of Commerce

U.S. Commercial Service Los Angeles-West

U.S. Department of Commerce

World Affairs Council of Austin

World Affairs Council of Dallas/Fort Worth

World Trade Center Los Angeles

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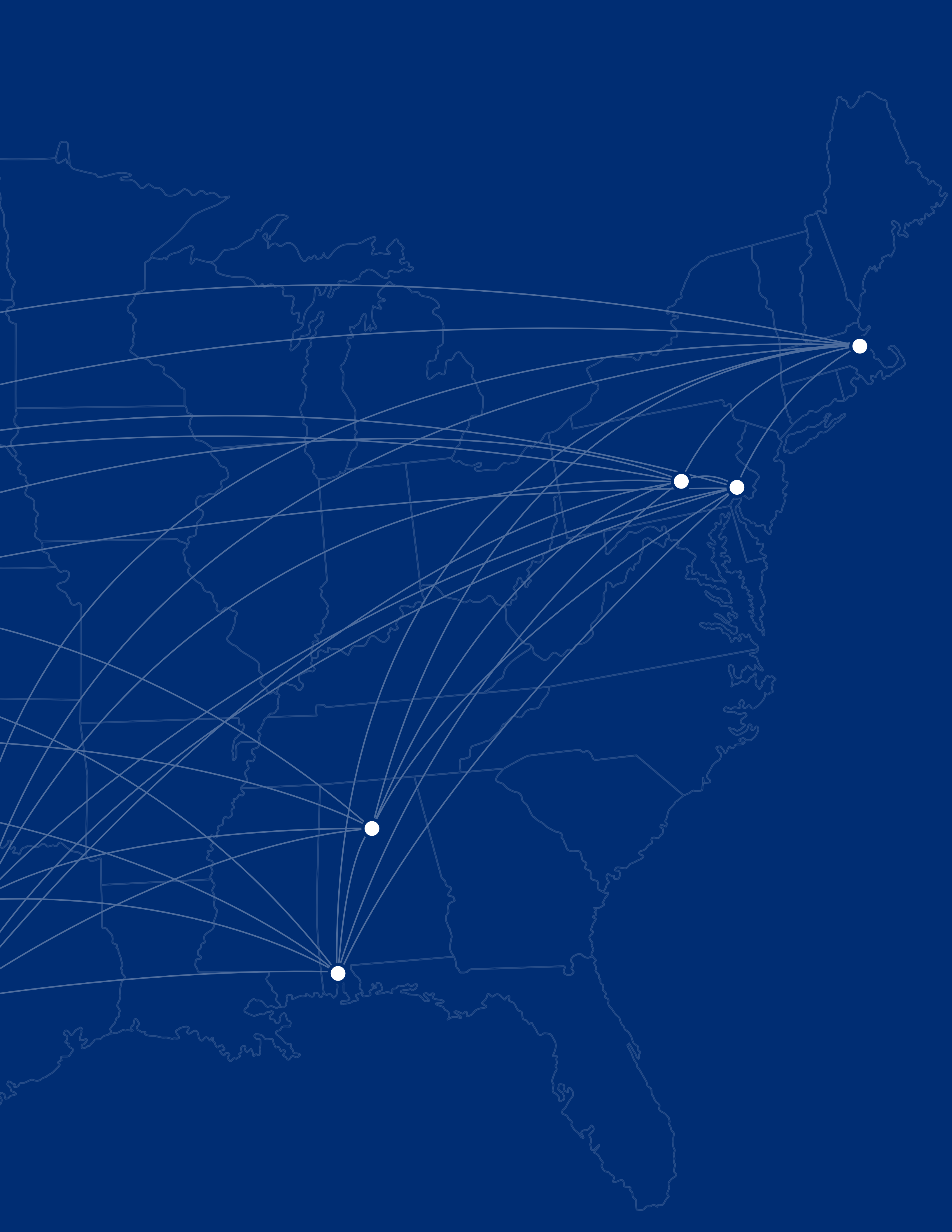

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