



TRANSATLANTIC ECONOMIC PARTNERSHIP

ENERGIZE WITH INCREASED TRADE?



Konrad
Adenauer
Stiftung

TRANSATLANTIC ECONOMIC PARTNERSHIP

ENERGIZE WITH INCREASED TRADE?



Trade Relations between the USA and the EU

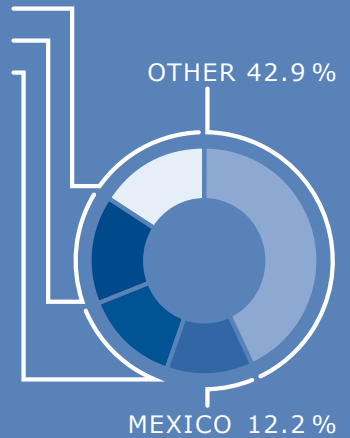
+0.4%

(65 BILLION EUROS)
ANNUAL GROWTH RATE OF A FREE TRADE AREA

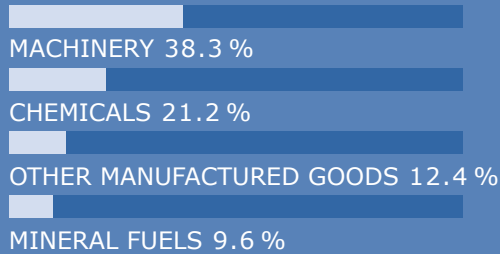


MOST IMPORTANT TRADING PARTNERS OF THE US IN 2012 BY TRADE VOLUME SHARE

EU27	16.1 %
CANADA	15.2 %
CHINA	13.6 %



MOST IMPORTANT US GOODS EXPORTS IN 2012 BY INDUSTRY SECTOR



EU IMPORTS FROM THE US

In 2012, the EU27 countries imported goods and services valuing 1.79 trillion euros (289.9 billion euros from China and 213.2 billion euros from Russia).

2012 TOTAL
205.8
BILLION EUROS

2012 TOTAL
291.9
BILLION EUROS

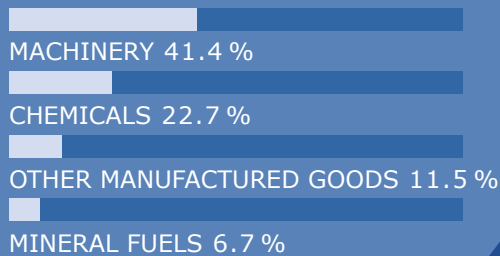
EU EXPORTS TO THE US

In 2012, the EU27 countries exported goods and services valuing 1.69 trillion euros (143.9 billion euros to China and 133.3 billion euros to Russia).

MOST IMPORTANT TRADING PARTNERS OF THE EU27 IN 2012 BY TRADE VOLUME SHARE (EXCL. INTRA-EU TRADE)



MOST IMPORTANT EU GOODS EXPORTS IN 2012 BY INDUSTRY SECTOR

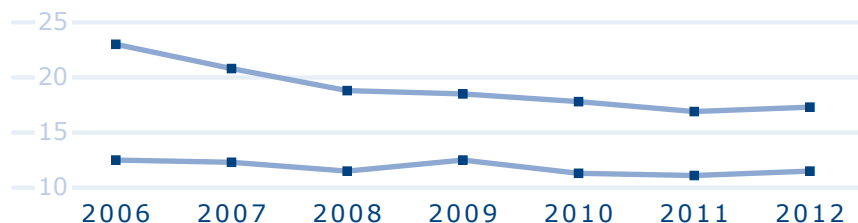


(86 BILLION EUROS) ANNUAL GROWTH RATE OF A FREE TRADE AREA

+0.5%

Sources: see p. 30

TRADE VOLUME 2006-2012: SHRINKING TREND IN TRANSATLANTIC TRADE SHARES



US SHARE OF EU EXPORTS

US SHARE OF EU IMPORTS



CONTENT

6 	SUMMARY	
7 	THE TRANSATLANTIC ECONOMIC PARTNERSHIP FROM A CHRISTIAN-DEMOCRATIC PERSPECTIVE Commentary by Peter Beyer, Member of German Parliament	
9 	INTRODUCTION Historic Perspective regarding previous Transatlantic Free Trade undertakings	10
11 	TRANSATLANTIC TRADE RELATIONS IN FIGURES Structure and Scope of Transatlantic Trade	12
14 	CURRENT TRADE BARRIERS Customs Tariffs	14
	Non-Tariff Trade Barriers	14
	▪ <i>Harmonisation of Regulations and Standards</i>	16
	▪ <i>Access to Public Procurement</i>	17
17 	ECONOMIC BENEFITS OF A TRANSATLANTIC FREE TRADE AGREEMENT General Arguments in Favour of Free Trade	17
	Estimated Impacts of a Transatlantic Free Trade Agreement on Macroeconomic Key Figures	18
	▪ <i>Trade-Creation Impact</i>	18
	▪ <i>Impact on Prosperity</i>	19
	▪ <i>Impact on Labour Markets</i>	19
20 	POLITICAL CONSIDERATIONS – TRANSATLANTIC FREE TRADE AGREEMENT IN THE CONTEXT OF THE GLOBAL TRADING SYSTEM	
21 	CRITICISM OF A TRANSATLANTIC FREE TRADE AGREEMENT Controversial Areas of Negotiation	21
	Discrimination against Third Parties and Threat to Multilateral Trade Liberalisation	22
23 	OUTLOOK	
25 	PROJECT WITH A FUTURE Commentary by Dr. Lars Hänsel	
27 	REFERENCES	
28 	BIBLIOGRAPHY	
31 	THE AUTHORS	

Summary

- The trade between the EU and the US accounts for approx. 30% of world trade (HLWG 2013, p. 1). In 2012, goods and services to the value of nearly 500,000 million euros were traded across the Atlantic (European Commission 2013b, p. 4).
- For the EU, the United States represents the most important export country, even ahead of China and Switzerland. And the EU is similarly the most important trading partner of the US, ahead of Canada and China (European Commission 2013b, p. 4).
- At 83.8%, the export of manufactured goods accounted for the lion's share of all EU goods exports to the US in 2012. Machinery and vehicles made up the largest proportion in this category, followed by chemical products (European Commission 2013b, p. 7 et seq.).
- Customs tariffs between the United States and the EU are at a low level. At 3%, the tariff for manufactured goods is already very modest.
- The elimination of non-tariff trade barriers, for instance by harmonisation of regulations and standards and the mutual opening of public procurement markets, promises great economic benefits. However, considerations of foreign policy also play a role in the debate.
- It is estimated that an ambitious free trade agreement with comprehensive liberalisation of trade in all sectors would result in annual increases in European GDP of about 0.5% (approx. 86 billion euros) through 2027. For the US, models predict an annual GDP growth of about 0.4% (approx. 65 billion euros) (European Commission 2013c, p. 37).
- According to forecasts, a comprehensive free trade agreement could create a total of 193,000 new jobs, 25,000 of them in Germany (BMW 2013, p. 4).
- A transatlantic trade agreement could reconfigure the global trading order. Efforts to establish rules and regulations could serve as a model for future multilateral or further bilateral liberalisation activities.
- Criticism of an envisaged agreement focuses mainly on possible elements of negotiation, e.g., food products and data protection.
- Another point of criticism is the putative departure from multilateral trade liberalisation as the rising number of regional and bilateral trade agreements exacerbates the complexity of world trade.
- Some critics consider such an agreement an attempt by the West to establish a bulwark against Asian competition.
- With the development of their own single market over the last few decades, European countries have been able to gain valuable experience that will serve well on the path towards a transatlantic single market.
- Initial talks on the planned free trade agreement are being overshadowed by accusations of data espionage in Europe by the US.
- A successful outcome to the negotiations would not only yield economic benefits, it would also be of strategic relevance. It would provide the West with an opportunity through deepened cooperation to hold on to its role as the gravitational centre of world trade.



The Transatlantic Economic Partnership from a Christian-Democratic Perspective

Commentary by Peter Beyer, Member of German Parliament

It was made official on 17 June 2013: On the occasion of the G8 summit at Lough Erne in Northern Ireland in July 2013, the European Union and the United States of America agreed to commence negotiations on the Transatlantic Trade and Investment Partnership (TTIP). A successful outcome to these negotiations would herald a new era in transatlantic relations as it would produce the world's largest trading area. The TTIP would thereby assume the role of an additional transatlantic bond. What has been achieved in the area of security policy through NATO – namely the close link between Europe and Northern America – has now also come within reach in terms of economic policy.

The purpose of the TTIP can be condensed into three words: growth, jobs, prosperity. The transatlantic economic area is already the most highly integrated in the world. However, there are still numerous barriers and obstacles impeding access to each other's markets, especially for small and medium-sized companies. Testing and approval procedures represent just one example. Representatives from the European Union and from the United States agree that it is now essential to eliminate these barriers in order to remain competitive in the global marketplace.

From a Christian-Democratic point of view, this is a correct decision. After all, the CDU regards the United States as Germany's most important partner outside the EU. The CDU-FDP led federal

Government is therefore among Europe's strongest advocates of a comprehensive economic agreement with the United States.

Challenging Negotiations Lie Ahead

One can assume that the negotiations, which have now begun, will not run entirely smoothly. Even before they started, France, for instance, insisted that the subject matter of culture – referring in particular to audio-visual media – be excluded from the EU negotiating mandate. This approach is highly problematic. If one side insists on exceptions, no doubt the other side will claim the right to do so too. This entails the risk of a downward spiral where each party clamours for special provisions. It is likely that this would result in the agreement ultimately being limited to the smallest common denominator.

It would in effect mean failure of the TTIP, because only a comprehensive agreement between the EU and the US can ensure that this historic project will bear fruit. It is therefore important to discuss all subject matters and to work together to find solutions in areas where points of view differ. The greatest benefit to those involved would result from the elimination of non-tariff barriers, such as different standards and regulations. A comprehensive agreement will therefore require comprehensive negotiations.

The potential benefits that the TTIP will offer to the Euro-Atlantic area are contrasted by the concerns of the third parties as the TTIP would in their eyes undermine multilateral agreements like those negotiated in the World Trade Organization. However, these concerns are unfounded. The TTIP should rather be seen as an element complementing existing arrangements. Such an agreement may provide crucial energy to revitalise multilateral negotiations such as the Doha Round.

Acceptance through Transparency

On the European side, the negotiations are conducted by the European Commission. The German government should urge the Commission to publish regular updates on the progress of the negotiations. Accusations that the negotiations are not transparent and contrary to people's interests should thus be refuted from the start. The failed ACTA treaty serves as a cautionary example of how a lack of transparency can result in poor acceptance.

It is incumbent upon politicians in particular to explain the need for a closer transatlantic economic partnership. It would be highly damaging if opposition were to arise from ignorance as this might jeopardise the entire project. Consequently, there is a need for the negotiations to be conducted in a transparent manner. After all, what is at stake here is no less than the safeguarding of prosperity and preserving the leading role of the Euro-Atlantic area in technology and innovation.

When considering global interdependencies, one should not forget with whom Europe shares more than just an interest in trade. We are linked to the United States of America not only through our joint history, but share common values regarding democracy, the rule of law, and freedom of the individual, which enable our prosperity. Deepening economic cooperation with our American friends and partners therefore represents a strategic necessity. From a parliamentary perspective, a more in-depth analysis of this paramount topic by the Konrad-Adenauer-Stiftung is therefore very welcome.



Peter Beyer, Member of Parliament

Special Rapporteur of the CDU/CSU Parliamentary Group in the German Bundestag on Transatlantic Relations

Introduction

"The future of the West lies in Atlantic partnership – a system of cooperation, interdependence, and harmony whose peoples can jointly meet their burdens and opportunities throughout the world. Some say this is only a dream, but I do not agree. A generation of achievement – the Marshall plan, NATO, the Schuman plan, and the Common Market – urges us up the path to greater unity."

John F. Kennedy, speech in the Paulskirche in Frankfurt on 25 June 1963

Hardly any other (economic) policy project is likely to rouse expectations to rival those relating to a Transatlantic Free Trade Agreement (TAFTA) or transatlantic free trade area. In their search for urgently required drivers for growth, the US and the EU came to a fundamental agreement in February 2013 to commence talks about a *Transatlantic Trade and Investment Partnership* (TTIP).¹ On 14 June 2013, the Council of the European Union gave the European Commission a mandate to conduct the negotiations. This initiative had been advocated for some time by the business and scientific communities. Since Barack Obama's reelection in November 2012, the topic has also risen towards the top of the political agenda. However, serious criticism of the project is being voiced as well. In spite of these concerns, the dream shared by many people – free trade from Helsinki to Honolulu – may become reality as the political constellation appears to be favourable to successful negotiations.

Motivated by the stagnating economy on both sides of the Atlantic, the efforts made towards starting negotiations had intensified noticeably over the last few months. It may appear that the US is beginning to come out of the economic and financial crisis, but the country still lacks any long-term growth outlook. When one considers the structural problems of the US economy, such as the high level of debt, the aging infrastructure and the enormous expenditures on healthcare, it is clear that the country is faced with numerous challenges.² It is a similar picture in Europe. The economic stagnation resulting from the financial and economic crisis is likely to continue for some time.

The willingness of the EU Commission to enter into talks has been clear for some time. In mid-February 2013, Barack Obama then gave the "green light" in his State of the Union Address.³ US Vice President Joe Biden had already signalled the country's willingness to commence talks at the Munich Security Conference. On 13 February 2013, President of the European Commission Manuel Barroso and EU Commissioner for Trade Karel De Gucht announced the start of negotiations following a recommendation to that effect by the EU-US group of experts (HLWG).⁴ The ambitious aim is to complete negotiations within two years. The reason lies in the political circumstances: "In the USA, midterm elections will be held in November 2014. As the agreement will need not only the approval of the parliaments of the EU Member States but also and particularly that of the European Parliament, the 2014 European elections also affect the timing." (Hänsel 2013, p.4). De Gucht therefore pressed for talks to begin no later than this summer (European Commission 2013a). At the G8 summit in Northern Ireland on 17 June, the two parties agreed on July 2013 for the start of negotiations. However, the talks on the planned trade and investment agreement are being overshadowed by an accusation of US espionage in Europe. What consequences this will have for the transatlantic relationship remains unclear. Opponents of the

Even closer economic cooperation between the USA and the EU is on the cards. Negotiations are being conducted about an economic partnership, which, it is hoped, will give new impetus to the economy on both sides of the Atlantic.

agreement, who fear that it may damage their economic interests, are now using this development to try to torpedo the negotiations.

REFLECTIONS ON PAST ENDEAVOURS TOWARDS TRANSATLANTIC FREE TRADE

Initial concrete deliberations on a transatlantic free trade agreement go back to the 1990s.⁵ However, at that time, when multilateral negotiation rounds under the auspices of the World Trade Organization (WTO) were making substantial progress, the vision of a transatlantic free trade area was not shared by many people. The economic rise of several Asian countries drew attention in the US and Europe. For a long time, investing one's resources in negotiations with the "newcomers" on the stage of world trade seemed more promising. In fact, a number of bilateral agreements between the EU and Asian partners have been initiated over the last few years.⁶ But the USA has also been very active in this respect, concluding agreements with Singapore and South Korea, for instance (U.S. Department of State 2013).

The initiative to establish the Transatlantic Economic Council came from Germany, which was at the helm of the G8 and presided over the EU Council in 2007.

The Euro-Atlantic initiative did not pick up speed again until the middle of the last decade. Germany, which was at the helm of the G8 as well as presiding over the EU Council in 2007, was providing new stimuli at that time. Chancellor Angela Merkel furnished the crucial impulse that resulted in the founding of the *Transatlantic Economic Council* (TEC), whose task it is to further transatlantic trade relations through proposals for the harmonisation and alignment of standards. After years of quiet work by this body, which attracted little attention, the topic was pushed up the agenda once more in 2011. At an EU-US summit in 2011, the two sides agreed to establish a *High Level Working Group for Jobs and Growth* (HLWG) with the remit to investigate the routes towards a free trade agreement. In January 2012, the European Council called upon the HLWG to intensify its efforts, confirming the political desire for talks to begin (European Council 2012, p.5). Calls for a liberalisation of trade with Europe were also becoming louder on the US side. Besides the U.S. Chamber of Commerce, which voiced strong support for such a project, the American Federation of Labor and Congress of Industrial Organizations, which tends to be sceptical where free trade is concerned, also advocated the start of negotiations (Erixon 2012, p. 14). No doubt, the Europeans will be able to contribute valuable insights, which they have gained from the development of their own single market over recent decades, to the endeavours towards a transatlantic single market (Busch 2013).

From the US perspective, Germany and its Chancellor will play an important part in ensuring successful negotiations even though the negotiating mandate lies with the EU Commission. In addition to Germany, it is especially the Netherlands and the UK that are advocating the agreement. A successful outcome to the negotiations might even change the UK's critical stance towards the EU (Hänsel 2013, p.4).

Transatlantic Trade Relations in Figures

The high hopes invested in a transatlantic trade agreement rely not least on the economic might of the two negotiating parties. Between them, the United States and the European Union produce close to half of all global economic output. Even though the relative proportion of global economic output may be falling (see Fig. 1), the figures for transatlantic trade relations are still remarkable.

- Trade between the EU and the US makes up approx. 30% of world trade (HLWG 2013, p.1).
- In 2012, goods and services to the value of approx. 497,658 million euros were traded across the Atlantic.
- Imports from the US to the EU amounted to approx. 205,778 million euros, corresponding to 11.5% of all imports to the EU.
- Conversely, goods and services to the value of approx. 291,880 million euros were exported to the US, amounting to 17.3% of total EU exports.
- The United States represent the most important export country for the EU, ahead of China and Switzerland. Similarly, the EU is the most important trading partner of the USA, ahead of Canada and China (European Commission 2013b, p.4).

	USA	EU	GERMANY	CHINA
1980	26.0 %	34.2 %	7.7 %	1.9 %
2011	21.7 %	25.2 %	5.1 %	10.5 %

Fig. 1: Shares in global GDP in 1980 and 2011 (Mildner et al. 2012, p.9).

Transatlantic trade has gained in importance over recent years. During the years before the economic and financial crisis of 2008/2009, EU exports to the United States rose by an average of some 7% a year, US exports to the EU by approx. 5% (Erixon 2012, p.33). Even following the downturn caused by the economic and financial crisis (EU imports from the USA fell by as much as 15% in 2009), the figures soon recovered. As soon as 2010, EU imports from the US increased again by 11.8%, in 2011 by 10.7% and in 2012 by 7.4%. But EU exports to the USA also rose by 19.1, 8.8 and 10.6% respectively during the three years from 2010 to 2012 (European Commission 2013b, p.2).

EU	SHARE IN TRADE	USA	SHARE IN TRADE
1 ST USA	14.3 %	1 ST EU27	16.1 %
2 ND CHINA	12.5 %	2 ND CANADA	15.2 %
3 RD RUSSIA	9.7 %	3 RD CHINA	13.6 %
4 TH SWITZERLAND	6.8 %	4 TH MEXICO	12.2 %

Fig. 2: The four most important trading partners of the USA and of the EU in 2012 (European Commission 2013b, p. 4).

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STRUCTURE AND SCOPE OF TRANSATLANTIC TRADE

At 83.8%, manufactured goods represented the lion's share of all EU goods exports to the USA in 2012 (see Fig. 3). Machinery and vehicles made up the largest proportion in this category, followed by chemical products such as rubber and plastic products. Machinery and vehicles to the value of approx. 120,880 million euros and chemical products to the value of approx. 66,364 million euros were exported to the USA in 2012. It is therefore hardly surprising that the trade associations of these two industry sectors, in particular, advocate a trade agreement. Besides manufactured goods, the export of agricultural products and raw materials play a minor role, at 5.4 and 8.7% of total goods exports respectively (European Commission 2013b, p. 7 et seq.).

	2008	2010	2012
AGRICULTURAL PRODUCTS	16.2 %	13.8 %	14.1 %
MANUFACTURED GOODS	80.8 %	82.3 %	83.8 %
OTHER PRODUCTS	1.3 %	1.7 %	0.9 %

Fig. 3: Structure of EU goods exports to the USA. For reasons of confidentiality, the individual product categories total less than 100 per cent (European Commission 2013b, p. 8).

Manufactured goods also play a central role for EU imports from the US. In 2012, manufactured goods accounted for 76.9% of these imports (see Fig. 4), major categories including vehicles and machinery at 38.3% as well as chemical products at 21.2%. Agricultural products and raw materials are far less significant here as well. These two product categories accounted for 18.1% of total goods imports (European Commission 2013b, p. 7).

	2008	2010	2012
AGRICULTURAL PRODUCTS	15.1 %	14.6 %	18.1 %
MANUFACTURED GOODS	79.5 %	79.7 %	76.9 %
OTHER PRODUCTS	3.4 %	3.4 %	4.3 %

Fig. 4: Structure of EU goods imports from the USA. For reasons of confidentiality, the individual product categories add up to less than 100 per cent (European Commission 2013b, p. 7).

In 2010, the US procured 34.2% of its imported services from the EU. At 30.9% of US service exports, the EU was only the second largest consumer (Felbermayr et al. 2013, p. 26).

The close transatlantic trading links are also reflected in direct foreign investments. In 2009, US investments in the EU amounted to almost 2 trillion US dollars (Felbermayr et al. 2013, p. 34). This is four times the entire US investments in Asia. But there is also a negative development noticeable in this area in relative terms. Direct US investments in emerging economies are rising considerably more quickly than investments in Europe, which have been stagnating during recent years (see Fig. 5). EU investments in the USA have increased over the last few years, recently up to 71% of total direct investments in 2011, although direct investments in the USA from Germany fell from 12% to 8% of total direct investments in the period from 2001 to 2011 (Felbermayr et al. 2013, p. 35).

	2007	2008	2009	2010	2011
EU	56 %	57 %	56 %	55 %	56 %
GERMANY	6 %	6 %	5 %	5 %	5 %

Fig. 5: US foreign capital stock in the EU and in Germany in per cent of total capital stock (Felbermayr et al. 2013, p. 34).

Current Trade Barriers

CUSTOMS TARIFFS

Customs tariffs between the United States and the EU are already at a low level. The average tariff for agricultural goods imported from the US is 4.87%. When weighted by trading volume, the average tariff is in fact only 3.89% (weighted average customs tariff). The unweighted tariff for agricultural products imported into the USA from the EU is higher by comparison. With an average tariff of 7.94%, the USA is protecting its agriculture more strongly against European competition than is the case vice versa. However, when one calculates the weighted average tariff, it only amounts to 2.62%. This is due mainly to the high tariffs for tobacco products and the low share these goods represent in the transatlantic trade in agricultural goods. There is a duty of 82.24% on tobacco products and alcoholic beverages imported from the EU to the USA (Felbermayr et al. 2013, p. 39).

The tariff for manufactured goods is also low at approx. 3%. The average weighted US tariff for manufactured goods from the EU is 2.82%. In the EU, the duties imposed on manufactured goods from the USA are equivalent to an average tariff of 2.79%. The unweighted average tariff is 3.48% for goods from the USA and respectively 3.45% for goods from the EU (ibid.).

NON-TARIFF TRADE BARRIERS

Economists and politicians involved in trade policy agree to a large extent that in order to allow a transatlantic free trade agreement to generate the greatest benefits the liberalisation of trade must not be restricted to the elimination and reduction of tariffs, but extend particularly to non-tariff trade barriers. Besides the elimination and reduction of customs tariffs and quotas, the negotiations should aim at addressing the following points (HLWG 2013, p. 1):

- Harmonisation of technical business standards, i. e. alignment of regulations and standards in as many areas as possible.
- Easier access to the public procurement market for foreign businesses.
- Establishment of rules and principles that can serve as a model for multilateral or further bilateral liberalisation projects.

To allow a transatlantic free trade agreement to generate the greatest benefits, the liberalisation of trade must not be restricted to the elimination and reduction of tariffs, but extend particularly to non-tariff trade barriers.

WHAT ARE NON-TARIFF TRADE BARRIERS?

This term refers to measures other than customs tariffs, which restrict trade generally, or imports specifically, either directly or indirectly. While customs tariffs are amenable to effective regulation (GATT) due to their limited area of application and clear definitions, the term of non-tariff trade barriers has a negative definition. NTBs are difficult to pin down.

From an economic perspective, trade barriers are generally viewed as negative factors, which inhibit optimum distribution of resources and impede the decision-making of market players. However, trade barriers may appear to have legitimate national interests on the one hand but are nevertheless and barriers to access to markets and to non-discrimination in trade on the other hand. Legal systems must therefore develop a set of criteria by which it is possible to decide whether a measure is a legitimate means to protect public interest and order or a hidden way of protecting the national economy against competition.

Non-tariff trade barriers can be divided into two groups by their function:

- 1.) Measures with the primary aim of restricting trade, which are linked to the origin or destination of the goods, such as quantity restrictions (quotas), import bans, licensing as well as tax concessions and subsidies for domestic businesses (*trade policy measures*).
- 2.) Measures that have a restricting impact on trade as a secondary effect of the primary regulatory objective, such as state monopolies, structural and regional development support, national differences in the area of dimensions and

weights, veterinary inspections, mandatory marking, restricted recognition of professional qualifications and regulation of specific markets (*internal measures*).

Technical trade barriers have a particularly strong impact; these are state-enforced measures involving requirements relating to the importing, marketing or – very controversially – national content manufacture of products. Technical trade barriers include measures in individual cases or – in practice most predominantly – abstract technical standards and their application. Technical standards dominate the development, manufacture, trading and marketing of goods and services. They serve the purposes of standardisation and orientation for industry, commerce and the consumer and to varying degrees also those of consumer, occupational safety and environmental protection.

Technical standards can reduce trade because they may differ in different countries and thus force both importers and exporters to determine the standards applicable to the individual markets, to engage in the corresponding conformity or recognition processes and to adapt their goods to differing requirements. If appropriate certification, which confirms that a product adheres to the technical standards of the importing country, cannot be provided, that product will generally not be marketable in the particular-country. Efforts are therefore being made at regional and global levels to overcome technical trade barriers by harmonising standards and through mutual recognition.⁷

Harmonisation of Regulations and Standards

Improved compatibility and stronger harmonisation of regulations and standards can produce benefits to trade. A topic that might look unspectacular and non-political on the face of it is in fact of significant importance because the market (entry) opportunities of many goods, services and inventions involve technical standards. There is considerable potential particularly in the areas of food safety, animal and plant protection as well as where technical trade barriers are concerned (HLWG 2013, p. 4). But to ensure that the possibilities offered by a free trade agreement can be utilised to the full it will be necessary to tackle trade barriers in all areas. The elimination of non-tariff trade barriers would facilitate trade significantly in the following sectors:

IT industry: Varying data protection provisions makes it difficult for IT service providers to offer their services across borders. Data originating from the EU, for instance, cannot be stored in data centres in the USA. This requires costly duplication of structures.

Chemical industry: Common rules for the approval of chemical products on both sides of the Atlantic would give a new impetus to the chemical industry. Currently, differing notification requirements, limits and approval procedures are hindering trade.

Aviation: Mergers and takeovers involving US and European airlines have not been possible to date. The maximum stake in a US airline that European airlines can acquire is 24.9%. Furthermore, European airlines have not been able to provide internal flights within the USA.

Food industry: Approval criteria for food products differ greatly between Europe and the United States. The level of concern about genetically modified foods is high in Europe; on the other hand, European marks of origin for foods are not protected in the USA.

Automotive industry: There are different regulations for the approval of vehicles in the EU and the USA. The adaptation of vehicles to the respective market involves considerable extra cost. The rear fog light that is mandatory in the EU, for instance, is not compulsory in the USA, nor do the wing mirrors of vehicles need to be capable of deflecting upon impact, as is the rule in the EU (Hofer et al. 2013, p. 51 et seq.).

Access to Public Procurement

In the USA, the public procurement market is characterised by major restrictions. The procurement process in the federal US states in particular frequently excludes foreign suppliers. The final report of the High Level Working Group therefore presses for an opening up of the market at all federal levels. To date, there have not been many concessions made by the United States in the area of public procurement, neither within the WTO nor in bilateral free trade agreements. The EU Commission works on the assumption that only 32% of the public procurement market are accessible to EU companies (European Commission 2012, p. 13). The US thus protects domestic suppliers in particular when awarding contracts in the areas of construction and rail transport (European Commission 2012, p. 10). In the defence sector, above all, the awarding of contracts is frequently politically motivated as very large orders are involved. The most recent example is an order by the US military awarded to Boeing. The European company EADS had also been involved in the tender process for the defence project (179 tanker planes totalling 35 billion dollars in value) and subsequently criticised the way the project had been conducted as well as its outcome.

Economic Benefits of a Transatlantic Free Trade Agreement

The question as to the economic benefits of a transatlantic free trade agreement is the object of forecasts and modelling. The relevant publications tend to predict enormous economic impulses from a comprehensive liberalisation of transatlantic trade.

This is based on the assumption that a liberalisation of Euro-Atlantic trade will lead to an intensification of competition and thus to the creation of greater growth, productivity and competitiveness. Stronger competitive pressures encourage companies to be innovative and to leverage efficiency reserves in order to become more productive. The negotiations on the Transatlantic Trade and Investment Partnership (TTIP) aim to realise these anticipated effects through the elimination and reduction of tariff and non-tariff trade barriers. It is obvious that the trade liberalisation and investment activities performed in the process may encounter temporary adjustment difficulties and political resistance. Problems might arise, for instance, if a country of the European Union with an economy that relies predominantly on one sector suddenly has to deal with US competitors and finds that its own products are not competitive.

GENERAL ARGUMENTS IN FAVOUR OF FREE TRADE

The standard arguments in favour of removing trade barriers can also be applied to a transatlantic free trade agreement. These arguments stress the specialisation that results from trade between different economies. Specialising in goods that an economy is most productive in creating – compared to other sectors – means that resources are used most efficiently.

Specialising in goods that an economy is most productive in creating means that resources are used most efficiently. These comparative benefits provide the basis for the efficiency argument in favour of free trade.

Seen from the perspective of economic theory, these comparative benefits provide the basis for the efficiency argument in favour of free trade. The USA, for instance, is highly productive in the area of IT technology. Thanks to free trade, resources could be utilised in the IT sector instead of in areas that are less productive. These effects would, over time, make for greater product diversity and falling prices, which will in turn increase the buying power of people's income. However, the benefits of free trade even go beyond these purely efficiency-based arguments. The benefits from an enlarged market will manifest in economies of scale as well as intensification of competition. The need to compete with foreign companies provides incentives that will lead to innovation and technical progress (Krugman and Obstfeld 2006, p.277 et sqq.).

ESTIMATED IMPACTS OF A TRANSATLANTIC FREE TRADE AGREEMENT ON MACROECONOMIC KEY FIGURES

Trade-Creation Impact

In a study conducted on behalf of the Federal Ministry of Economics and Technology, the Ifo Institute simulated the effects of various liberalisation scenarios on transatlantic trade. The economists concluded that a comprehensive free trade agreement – i.e. liberalisation going beyond merely reducing customs tariffs – would boost trade between the US and the EU by approx. 80% in the long term. The study confirms the assumption that a large part of this growth would be attributable to the elimination of non-tariff trade barriers (Felbermayr et al. 2013, p. 16).

Should the measures be restricted to the elimination and reduction of customs tariffs, the European Commission foresees a growth in EU exports to the USA by 6.57% (approx. 44 billion euros) by 2027. The Commission based its calculations on the assumption that the agreement would be in force in full by 2017 so that it would have been in place for 10 years by that time. According to these estimates, US exports to the EU would increase by 12.36% (approx. 54 billion euros). With the additional elimination of some of the non-tariff trade barriers, EU exports to the USA would rise by 16.16% (approx. 108 billion euros), those from the USA to the EU by 23.20% (approx. 101 billion euros) (European Commission 2013c⁸, p. 32 et sqq.).

Impact on Prosperity

A transatlantic free trade agreement is also expected to produce a considerable impact on prosperity. In the event of a comprehensive trade agreement, the Ifo Institute study forecasts a long-term impact of 3.3% on income globally (Felbermayr et al. 2013, p. 16). In Germany, real income (per capita GDP) is expected to rise by 4.7% as a result of a trade agreement with the USA. However, if the simulation is based purely on tariff elimination and reduction, the likely impact would be modest. In that case, according to the model, per capita GDP would only increase by 0.1% in Germany and 0.2% in the USA (BMWi 2013, p. 3).

The study on behalf of the European Commission examined the impacts of a transatlantic free trade agreement on prosperity up to 2027. Basing calculations on a range of different degrees of liberalisation compared to the current status of economic integration, the study forecasts the following impacts on GDP:

- A reduction of existing tariffs by 98% would increase EU GDP by 0.1% p. a. until 2027. USA GDP would increase by 0.04% per annum (p. a.) until 2027 (European Commission 2013c, p. 32).
- In the event of a free trade agreement that would not only reduce customs tariffs but also eliminate part of the non-tariff trade barriers, EU GDP would grow by 0.27% (approx. 48 billion euros) p. a. until 2027, USA GDP by 0.21% (approx. 33 billion euros) (European Commission 2013c, p. 36).
- An ambitious free trade agreement with comprehensive liberalisation of trade in all areas would – according to the estimates – result in an increase in European GDP by 0.48% (approx. 86 billion euros) p. a. until 2027. For the USA, the model forecasts GDP growth of 0.39% (approx. 65 billion euros) (European Commission 2013c, p. 37).

Although the low tariffs do not seem to offer great scope for tariff reductions, these figures indicate that trade benefits can be achieved from tariff reductions as well, particularly in some areas of agriculture and individual industries in the manufactured goods sector that are traded in large volumes.

Impact on Labour Markets

For the scenario limited to tariff reductions, the Ifo Institute predicts an additional 18,000 new jobs in the EU and the USA. Basing calculations on a comprehensive free trade agreement, by contrast, the simulation suggests that 25,000 new jobs would be created in Germany and 193,000 in the EU and the USA together (BMW 2013, p. 4). The Federal Ministry of Economics and Technology also assumes that there will be a significant increase in real wages as a result of the boost to productivity generated by free trade (ibid.).

Estimates by the European Commission and the U. S. Department of Commerce make general predictions about the impact of free trade on the labour market. According to these figures, each additional billion euros in exports will generate 1,500 jobs in the EU and 8,000 jobs in the USA (European Commission 2013c, p. 50).

The question of labour mobility has been excluded from the topics discussed in connection with the free trade agreement because the USA and Europe have different opinions in this area.

- The EU Commission wishes to open up the European labour market further, but is currently stopped from doing so by various Member States.
- The USA is adhering to a fundamentally anti-immigration strategy, although the country is also keen to retain large numbers of highly qualified specialists and foreign graduates in the country.

A progressive transatlantic migration policy would offer great potential because the elimination of barriers to labour mobility would increase prosperity in society far more effectively than the reduction of trade barriers. "Labour mobility creates jobs, strengthens trade and the exchange of services. This applies particularly in the era of

information capitalism; people are the carriers of the crucial factor that is knowledge. Thus, labour mobility fosters innovation and growth.” (Enzweiler 2013).

Political Deliberations – Transatlantic Free Trade Agreement in the Context of the Global Trading System

Liberalisation of world trade at a multi-lateral level is increasingly proving to be wishful thinking.

To understand the efforts being made to secure a transatlantic free trade agreement, it is helpful to place events into a global trading context. We do not currently know what a future world trading order may look like. What is clear, however, is that there has been an increasing trend towards bilateral and regional trade agreements for a number of years. At a multilateral level, the Doha Round – negotiations on liberalisation of trade within the WTO – has been stalled for some time. Common liberalisation of world trade is increasingly proving to be wishful thinking. The fundamental problem affecting the negotiations remains a demand by the USA for access to the markets in agricultural and manufactured goods in the emerging economies. But these countries are not willing to open their markets without additional concessions by the USA (BMW 2012, p. 1). Expectations of progress being made at the Ministerial Conference in Bali scheduled for December 2013 are not high. Many observers believe that liberalising trade via bilateral or regional negotiations is more promising. This also ties in with the strong increase in bilateral trade agreements in recent years. Asian countries in particular have been increasingly pursuing bilateral trading strategies of late. But the EU itself has also undergone a change in strategy towards greater bilateral liberalisation efforts and is currently engaged in numerous trade agreement negotiations.

The endeavours by the EU to establish a transatlantic trading partnership thus also represent an attempt to fend off a relative loss of importance.

The United States has been in negotiations with other countries bordering the Pacific about a free trade agreement since 2007: the *Trans-Pacific Partnership* (TPP). The endeavours by the EU to establish a transatlantic trading partnership therefore also represent an attempt to fend off a loss of importance. Fact is that when the US enters into an agreement, with any partner, it becomes a *fait accompli* for all other countries. Regulations, standards and rules of such an agreement would need to be adopted and recognised by any country that wished to join that agreement. In effect, joining the agreement retrospectively would mean recognising existing regulations without the possibility of exerting any influence over them. Should the Trans-Pacific Partnership prove successful, for instance by further emerging economies joining, there would be a risk that the USA's interest in a transatlantic free trade agreement may dwindle. The EU would see itself forced to adapt to a Pacific trade agreement. What is at stake in the negotiations for a transatlantic trade agreement is thus much

more than the improvement of transatlantic economic relations; the question is which countries will determine the rules of world trade in the future (Schmucker et al. 2012; p. 5 et sqq.).

Besides the enormous significance of a transatlantic free trade agreement in terms of trade, foreign policy considerations also play a role in the debate. The impression that some European countries – and Germany, in particular – have of President Obama is that he neglects transatlantic relations and considers himself a “Pacific President”.⁹ This impression ties in with the image of competing forces striving to exert their influence in shaping the future global trading order. The initiative aimed at a transatlantic trade agreement is therefore also regarded as an opportunity to provide new impetus to transatlantic relations. An agreement might not only encourage economic integration, but also have a positive impact on other areas of transatlantic cooperation.

What is ultimately at stake in the negotiations about a transatlantic trade agreement is who will determine the rules of world trade in the future.

Criticism of a Transatlantic Free Trade Agreement

The positive public reactions to the announcement of a transatlantic free trade agreement tend to drown out the critical opinions that do occasionally surface in the academic discourse. Concerns relating to a transatlantic free trade agreement focus predominantly on the following aspects:

- Individual topics and areas of negotiation of a potential agreement.
- The impact on the global trading order, in particular, on the multilateral negotiations under the auspices of the WTO.
- The economic added-value produced by an agreement.

CONTROVERSIAL AREAS OF NEGOTIATION

There appears to be considerable support for a transatlantic trade agreement as long as the contents of the negotiations remain abstract. The parties are thus in broad agreement about the elimination of customs tariffs, but the area of non-tariff trade barriers appears to be somewhat more controversial. It is likely that there will be differences of opinion, particularly regarding the previously mentioned areas of agricultural and food products. Against the background that US food regulations are relatively lax compared to EU regulations, impending difficulties in this area have been flagged by the President of the EU Commission Barroso to allay public apprehension by stating that the EU is intent on maintaining its food safety standards (Gammelin 2013, p. 1). Concerns have been voiced that the EU might not be able to adhere to its stance and that the Europeans might even be “ridden over roughshod” by an “aggressive trading strategy” of the USA (Otte 2013). Some observers do not see any scope for an agreement in the agricultural sector seeing that the Doha Round has already thrown up disagreements between the USA and the EU in areas where no common ground can be found (Gersemann and Greive 2013, p. 29).

Even before negotiations had begun, demands were being voiced with respect to their contents from within the European Parliament, which, while being entitled to be kept informed during the course of the negotiations, will ultimately only have its say at the approval stage. The parliamentarians stressed the need for a comprehensive trade agreement, but wanted to exclude the cultural sphere from negotiations. Among the areas covered here the Parliament cited audio-visual media including film production (European Parliament 2013). The Parliament is thus supporting the line taken by France, which has been insisting for some time on protection of its subsidised film industry. When the Member States gave the Commission its negotiating mandate on 14 June 2013, it became clear that France had been able to prevail in the Council and that cultural goods will not form part of the negotiating agenda for the time being. Having said that, the Commission may well request an extended negotiating mandate at a later date that will include this area.

Parliamentarians of the German Bundestag have also voiced their opinions over recent weeks. The Green party is pressing that the Bundestag should have a stronger right to a say and put forward corresponding motions in Parliament (Deutscher Bundestag 2013a). This proposal, however, did not attract majority support (Deutscher Bundestag 2013b, p. 31014). When speaking to the press, the leader of the parliamentary group of the Greens, Renate Künast, put forward conditions for an agreement. In her party's view, the EU should take up clear positions ahead of the start of talks, particularly in the area of agricultural bio-engineering, and preclude concessions that may water down European regulations (Neuerer 2013).

The conclusion of a bilateral trade agreement entails the general problem of discrimination against third countries. Reductions in customs tariffs may well fuel demand for products from the other contracting party.

Against the background of the revelations about the US data espionage in Europe, the subject of data protection and data security is also coming to the fore. Critics of an agreement have been warning for some time that the EU may make unwarranted concessions in this area. They are demanding that the negotiations should be extended to include a corresponding chapter – partly to exclude industrial espionage. It will probably be some time before the difficult subject of data protection is discussed, but then the EU will no doubt take a harder line towards the demands of the US.

DISCRIMINATION AGAINST THIRD PARTIES AND THREAT TO MULTILATERAL TRADE LIBERALISATION

The conclusion of bilateral trade agreements generally throws up the problem of discrimination against third countries. Reductions in customs tariffs may well fuel demand for products from the other contracting party, while demand for those goods from countries where they were originally procured from will decrease. These so-called trade diversion effects are detrimental to prosperity as there is no actual trade creation but only trade diversion. An agreement concluded between the two heavyweights of world trade – Europe and the USA – can be expected to produce considerable trade diversion effects. Some observers therefore also see the transatlantic trade agreement project as an attempt by the EU and the USA to establish a bulwark against increasing competition from Asia (Dieter 2013, p. 49). According to the critics, the exclusion of China is the real reason for wanting to integrate the economies. A successful outcome of the talks on a Trans-Pacific Partnership (TPP) and those on the Transatlantic Trade and Investment Partnership (TTIP) would create a new global trading order that would be divided into two blocks. Critics believe that in such a scenario the USA would no longer have to rely on the WTO¹⁰, and it would be

set on an inevitable course of trade policy confrontation with China (Dieter 2013, p. 50). There would be no benefits to the EU from this state of affairs.

If the trading nations of the EU and the USA proceed with a bilateral agreement, that may well be interpreted as a definitive abandonment of the Doha Round. As the negotiations on a transatlantic trade agreement would occupy large parts of the capacities of the EU and the US, it might mean that it would be even more difficult to manage the discussions in the Doha Round in terms of manpower and organisation, not to mention the large number of other ongoing negotiations (Mildner and Schmucker 2013a, p. 5). Instead of providing the hoped-for positive signal for multilateral discussions, the talks might produce the opposite effect. Rather than encouraging other states to make concessions in the multilateral negotiations, as would be desirable, a transatlantic free trade agreement would then represent a further step towards a world of bilateral and regional trade agreements. Against this background, it would be important for the EU and the US to join forces in exerting their influence to ensure a positive outcome to the WTO Ministerial Conference in Bali. This would also demonstrate the commitment of the transatlantic partners to the WTO.

What some people consider the only feasible way towards further integration of world trade will no doubt remain a "second best" solution.

What some people consider the only feasible way towards further integration of world trade will no doubt remain a "second best" solution. Apart from the discrimination against third parties, the proliferation of parallel bilateral agreements creates an impenetrable bureaucratic jungle. For small and medium-sized companies in particular, the diverse rules and standards represent an added burden. As bilateral trade agreements only confer privileges to one partner, the country of origin of products must be clearly identified. In international trade, this task is performed by certificates of origin, which define the country of origin of products, usually with the proviso that a certain percentage of the product must have been manufactured in one country. In a globalised economy with division of labour and extensive importing of input materials, the meticulous documentation of complex production chains causes considerable expense (Dieter 2013, p. 52). This phenomenon, also known as the "spaghetti bowl problem", reduces the economic benefits of trade agreements considerably even though this is difficult to quantify.

Outlook

Whether a transatlantic trade agreement can deliver on its promises remains to be seen. There are still many aspects that are too abstract to be able to assess all the implications. One thing is certain: negotiations will be tough. Whether the dream of transatlantic free trade will ultimately come true or fail in the face of the reality of economic policy is by no means certain. It will depend on the willingness of the crucial actors to invest sufficient political capital in the negotiations.

One thing is already sure: The opportunities for an intensification of transatlantic trade relations are currently better than ever before, even if the US eavesdropping scandal is seriously testing the relationship. "The political will to put the TTIP into practice is present on both sides of the Atlantic. What we have to do now is actively promote it," says Peter Beyer, a Member of the German Bundestag. The time is right, and the chance should be seized. If both partners – the US as well as Europe – are prepared to make concessions, the successful conclusion of an agreement could

really become "*the next big thing*". This assessment does not disregard the above-mentioned problems.

However, in view of the fact that the negotiations are expected to be difficult and that there are laborious technical aspects involved, a rapid conclusion of the talks is unlikely. Some estimates of the duration of the negotiations are therefore probably far too optimistic¹¹. After all, there are opponents of the project on both sides of the Atlantic, who see their economic interests threatened and need to be convinced.

In these difficult times, when Europe appears to be caught in a recession with little scope for fiscal manoeuvring, a free trade area would provide a welcome impulse for growth. Even though the conclusion of an agreement would probably come too late for the current economic malaise, a transatlantic trade agreement remains an attractive alternative to stimulative measures that would further increase debt. And that is not all. When over a third of German companies complain about increasing protectionism (DIHK 2013, p. 20), encouraging global free trade will be crucial particularly for German exports, which have traditionally been very strong. Germany should therefore have a special interest in these talks progressing speedily and make efforts to convince its European partners. An agreement will only be able to have maximum impact if it is a truly "comprehensive" agreement and also eliminates non-tariff trade barriers to a large extent. Should it transpire that harmonisation of regulations and standards is not possible, the negotiations must at least aim at a mutual recognition of standards.

In these difficult times, when Europe appears to be caught in a recession with little scope for fiscal manoeuvring, a free trade area would provide a welcome impulse for growth.

However ambitious the plans may be, one must not lose sight of the global aspect of the negotiations. A bilateral agreement between the US and the EU can serve to encourage multilateral liberalisation. The talks must therefore be advanced in a measured way, always bearing in mind that the agreement should in principle be open to other countries to join or allow for future integration into a global framework. Other countries should regard the negotiations between the US and the EU as an encouragement of further liberalisation of global trade flows.

No doubt, the commencement of negotiations entails more opportunities than risks. If all those involved are prepared to make concessions and are mindful in their dealings with each other, a successful outcome is possible in spite of the inevitable difficulties. It would mean that Europe and the United States would come closer together as partners with comparable liberal constitutional systems, which feel challenged, for instance, by China. It may even lead to mutual rediscovery. Revitalisation of the Western Alliance would remind the US, which has been increasingly looking towards Asia, of Europe's significance to it in the grand scheme of things. In a complex world with new emerging powers, large social and territorial conflicts and bloody upheavals, a deeper economic partnership would be no bad thing (Frankenberger 2013, p. 10). The objective is clear: The bridge across the Atlantic should be strengthened to become the trade route of the 21st century.



Project with a Future

Commentary by Dr. Lars Hänsel

The idea of a transatlantic free trade agreement is not new. But there has not been the required degree of political will in the past to jointly take the necessary steps to realise this idea. The Konrad-Adenauer-Stiftung had placed this topic on the agenda repeatedly in the past, concerned not so much with the discussion of elements to be negotiated at a more technical level but with the associated political endeavours and efforts to secure support from the decision-makers.

The first round of negotiations about a Transatlantic Trade and Investment Partnership was completed successfully in Washington in July 2013. In many respects, circumstances are currently politically conducive to the efforts made towards such a partnership. There is a strong interest on both sides of the Atlantic not only in coming to an agreement on free trade, but also in developing the existing economic relationship into a true partnership. One of the significant triggers was the financial and national debt crisis, which affected both sides. Free trade and investments can help to provide a new impetus to the economy and overcome the crisis.

From the US perspective, there are further “selling points” of a strategic nature. To the USA, future opportunities and challenges lie in the Pacific region, and above all in China. This is the reason why the US is also involved in negotiations for a free trade agreement (the TPP) in the Pacific region. However, Europe remains the strategic anchor of the US, or “the cornerstone of our engagement with the rest of the world”, as Vice President Biden put it in a speech on the occasion of his recent trip to Asia. The TTIP is thus seen as a strategic component of the country’s orientation towards Asia and as a means to create a balance to the growing economic power of China. It is not confrontation with China that is being pursued. Instead, it is hoped that as a vast trading block with clear rules, the TTIP will set free-market standards globally, which others will subsequently adopt as well. Both

Democrats and Republicans find this view convincing – a scenario that has become a rarity in the political arena in Washington.

The President’s second term will cement his role in history. Without stimulation of the economy, the verdict will not turn out favourable. This is why the development of the economy, and particularly job creation, is one of the areas in which the President’s policies are focused. Just recently, the President announced a new initiative for providing economic and job creation support to the SME sector. However, there is limited scope for stimulating the economy by classic means such as fiscal and monetary tools. Free trade is an obvious means that will not produce direct costs.

The political costs will also be within reason. There is currently more cross-party support for the TTIP than for any other project. Republicans have always been in favour of free trade due to their convictions. The free trade agreements with South Korea, Panama and Columbia, which President Obama concluded during his first term in office, were initiated under President Bush. There has been widespread support for the commencement of negotiations on the TTIP in Congress, and it has given the President a strong mandate. But progress in the negotiations on the American side will depend partly on the extent to which it will be possible to balance interests during the actual course of the negotiations. Congress will, in principle, play no part in the negotiations; at most, it will be kept informed by updates provided to certain committees. It will not be asked to contribute actively until the time of ratification. The complex issues covered by the TTIP will require some involvement of Congress during the course of the negotiations, with normal party-political considerations taking a backseat.

Typical critics of free trade such as environmental groups and consumer protection organisations are mostly holding back with their criticism at present. The trade unions, for instance, do not see much danger that standards of labour legislation might be undermined by a free trade agreement with Europe. However, after the experiences with NAFTA, the trade unions no longer believe the argument that free trade will necessarily create more jobs. In their view, the current free trade approach has in fact tended to increase income differentials. The trade unions are therefore urging for the negotiations to aim at retaining and creating high-income jobs and to ensure that social provisions are not undermined.

Circumstances are favourable on the political front at present, but there are still large hurdles to overcome. The mood amongst the European partners has also been soured by the revelations about the extensive surveillance by US secret service agencies. This prompted European advocates of transatlantic integration such as the chairman of the foreign affairs committee of the European Parliament, Elmar Brok, to urge for negotiations on a data protection agreement to be conducted promptly, independent of the TTIP. Criticism is also being voiced on the American side. In principle, the US is interested in a comprehensive agreement. It therefore does not appreciate it when European countries wish to exclude certain subject matters from the start. However, from an American perspective, the fact that there may be large differences in the beginning does not mean that it will not be possible to agree exceptions or delays in implementation, for instance, in the course of the negotiations.

Another matter that arouses misgivings is the undermining US pressure on China with regard to market-distorting subsidies by separate EU arrangements with China, for instance, in the solar sector. The European Commission is taking steps of its own to counter Chinese dumping in the area of solar panels. Beijing is very adept in taking advantage of the fact that Europe is split on this

issue and is thus negotiating more favourable conditions in line with the smallest European denominator. Particularly where China is concerned, there appears to be a great need for dialogue between the EU and the US, not least because a common stance towards China is one of the major arguments in favour of supporting the TTIP on the American side. However, there is no coordinating framework in place for a transatlantic dialogue about China. The USA is generally willing to risk hard confrontations in matters of trade, while the European (and particularly the German) stance is far more conciliatory. The TTIP can help build a common basis in this area.

The significance of a positive outcome of the TTIP is enormous. Euro-Atlantic relations are more multifaceted and less focused on security policy than at the times of the Cold War. The impending withdrawal of NATO troops from Afghanistan also means that there will be no major project that could serve as a symbol for the partnership. With issues of global trade gaining increasingly in importance, placing the focus in the transatlantic relationship on trade and investment is only logical. The TTIP has the potential to place the transatlantic relationship on a new solid footing and conceivably achieve the significance that NATO had in the era of the Cold War.



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- 1 *In times of high national debt, which cannot be overcome merely by savings measures, impulses for growth are an essential prerequisite for a sustainable solution to the debt problems. The designation of the agreement itself demonstrates that ambitions extend beyond a mere free trade area.*
- 2 *The classic tools of economic stimulus are not working in the USA at present. Due to the high level of national debt, there is no funding available for extensive investment programmes, nor can they be forced through due to the political polarisation. The monetary policy, which is expansive in any case, is also reaching its limits. Free trade, however, may provide decisive impulses to the economy. This view currently has widespread support in Congress in spite of the high level of polarisation. Both Democrats and Republicans support a comprehensive free trade agreement with Europe (Hänsel 2013, p. 3).*
- 3 *Barack Obama on 12 February 2013: "And tonight, I'm announcing that we will launch talks on a comprehensive Transatlantic Trade and Investment Partnership with the European Union – because trade that is fair and free across the Atlantic supports millions of good-paying American jobs" (The White House, 2013).*
- 4 *The High Level Working Group on Jobs and Growth (HLWG), headed by EU Commissioner for Trade Karel De Gucht and U.S. Trade Representative Ron Kirk, was established in November 2011 with the remit of identifying opportunities for deepening EU-US trade and investment relations.*
- 5 *It is noteworthy that John F. Kennedy hinted at this vision 50 years ago on 25 June 1963 in the Paulskirche in Frankfurt: see introductory quote and <http://www.konrad-adenauer.de/index.php?msg=11111>*
- 6 *An overview of current negotiations and existing trade agreements of the EU is available online at the website of the Directorate-General for Trade of the European Commission: http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf*
- 7 *Schorkopf 2012.*
- 8 *The quoted "Impact Assessment Report" is based on a study by the Centre of Economic Policy Research (CEPR), prepared on behalf of the Commission (European Commission 2013c, p. 7). For the CEPR study see Francois et al. 2013.*
- 9 *Obama himself used the term "Pacific President" when referring to himself during a keynote address on foreign policy in 2009 in Japan. The address is available online at: <http://www.ft.com/cms/s/0/9e985a46-d0c2-11de-af9c-00144feabdc0.html#axzz2U-76JB0Ie>*
- 10 *This opinion also has detractors. Mildner and Schmucker recently pointed out that the USA would still have to rely on the WTO for the liberalisation of world trade and for the resolution of disputes as it conducts over 80 per cent of its foreign trade with third countries that have relatively high trade barriers (Mildner and Schmucker 2013b).*
- 11 *The formal procedures of free trade talks are very time-consuming in themselves. Having received the negotiating mandate from the Council, the Commission is now negotiating with the other party on behalf of the Member States; the Commission has an obligation to inform the European Parliament and the Council regularly about the progress made at the negotiations. Upon conclusion of the negotiations, both the Council and the European Parliament must approve the outcome of the talks. In cases where the agreement contains provisions that fall under national legislation, agreements will also need to be ratified at a national level (European Commission 2013d, p. 2 et sqq.).*

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