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The Geopolitical Promise of TTIP

by Rem Korteweg

ABSTRACT

TTIP offers Europe and the United States strategic and geopolitical benefits. A deal can strengthen European and US economies; reassert Western leadership on global trade issues by setting new trade standards; increase Europe's energy security; strengthen transatlantic cooperation despite America's increasing interest in Asia; and enhance the West's ability to use economic sanctions as a foreign policy instrument. But achieving these benefits will not be easy. The politics surrounding the talks have become complicated by Britain's vote to leave the EU and high levels of public suspicion in Europe towards a deal, particularly as elections approach in various EU member-states. There are geopolitical costs if TTIP collapses. To avoid this, governments should be realistic about what a deal can deliver; make TTIP open for others to join; consider removing ISDS from an agreement; see TPP and TTIP as complementary trade agreements; and engage in a public discussion about the strategic merits of TTIP.

European Union | United States | Transatlantic Trade and Investment Partnership (TTIP) | External trade | Transatlantic relations



The Geopolitical Promise of TTIP

by Rem Korteweg*

Introduction

The Transatlantic Trade and Investment Partnership (TTIP), a free-trade agreement that the United States and the EU have been negotiating since 2013, is proving a tough sell. In May 2016, Eurobarometer polls showed that only 51 per cent of Europeans favoured a trade agreement with the United States.¹ Though the poll concluded that in 24 member-states majorities support a deal and majorities in four countries oppose it (Germany, Austria, Luxemburg and Slovenia), overall support across the EU has fallen since 2014.

European politicians are increasingly critical of a deal. In August 2016, senior cabinet ministers from France and Germany, responding to domestic public opposition to TTIP, openly questioned whether the talks should continue. Britain's vote to leave the European Union on 23 June 2016 has also changed the European dynamic: Brexit removes one of the EU's most vocal supporters of TTIP, raising doubts about whether a deal can be delivered.

In the current debate about TTIP, the focus has been on the domestic implications of an agreement: its impact on economic growth and jobs; a deal's winners and losers; its effect on European food and health standards; or the impact of investment arbitration on government policies. Though these questions are relevant, there are external dimensions to consider as well. These go beyond economic considerations alone, and have geopolitical relevance.

This paper identifies five aspects of TTIP that are of strategic importance, namely a deal's ability to: 1) boost Western economic strength; 2) set common regulatory standards and develop new international trade rules for others to follow; 3) open the transatlantic energy market, thereby increasing Europe's energy security;

¹ European Commission, *Standard Eurobarometer 85 (Spring 2016)*, July 2016, <http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2130>.

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4) strengthen the transatlantic relationship; and 5) enhance the West's ability to use economic sanctions as a foreign policy instrument. It also highlights some potential pitfalls that may damage the broader impact of a deal. Finally it closes by making suggestions for how TTIP can maximise its strategic relevance.

1. Transatlantic economic muscle

From economic power follows political influence. So TTIP's core objective of boosting economic growth in the US and Europe is strategically relevant. To give the transatlantic economies a push, TTIP has three main pillars: reduce tariffs, set common regulatory standards, and develop new international rules on issues like intellectual property protection and state-owned enterprises. The removal of these trade restrictions would open markets and create new opportunities for companies; increase productivity and reduce costs, leading to lower prices and increased consumer choice; and enable the West to give rules-based international trade a push.

Average transatlantic tariffs are already very low – between 1 and 3 per cent – but the volume of trade between the US and Europe is so large – worth more than a trillion euros – that even a minor reduction in tariffs has substantial economic effects.² Similarly, if regulatory regimes can be aligned – for instance by removing the need for duplicating product testing – this would reduce costs and increase competition in US and European markets, boosting transatlantic exports. A study by the World Trade Institute suggests that, on average, TTIP would add 0.5 per cent to Europe's GDP.³ Although the impact of TTIP is unevenly distributed across EU member-states, it would help those hardest hit by the eurozone financial crisis and give the EU as a whole an economic tailwind. Since economic strength is the basis for a strong and credible diplomacy, stronger European economies would also impact foreign policy more directly; raising the prospect that spending on diplomacy, development aid and defence would increase.

2. The soft power of trade

TTIP would also help to set global trade norms and standards based on Western principles of open markets and rules-based trade. This would cement the West's role as the global leader of trade liberalisation. But this is a fleeting opportunity. The economic weight of both Europe and America is gradually declining relative to certain other countries. According to the EU's own statistics, the combined European and American share of the world economy dropped from 59.5 per

² European Commission, *Trade in Goods and Customs Duties in TTIP*, last updated January 2015, <http://trade.ec.europa.eu/doclib/html/152998.htm>.

³ World Trade Institute, *TTIP and the EU Member States*, 26 January 2016, p. 19, <http://www.wti.org/research/publications/934/ttip-and-the-eu-member-states>.

cent in 2004 to 46 per cent in 2014.⁴ This trend will continue. The management consultancy firm PwC estimates that in 2030 Mexico and Indonesia's economies will outrank French and British ones.⁵ Meanwhile, US government projections state that the EU and the US will each make up about one fifth of global GDP in 2030.⁶ Twenty years on, in 2050, the PwC study estimates that Germany will be the only European country among the world's top 10 economies.⁷ A European Commission report concludes that at that point the US and EU together will make up roughly one third of global GDP.⁸ In short, in roughly 50 years the West's share of global GDP will decline by 50 per cent.

This expected decline means that overall transatlantic influence over the global economy will diminish. Aside from a rising share in global GDP, emerging powers increasingly follow state capitalist models. A report by Global Trade Alert in 2015 indicated that protectionist measures have increased since 2012, with India and Russia as the worst offenders.⁹ The playing field for companies doing business in emerging markets is not level; as the West's economic clout decreases, so will its ability to address such barriers to trade.

As the glacial progress in the World Trade Organisation (WTO) Doha round on global trade liberalisation illustrates, multilateral trade cooperation has become increasingly difficult. Among other reasons this is because the international system has become more multipolar with different and competing centres of economic and political power. Stalemate in the WTO has prevented meaningful steps to reduce non-tariff barriers, so-called "behind the border" measures which include regulatory, customs or administrative measures. They are now among the most important sources of protectionism.

One of the key objectives of the TTIP negotiations is to remove these non-tariff barriers. If the United States and Europe are able to align their regulatory systems, the ensuing standard (for instance on health, labour or environmental issues) helps not only transatlantic consumers and companies – the standards could become international benchmarks. The sheer size of the transatlantic marketplace means that gradually third countries and exporters will adopt these standards as a matter

⁴ Eurostat, *The EU in the World: Economy and Finance*, last updated March 2016, http://ec.europa.eu/eurostat/statistics-explained/index.php/The_EU_in_the_world_-_economy_and_finance.

⁵ PricewaterhouseCoopers (PwC), *The World in 2050. Will the Shift in Global Economic Power Continue?*, February 2015, p. 1, <https://www.pwc.com/gx/en/issues/the-economy/assets/world-in-2050-february-2015.pdf>.

⁶ US Department of Agriculture, "GDP Shares by Country and Region Projections", in *International Macroeconomic Data Set*, last updated December 2015, <http://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx>.

⁷ PricewaterhouseCoopers (PwC), *The World in 2050*, cit., p. 3.

⁸ European Commission, *Global Europe 2050*, July 2012, p. 62-63, <http://bookshop.europa.eu/en/-pbKINA25252/>.

⁹ Simon J. Evenett and Johannes Fritz, *The Tide Turns? Trade, Protectionism, and Slowing Global Growth. The 18th Global Trade Alert Report*, London, CEPR Press, 12 November 2015, p. 22 and 24, <http://www.globaltradealert.org/node/10356>.

of economic logic; if an exporter wants to sell its goods in the EU or the US, it will have to meet these standards. It then becomes a matter of economic efficiency that these standards spread. Even a country like China stands to benefit; as the largest exporter to the EU and the United States, it stands to gain if duplication in regulatory standards is reduced. This would give the West substantial influence over the terms of future global trade. In terms of foreign policy, Western commercial standard-setting means the Western way of business spreads, increasing European and American soft power.

The same logic applies to trade rules. TTIP would leverage transatlantic market power to strengthen Western foreign policy. If the transatlantic partners can pioneer new rules on, for instance, the role of state-owned enterprises, protecting intellectual property or promoting sustainable mineral extraction, these could be adopted by others or, ultimately, be codified at the multilateral level. This helps spread Western values, strengthen global governance, and promote the Western-led liberal trading order. Third countries would look to Washington or Brussels, and not to Beijing, Delhi or Moscow, for guidance on the trajectory of international trade. A trade agreement can never be a substitute for effective diplomacy, and it is certainly not comparable to military action, but a successful TTIP would advantageously shape the strategic context for Western foreign and security policy.

The more united and integrated the EU and US can be in acting together to shape global trade, the less likely it is that others will challenge the Western liberal order or will succeed in establishing competing economic models with global appeal. Protecting that order requires giving the right example – by opening up their own markets and removing non-trade barriers within the transatlantic marketplace – but also by setting new norms that can become international benchmarks. For this to occur, one crucial condition must be met: TTIP must be open for others to join, either formally or informally. The latter means that if third countries meet the regulatory standards and norms that TTIP promulgates, they would be able to sell into the transatlantic market, regardless of whether there is a bilateral free-trade agreement in place. Formally joining TTIP would mean that a third country also has a say over the regulatory standards and rules that are set; this could be the case with close European and American trading partners like Canada, Norway, Switzerland or Great Britain after it leaves the EU.

A transatlantic trade agreement could also spur multilateral trade liberalisation and act as a catalyst for others to remove barriers to trade. It could even inject new energy in the stalled WTO trade negotiations as TTIP would create momentum for others to move forward and reduce tariffs and other trade barriers as well. For example, out of concern that it may be at a disadvantage from TTIP, Turkey hopes to negotiate an update to its customs union with the EU, and has asked the US for bilateral trade talks. The EU is also negotiating several free-trade agreements with Asian countries, including with Japan, India and Southeast Asian countries. Progress on TTIP would give Brussels increased leverage in these negotiations. Similarly, because the US has reached an agreement with 11 Pacific trading partners (the Trans-Pacific Partnership, TPP), Europeans should feel an extra impulse to

negotiate TTIP.

3. Increased energy security

TTIP would increase Europe's energy security by making US natural gas exports more accessible for European consumption. Since Europe's vulnerability to gas supply disruptions from Russia became clear in 2006 and 2009 – when Ukraine and Russia were embroiled in disputes over gas pricing resulting in shortages of gas imports for a number of EU countries – the EU has attempted to reduce its dependence on Russian gas. Particularly after Russia's annexation of Crimea and its intervention in Ukraine in early 2014, a new effort was made to make Europe's energy infrastructure more resilient in the face of possible disruptions and to diversify Europe's sources of imported gas.

The EU has made progress in developing gas interconnectors and reverse-flow pipelines, which allow European member-states to supply gas to each other, or to countries like Ukraine, in a time of need. But this is not enough. European energy security will be improved if Europe has diversified supplies of natural gas. EU member-states should not be dependent on one single gas supplier. Aside from Russia, the EU imports gas from Norway and Algeria, and a pipeline from the Caspian basin is under construction. Besides, imports of liquid natural gas (LNG) are an attractive alternative to increase energy security: LNG is fungible, whereas gas delivered through pipelines tends to tie the supplier and purchaser of the gas close together for a long period of time. The more supply options the EU has, the more competitive Europe's energy market will be and the more secure Europe's supply in the face of possible disruptions. This decreases the risk that suppliers blackmail EU member-states. It also makes Europe resilient in the event of supply disruptions caused by political, commercial, technical or natural reasons. An integrated European energy system would also enable the EU to help countries in its neighbourhood that are dependent on single sources of supply.

Due to the "shale revolution," the United States is becoming an important source of natural gas exports. According to the Energy Information Administration (EIA), the US will become a net exporter of natural gas by 2017.¹⁰ Following the conclusion of TTIP, US licensing barriers for natural gas exports to Europe would be lifted and European energy importers could more readily access US gas.

Market price dynamics will ultimately determine whether US gas can compete commercially with other sources. And it is worth recalling that Russia's ample reserves and available infrastructure mean that Russian gas will continue to play an important role in Europe. But at a minimum, US gas is a strategic insurance policy. In the event of a supply disruption, US liquid natural gas could step in to fill the gap –

¹⁰ Energy Information Administration (EIA), *Natural Gas Prices Expected to Rise over Next Two Years*, 25 January 2016, <http://www.eia.gov/todayinenergy/detail.cfm?id=24672>.

though Europe will need to continue to invest in sufficient regasification terminals and pipelines, particularly in Central and Eastern Europe. If necessary, US gas could also be resold to others, including to embattled countries in the region. The availability of an American alternative also increases Europe's bargaining power vis-à-vis the Kremlin and Gazprom, Russia's state-run gas giant. Furthermore, the increased availability of US liquid natural gas makes the international gas market more liquid, raising the prospect of a fully functioning, global LNG spot market. This would put pressure on oil-indexed gas contracts – traditionally favoured by Russia – and create more transparent and responsive pricing.

In short, the availability of US natural gas exports would help to condition Russia's behaviour in the European energy market: it would make it more difficult for Russia to extract political favours for its gas supplies, reduce the impact of gas supply disruptions, and push back against predatory or uncompetitive pricing.

4. A stronger, more effective transatlantic relationship

TTIP would help strengthen the transatlantic relationship at a time when transatlantic coherence is being questioned, by Europeans, Americans and others. Historic, cultural and trade ties between the US and Europe are deep and wide. But strategically, there is a risk of a slow, creeping divergence among the transatlantic partners. NATO and its collective defence commitment are central to the transatlantic relationship, yet roughly 70 per cent of allied defence spending is borne by the United States.¹¹ In 2011, outgoing US Defence Secretary Robert Gates said that this situation was unsustainable.¹² Republican presidential candidate Donald Trump warned in early 2016 that he might give up on NATO if elected because European allies were not paying their fair share.¹³ In addition, under the Obama administration, the United States announced a renewed strategic focus on the Asia-Pacific. Although the White House has been at pains to sweep aside claims that this is a "pivot" away from Europe to the Pacific, many in Europe have not been persuaded. The so-called "rebalance" has military, diplomatic and economic components. Regarding the last of these, the United States successfully negotiated TPP (though ratification may be more difficult). On both sides of the Atlantic, officials and commentators interpreted this as potentially accelerating America's political and economic reorientation from Europe to Asia.

¹¹ NATO, *Defence Expenditures of NATO Countries (2009-2016)*, 4 July 2016, http://www.nato.int/cps/en/natohq/news_132934.htm.

¹² Ian Traynor, "US defence Chief Blasts Europe over NATO", in *The Guardian*, 10 June 2011, <https://gu.com/p/2py44/stw>.

¹³ Glenn Kessler, "Trump's Claim that the U.S. Pays the 'Lion's Share' for NATO", in *The Washington Post*, 30 March 2016, <http://wpo.st/ieOx1>. See also Ben Jacobs, "Donald Trump Reiterates He Will Only Help NATO Countries that Pay 'Fair Share'", in *The Guardian*, 28 July 2016, <https://gu.com/p/4p8c4/stw>.

But TTIP and TPP are two sides of the same coin. Both are strategically relevant and complementary. Combined, they will put pressure on large economic competitors to reform their economic models. TPP, an agreement reached in February 2016 by 12 Pacific states including the United States, Canada, Japan and Australia, sends a signal of common purpose regarding rules-based free trade in the Asia-Pacific. The deal also contains several chapters, amongst others on state-owned enterprises, data protection and intellectual property, which are important for establishing international trade rules. TPP and TTIP would together cover more than 60 per cent of global trade.¹⁴ Complementary chapters in both deals would cement common rules on a global basis.

TPP also sends a message to large regional economies that are not part of TPP – primarily China – that they should reform their economic model if they want to keep up with the direction of regional trade. TPP's strategic rationale has also been on clear display. US president Barack Obama has said that TPP is a response to China's economic might. In October 2015 he said that, "without [TPP], competitors that don't share our values, like China, will write the rules of the global economy."¹⁵

Most countries that have joined TPP, like Vietnam, Japan and Australia, rely heavily on trade with China. But the conclusion of TPP – though not yet its ratification – demonstrates to China that its trade partners have options and can hedge: if more countries in East Asia adopt and enforce TPP's standards on issues like labour, the environment and state-owned enterprises, the hand of reform-minded policymakers in Beijing will be strengthened. To avoid the rise of competing economic models, it is important that China continue to participate in a global rules-based trading system. So ultimately it is in the Western interest that its model of trade relations prevail.

At the time of writing, it is uncertain whether TPP will be ratified by the US Congress and supported by the new US president. It is a politically contentious issue, particularly in the midst of a presidential election campaign. The presidential candidates have voiced hesitation or even outright opposition to the trade deal. If TPP fails, it will negatively impact TTIP's chances. For US business, should TTIP collapse and TPP be ratified, interest in Asia would increase further at the expense of Europe. At a political level it would also increase the importance of Asia, not Europe. Given Asia's growing economic importance and the increasingly competitive relationship between the US and China, greater US attention towards the Asia-Pacific is not surprising. But if the EU's political relevance to developments in Asia remains limited, an American reorientation towards Asia could come at the expense of the transatlantic relationship.

¹⁴ Michael Czinkota and Valbona Zeneli, "Why the Transatlantic Trade and Investment Partnership Is More Important than TPP", in *The Diplomat*, 30 January 2016, <http://thediplomat.com/?p=76268>.

¹⁵ The White House, *Weekly Address: Writing the Rules for a Global Economy*, 10 October 2015, <https://www.whitehouse.gov/the-press-office/2015/10/10/weekly-address-writing-rules-global-economy>.

A successful TTIP would demonstrate to the United States that Europe – despite its many distractions – is still able to deliver on big, global initiatives. Europe’s leaders appear consumed by problems close to home, whether it is the migrant crisis, the eurozone debt crisis, terrorism, a resurgent Russia or the future of the European project following Britain’s decision to leave the EU. The combination of these crises has fuelled a tendency towards isolationism and navel-gazing among European political elites and has led to increased support for populist, Eurosceptic parties. But the ability of Europe to lead, and deliver, on a truly global issue like trade would be an important boost to the EU’s brand. The Eurozone crisis has not done Europe’s image abroad any favours; a successful TTIP could give Europe’s credibility as an economic power a boost.

Finally, TTIP would likely increase Europe’s capacity for economic statecraft. Trade sanctions have become an important part of Western foreign policy. For instance, EU and US sanctions were instrumental to push Iran to strike a deal on its nuclear programme, and they are a critical part of the West’s response to Russia’s intervention in Ukraine. Given the nature of global finance, sanctions on, say, Russian access to international credit or Iranian access to Western insurance markets can only be effective if the US and Europe act in unison. The United States might have imposed sanctions on Iran’s oil trade by itself, but if southern European countries continued buying Iran’s oil, the effect would have been negligible.

Closer ties between transatlantic regulators, greater trust between trade administrators and a deeper understanding of each other’s markets would help the US and Europe to impose effective economic sanctions, once that political decision is taken. The counterargument also holds. As transatlantic markets integrate, it becomes more difficult to impose effective economic sanctions unilaterally. TTIP would push the United States and Europe to cooperate more closely on sanctions policy, whether they liked it or not.

5. The risks of failure

TTIP would help shape the international geo-economic and strategic landscape to Western benefit. But given public opposition to an agreement, it may yet fail. The negotiations could collapse over disagreements of substance – the United States and Europe might simply not be able to reach an agreement because positions in crucial areas (like investment protection, agricultural tariffs or rules of origin) are too far apart. Second, the talks could drag on and momentum could dwindle – a distinct possibility after Brexit and with elections approaching in the United States, France, Germany and elsewhere. And third, even if a deal is reached, it could be rejected at the ratification stage (though it might be applied provisionally in anticipation of ratification). Each EU member-state, the European Parliament and the US Congress will likely have to ratify the accord. Because TTIP covers investment as well as traditional forms of trade, it could be designated a “mixed” agreement, meaning all member-states would need to sign off on it. The example of

the Canada-EU free trade deal (CETA) is also informative. The EU's Commissioner for trade, Cecilia Malmström, has said that though she doubts CETA is a mixed agreement, the Commission would still treat it as such.¹⁶ And so each European parliament will be given the opportunity to vote on the deal. It sets a precedent for TTIP. Besides, because the deal is so controversial in some member-states, governments will be under pressure to give parliaments a say.

One parliament's no, or a rejection in a referendum, could be sufficient to torpedo an agreement. A failed TTIP could sow division between the transatlantic partners, as each side would seek to assign blame on the other. In Europe, anti-American sentiment could spike. The public discussion in Europe about TTIP is already characterised by a degree of anti-Americanism – whether this is suspicion of US environmental and food standards, the US intelligence services' surveillance programme or the potential of large US corporations disrupting established European rules. That discourse would pick up steam after a failed deal and could sour transatlantic relations. Given the amount of time and political capital spent on TTIP, it would reduce trust among the transatlantic partners. One of TTIP's objectives is to bring Europe and the US closer together. But if TTIP collapses, it could end up dividing them at a sensitive time. Transatlantic division would be treated as a sign of weakness in Moscow. It would show that the EU is not an economic power, just a big market. To Beijing it would demonstrate that future trade rules will not be shaped by the West, opening the possibility for it to challenge TPP through its own trade initiatives. A turbulent trade world would come closer, inviting further challenges to the Western economic and political order.

6. Maximising the strategic mileage from TTIP

The geopolitical impact of TTIP depends, fundamentally, on whether a deal can be struck and whether that deal is economically relevant. First and foremost, this requires sufficient support for the negotiators and for the overall objectives of TTIP, not only by the European Commission, but by national politicians too. In light of rising public scepticism towards a deal, it is all the more important that European leaders own TTIP. If national leaders are absent in the debate, the risk increases that TTIP is seen as a "Brussels" project. Although the trade deal is negotiated by the European Commission, the benefits – both economic and strategic – accrue to member-states. One problem has been that, aside from the European Commission, a strong, persistent push by European leaders in favour of TTIP has been missing, and a conversation about its strategic merit has been lacking.

TTIP impacts the geopolitics of European countries differently. Some governments that are concerned about their dependence on Russian gas, mainly in Central and Eastern Europe, see TTIP as an avenue to import US liquid natural gas. Others

¹⁶ European Commission, *European Commission Proposes Signature and Conclusion of EU-Canada Trade Deal*, 5 July 2016, http://europa.eu/rapid/press-release_IP-16-2371_en.htm.

worry about the future economic strength of Europe, and believe TTIP will give a much-needed boost to European economies and improve the EU's credibility as a global economic actor. Still others are concerned about the rise of China and its increasing ability to set the terms of global trade, and believe TTIP offers a transatlantic counterweight. The risk of transatlantic divergence and the idea that TTIP could be a glue to keep the United States and the EU committed to cooperation animates Atlanticists. All these arguments are true, but they resonate in some parts of Europe more than in others. It is up to national governments, not the European Commission, to tailor these messages and use them.

An exception has been the UK, which has championed TTIP from the beginning. But its clout in the European debate has weakened – while it mulled over its EU membership in the run-up to its referendum, and particularly after its decision on 23 June to leave the European Union. But while the UK has been enthusiastically supportive of TTIP, senior politicians in the EU's two other major powers, France and Germany, have been lukewarm about a deal; their governments have been reluctant to campaign vigorously in favour of TTIP and some senior French and German politicians are calling for an end to the talks. Without the UK's voice, the European Council will become more critical, possibly even more sceptical, about a transatlantic deal.

The Brexit negotiations will take several years and consume a lot of London's political capital. But until these talks are concluded the UK continues to be a full member of the EU. At the time of writing it is still unclear whether, due to the Brexit vote, London will no longer be interested in TTIP; or whether Britain will continue to push for a deal, because Britain believes it could join TTIP if it is concluded, once Brexit takes effect. It would be in Britain's best interest if it did the latter; joining TTIP after Brexit would be the UK's quickest route to sign a comprehensive trade deal with its two most important trading partners.

This leads to a second issue, which is that TTIP must be an "open" agreement. It is in the West's interest that TTIP be seen to pioneer a new frontier of trade liberalisation, not as creating a new trade bloc. The Commission should clarify how it expects third countries to adopt elements of TTIP. Openness can be achieved in three different ways: a country can be offered market access if it adopts those standards and norms that are agreed in TTIP; a country can join the regulatory standard-setting process (this is more likely when new products and services come to market); or TTIP's rules and standards could be adopted at the multilateral level, preferably in the WTO. The first option is the most restricted but the easiest for the United States and Europe to achieve, while the last is the most "open" but difficult to realise.

Thirdly, the Commission should offer realistic expectations regarding the content of a possible agreement. With elections approaching in the United States, France and Germany, there is a heightened sense of urgency to reach a deal. But a rushed deal is not necessarily a good deal. In fact, if a deal is seen to be pushed through, despite widespread and rising opposition, it could backfire. Public scepticism could

then translate into broader support for Eurosceptic parties and anti-Americanism, threatening support for TTIP and the transatlantic relationship.

Still the issue of a closing window of opportunity is a real one. TTIP's negotiators have repeatedly said that it would be a "living agreement," i.e., agreements on rules or regulatory cooperation could be added to TTIP as new products and services are introduced. Besides, achieving regulatory cooperation takes time; regulators on both sides of the Atlantic need to build trust and understand each other's systems before they can identify opportunities for harmonisation or mutual recognition. This will take years. Therefore, the EU and the US should not attempt to remove these non-tariff barriers during the negotiations, instead TTIP should set up the framework within which regulators from the US and Europe can meet to discuss removing these barriers in the future. The practical process of standard-setting would then be a dynamic one. In the text of TTIP itself, more substantive agreements should be delivered on tariff and quota reductions, and on finding common language to establish rules on issues like state-owned enterprises, anti-corruption or intellectual property.

Fourthly, investment protection is arguably the most controversial part of TTIP. The investor-state dispute settlement (ISDS) mechanism animates tremendous opposition across Europe. In general, investment protection clauses are considered necessary elements in trade agreements to facilitate cross-border investment, giving investors confidence that their investment will not be unlawfully discriminated against or expropriated. The EU and its member-states have signed over 1,400 international agreements that contain a form of investment protection. But opponents of TTIP are concerned that ISDS would offer opportunities for US companies to undermine a government's ability to set public policy, particularly in the areas of health and environment. Connected to this is the concern that traditional ISDS mechanisms favour corporations, which may have deeper pockets than governments have to seek legal remedies. In response, the European Commission has launched a new initiative, an investment court system, which would create a more transparent, accountable and permanent system for investment arbitration. From a foreign policy perspective, there is some value in setting up a new court. It would help set an international benchmark on investment protection that others could follow. This would help smaller and developing countries in their investment treaty negotiations with large economies. It would also strengthen structures of global governance. But economically the case is less convincing. The lack of ISDS has so far not impeded transatlantic investment; there is sufficient reciprocal trust in each other's legal regimes – even though several central and eastern European countries would like to see updates to the ISDS clauses they negotiated with the United States before they joined the EU. The Commission's investment court proposal has not yet been accepted by the United States and there is reason to doubt that the US Congress would support the creation of a new international court that could adjudicate US corporations. Besides, the level of European controversy surrounding investment protection is so high that it could poison TTIP's overall chances of success. From a geopolitical perspective, therefore, it is more important to have TTIP without a reformed ISDS than to have no TTIP at all. Politicians will

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have to decide whether it is worth including in the end.

Finally, TTIP and TPP should be seen as complements, not as competitors. It would be unhelpful if European leaders were tempted to criticise one on behalf of the other. The fact is that both agreements are necessary if the West wants to push a trade agenda based on the liberal values of accountable, transparent and rules-based trade. Only then would TTIP's geopolitical potential become fully realised.

Too often, European governments have emphasised the expected domestic economic benefits of TTIP, while ignoring its strategic fruits. But TTIP's geopolitical promise offers an important foreign policy opportunity that will benefit the West. One that it will miss out on if a deal remains out of reach.

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