

The Transatlantic Trade and Investment Partnership (TTIP) and Emerging Economies

Friedrich Ebert Foundation and Just Jobs Network Roundtable with:

Bruce Stokes, Director of Global Economic Attitudes in the Pew Research Center's Global Attitudes Project

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Pradeep S. Mehta, Secretary-General, CUTS International, India

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The Transatlantic Trade and Investment Partnership (TTIP) currently being negotiated between the United States and the European Union and the Trans-Pacific Partnership (TPP) between the United States and ten Asia-Pacific countries are creating a model of “mega-trade agreements”. The TTIP, for instance, would encompass approximately a third of all international trade flows and establish new benchmarks for global trade regulations.

Issues of reducing tariffs, tackling customs barriers, and harmonizing regulations and common standards are a few of the areas up for debate. Should the negotiations succeed, these mega-agreements could potentially shift the global trade and geopolitical balance.

The Washington office of the Friedrich Ebert Foundation (FES) and the Just Jobs Network (JJN) hosted a discussion to debate where the negotiations, particularly the TTIP, stand and the agreement's potential impact on the developing world and global growth.

Bruce Stokes (Director of Global Economic Attitudes in the Pew Research Center's Global Attitudes Project) and Pradeep S. Mehta (Secretary-General, CUTS International, India) were the two main speakers at this roundtable.

Stemming from findings of Pew Research polls, Mr. Stokes, in his personal capacity, provided insight on the attitude and perceptions of Americans toward the two preferential trade agreements. He began by pointing out that it is necessary to consider what each country's interest are, include the negotiating parties as well as emerging economies that may be affected. Whose standards will be prioritized in the negotiations and will ultimately be the dominant standard imposed on all the parties?

Moving forward to US interest, it was noted that the United States perceives these agreements as a strategic opportunity, rather than purely economic. It was noted that the US uses trade as a means of national security objectives. Indeed, the TTIP could be seen as a counter measure against increasing growth in Asia. The TPP could be seen as a measure against China, as well. Furthermore, the Secretary General of NATO, Anders Fogh Rasmussen, remarked recently that NATO sees the TTIP as a strategic initiative, especially in light of the crisis in Ukraine.

As for the US population's attitude toward the TTIP, the following was noted. The majority of the US public expressed support for the TTIP, however they have less understanding on the specifics of the agreement. Americans are more in favor of common standards promoted in the TTIP than Europeans. Although EU standards are typically higher than in the US, it is uncertain how common standards will impact business and labour for the negotiating parties. The US supports greenfield investment while

showing less support for the brownfield aspect of the TTIP. Americans who self-identify as Republicans are more supportive than those identifying as Democrats. Additionally, one of the greatest reasons for support in the TTIP found among Americans polled was that it would help the United States compete against China.

Providing a viewpoint from the South and emerging economies, Pradeep Mehta began by pointing out that the centre of gravity is shifting from the West to the East and that the world needs to realize this. There is significant growth in Asia due to expanding regional economic trade. It is critical to incorporate the interest and potential impact on emerging economies when discussing major trade negotiations such as the TTIP and TPP where often the focus is only on the West. These mega-agreements will nonetheless have an effect on emerging economies, such as India.

CUTS International's own preliminary research shows that in aggregate, a third of India's exports go to the TTIP-TPP region and a fourth of India's imports come from there. TTIP is likely to have a higher negative impact on India's trade than TPP.

Mehta said that it is difficult to see how the US administration will succeed in negotiating the two preferential trade agreements when President Obama does not have a "fast-track" authority, as the other parties will not show all their cards. This authority is where the President can negotiate trade deals and the US Congress can only vote directly on the agreement without debate or amendments. This will surely keep the TTIP negotiation continuing for an extended time.

Stokes responded that where the fast-track authority may indeed be realized, but only when a complete deal on the TTIP is presented to Congress. Regardless, there is a very poor precedence of US Presidents receiving fast-track authority so it will not be a major barrier to a successful TTIP.

Another issue with the TTIP is the harmonization of the regulatory standards, which will be a very difficult task. For instance, the US and the EU have not been able to agree for over 25 years on how chlorine residues will need to be cleaned. The tariff barriers between the US and EU are quite small and thus non-tariff barriers, such as common standards, regulations, and intellectual property will be a major issue in the negotiations.

On the labour side of the TTIP, it is not clear what the impact on working standards may be. For example, in Germany there are workers councils which resolve all disputes but to expect the US to adopt similar practices is difficult because of the legacy of how trade union relations are handled in the US.

The business community has not sold the gains of the trade deal well and most predictions of job growth are poorly supported. If mega regional agreements, such as the TTIP and the TPP become a new global model for trade, how will the developing world will accept them because of cultural differences alone.

Mehta said that the desire for these mega regionals was due to the impasse in the Doha Round of multilateral trade negotiations. Since there was a deal on some elements of the Doha Round at the last WTO ministerial in Bali in December, 2013, all countries must make effort in using the WTO as the platform for trade liberalization. He added that if one was to look at the failure of the ambitious OECD Multilateral Agreement on Investment which was being pushed by the rich countries with hubris, these two mega regionals are also likely to suffer the same fate.