

MOVING FORWARD WITH THE TTIP: WHY THE TIME IS NOW AND HOW IT IMPACTS YOU

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Paint a picture: look at your life thus far; compare it to the lives of your parents and your parent's parents. Now look at the lives of your children, and compare it to those of your grandchildren.

While doing so, consider how economic transitions of bust and boom, globalization and the shifting of world players and their role in the world have influenced your livelihood. How have they affected you personally, your family? In this very moment, negotiations between the European Union and the United States are taking place to implement a concrete free trade partnership, known as the Trans-Atlantic Trade and Investment Partnership (TTIP). If these negotiations are successful, free trade will open the gates for new customs to be adopted, for the exchange of many more citizens to work across the Atlantic and solidify the most dominant economic alliance in the world. Thinking about how policies have affected our economies over time, is a free trade policy across the Atlantic the way forward?

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The TTIP would be the largest economic trade pact in history, as it would combine two of the largest economies in the world, the EU and the US. Globally, the bilateral economies make up almost 50 percent of world GDP and 41 percent of world purchasing power.¹ This partnership is unique because although it is intended to boost economic growth within the two Atlantic regions, it also has high potential to snowball, affecting other countries, which will ultimately redefine existing global trade regulations. But how are these negotiations different from previous ones? What makes now a more promising time for an agreement? How will the TTIP affect you, personally? These are the imperative questions we will aim to answer.

In past negotiations the EU and the US have worked on policies to lower tariffs, which were successful, as the tariff rate is under three percent.² This time around, although tariffs are on the negotiation table, they are not the primary focus. Instead, trade barriers enforced by EU and US rules and regulations are on the chopping block. This shift in aims is essential to understand how these negotiations will differ from previous ones and why they have a better chance at succeeding.

If we take a step back in time we will better understand this transition in policy priorities. Looking back to 1945, global trade negotiations began immediately following World War II in attempt to liberalize commerce, rebuild economic stability and create a sense of global cooperation. With those priorities in focus, the policies behind previous global economic agreements, such as the International Trade Organization (ITO), the General Agreement on Tariffs and Trade (GATT) and even their current successor, The World Trade Organization (WTO), revolved around goods and

manufacturing based economies.³ The policies matched the then present economies by cutting tariffs, providing market access, and emphasizing transparency and nondiscrimination.⁴ Compared to the negotiations taking place now, the only other time trade barriers were seriously negotiated was during the WTO Doha Round. But why were those negotiations unsuccessful? This round was left incomplete, as the EU and the US struggled to find common ground on multilateral negotiations. So if the EU and the US couldn't compromise for Doha, which started in 2001 and was finally put to a halt in 2008, why is this time any different?

Today, the global economy is more focused on services and how companies operate across borders. The EU and the US economic situations have also changed drastically, as both face economic crises. But the expansion of globalization, even in the last decade, has initiated a more multilateral mentality, a key factor that was unattainable during the seven years of Doha negotiations. Multilateralism includes gaining international competitiveness, which is important to the EU and the US as other developed economies rise and have a greater international influence. One example is the unprecedented growth of the Chinese economy, creating such an incentive for collaboration. The need for economic prosperity, as well as a shift in global trade regulations and international competitiveness makes now the right time to negotiate, with the most promising outlook. The TTIP will reduce regulatory barriers and costs between the EU and the US that will ultimately give way to a modern trading system with new regulations that are more suitable for today's economy.⁵ But how exactly will this affect you?

Both the US and the EU have analyzed how the TTIP will bring positive economic benefits to both sides of the Atlantic. One study concluded that the TTIP would increase economic output by

1 Office of the United States Trade Representative, Executive Office of the President. 2013. "Benefits of Trade." <http://www.ustr.gov/about-us/benefits-trade>

2 European Commission Directorate-General for Trade. 2013. United States. <http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>

3 Synovitz, Ron. 2013. "Explainer: What's At Stake In U.S.-EU Talks On A Trans-Atlantic Trade Deal?" <http://www.rferl.org/content/explainer-eu-us-trade-deal-talks/25040012.html>

4 Id. Supra

5 Id. Supra

more than \$100 billion, reducing unemployment in both the US and the EU, as investment and demand for labor would be higher.⁶ Impact assessment organizations have also estimated that the EU will gain an additional 119 billion euros per year, bringing in an average of 545 extra euros to families of four in the EU.⁷ But an economic agreement this big cannot solely have benefits without any drawbacks. So what's the catch?

There is a risk that the focus of the TTIP will shift towards multinational corporations, (or worse that this is already secretly the intention) versus raising economic equality and domestic growth by supporting US and EU jobs. It is inevitable that free trade will to some extent permit corporations to move sourcing, production and technology overseas.⁸ The key is having limits to this type of movement and resisting policies that will benefit shareholder value for certain corporations.⁹ If free trade policies were geared towards multinationals, this would empower them to place workers in countries that are doing significantly worse economically than others. For example, the EU recently added new member states that are not up to par with worker protection laws compared to the majority of the EU, (whose labor rights and protection policies surpass the US). Moving workers to these countries would not benefit the individual, only the company.

Considering the benefits and drawbacks within the context of globalization, the TTIP is the most plausible way forward given the changed economy. US, EU, as well as global prosperity

6 Francois, Joseph. 2013. "Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment." http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf

7 European Commission Directorate-General for Trade. 2013. "Questions and Answers (TTIP)." <http://ec.europa.eu/trade/policy/in-focus/ttip/questions-and-answers/>

8 U.S.-EU Free Trade Agreement (TTIP). 2013. <http://www.afcio.org/Issues/Trade/U.S.-EU-Free-Trade-Agreement-TTIP>

9 Id. Supra

will only thrive with an updated trading system. But how the negotiations are carried out is essential; the objective must be for the improved livelihood of citizens. The intentions are there: by solidifying a pact that will bind a permanent economic alliance, a safety net is created, a support system that will help sustain EU and US economies in any future economic downfall. But negotiations have only just started, and this is an agreement that will take at least until 2014, and have medium to long-term affects. Past agreements and negotiations have put the wheels in motion for this alliance, the EU and US have a more multilateral mentality, the time is right to move forward and solidify the TTIP.