



LETTERS TO THE EDITOR

Investment to the fore in EU-US partnership

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From Dr Karl P. Sauvant.

Sir, To the best of my knowledge, the "Transatlantic Trade and Investment Partnership" to be negotiated by the EU and US is the first major international economic agreement to contain "investment" in the title (not counting bilateral investment treaties) (" US and EU to hold talks on historic trade agreement ", June 18). This reflects - with quite some delay - the fact that foreign direct investment has become more important than trade in terms of delivering goods and services to foreign markets: according to the UN Conference on Trade and Development's World Investment Report 2012 , the estimated sales of foreign affiliates (as a proxy of the production of these affiliates) of multinational enterprises worldwide amounted to \$28tn in 2012, compared with \$22tn of world exports that year. In addition, roughly one-third of world exports consist of intra-company trade, ie trade between the various entities of the international production networks of multinationals. With the rise of foreign direct investment, virtually all modern "free trade agreements" have, accordingly, also become investment agreements, as they contain chapters dealing with international investment - although their names do not reflect this.

So it is good that European and US policy makers have recognised this reality when christening their effort. The only thing now is to reflect the relative importance of both types of international economic transactions and call the outcome of their efforts an "Investment and Trade Partnership".

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