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EUROPE'S TRADE STRATEGY AT A TTIP-ING POINT

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For the foreign policy communities in the United States and Europe, the logic behind the Transatlantic Trade and Investment Partnership (TTIP) is clear: the world order is evolving, and TTIP represents a last chance for the Western powers to define the rules of the global trading system. For the European Union's trade negotiators, the rationale is more prosaic: the agreement must deliver real economic as well as geostrategic benefits. Yet with Washington refusing to budge on a range of EU priorities, from regulatory cooperation in financial services to access to energy resources, there is an increasing sense in Brussels that cooperation with the United States might run counter to its goal of shaping the global trading order. Moreover, recent European Parliament elections, changes to the rules that govern the European Union, and more public scrutiny of trade negotiations in Europe mean that geostrategic considerations alone may not deliver a TTIP agreement.

Geostrategy has always played a central role in EU trade policy vis-à-vis its neighbors. Brussels even has a special name for the trade pacts it negotiates with its more unstable neighbors: "deep and comprehensive free trade agreements" (DCFTAs). While the countries along the EU periphery are mostly minor economic players, Brussels has seen trade as one of the best tools it has to help ensure stability in its region. Among the most striking examples is the strategy that Brussels has pursued to its east, most notably in Ukraine. The Russian invasion of Crimea, Ukraine's political turmoil, and the shooting down of a passenger jet all follow a six-year economic tug-of-war between Russia and the European Union over the fate of the countries that separate them. That battle came to a head in Vilnius, Lithuania, in November last year, when Ukraine's former government—responding to economic pressure from Russia—refused to sign the DCFTA it had been negotiating with the European Union for the preceding five years. The Ukrainian people revolted, Russia sent in troops, suffering and chaos ensued—and, last month, the new government in Kyiv signed the DCFTA anyway. As a senior EU trade official said, the agreement had nothing to do with trade and everything to do with Russia.

The European Union has been strategic in its trade policies toward Asia, too. While EU trade officials are generally wary of rocking the boat when it comes to China, the European trade commissioner, Karel De Gucht, has had few qualms about becoming enemy number one in Beijing in pursuit of what he sees as Europe's broader interests. Believing that the European Union was too economically dependent on China, and that it put Europe in a precarious political position, De Gucht has combined heavy pressure on Beijing for trade violations with the pursuit of deals with countries that surround China: South Korea, Japan, Vietnam, Singapore, Malaysia, and even protectionist India.

Other parts of the EU structure have also recognized that trade is a good conduit for foreign policy objectives—often to the chagrin of trade purists. In December 2013, London encouraged Brussels to include Pakistan on a list of 10 countries to be granted preferential access to EU markets, an effort to help shore up the militant-threatened state. In 2006, the European Parliament said that it would no longer approve free trade agreements unless they included a revocation clause in case of human rights violations or weapons proliferation. The clause recently **threw a wrench** in the EU-Japan FTA negotiations, with the Japanese public fearing that the European Union would use it to try to force Japan to overturn the death penalty.

But despite a consistent prioritization of political and strategic goals over the last decade, it is not clear that these objectives will remain central in Europe's trade policy, in part because of changes in the EU system, in part because of a changing political climate, and in part because TTIP itself has put Europe's trade strategy under the spotlight.



Past Events

- July 2: Japan 1964: Back to the Future (CSIS)
- July 28: Crafting Economic Policy at State (CSIS)

Upcoming Events

- August 10: Presidential Election (Turkey)
- September 1: Labor Day (United States)

EUROPE'S TRADE STRATEGY AT A TTIP-ING POINT *(continued)*

Until TTIP, the European Union had been able to pursue free trade agreements largely out of the public eye. But the United States looms larger in the European public imagination than any other EU negotiating partner to date, and TTIP is a more ambitious agreement than its predecessors. Not only does it touch upon the issues that many feel are key to keeping France French or Germany German—labor rights and food regulation, for instance—but the agreement is being negotiated against a backdrop of public distrust. In particular, revelations of National Security Agency (NSA) spying on EU citizens and officials have heightened the sense of a transatlantic values gap. This is infecting the TTIP negotiations. For example, while investor-state dispute settlement (ISDS) provisions have been a common feature of EU FTAs, in the case of TTIP they have led to fears that U.S. companies are about to start unilaterally rewriting European law. “There is nothing shocking here,” Commissioner De Gucht felt compelled to say on the issue at a recent press conference. “I am not seeking to destroy anyone’s soul.”

The European Union is also undergoing serious structural and political changes. Twenty-five percent of seats in the Parliament are now held by opponents of the European project, who believe their mandate is to disrupt EU policy. While this is not in itself consequential for TTIP (there are still more than enough votes in the Parliament to pass the agreement), it does highlight the increasing politicization of what once was a largely bureaucratic process. In part because the euro crisis and the controversial measures imposed on embattled euro zone countries such as Greece and Portugal turned the European Union into a villain among swathes of public opinion, and in part because a constitution change in 2009 gave more power to the Parliament (including the power to reject international trade agreements), the

European public now has a radically different relationship to Brussels than it did when Commissioner De Gucht was appointed. Given the sensitivities around TTIP, [past controversies over a U.S.-led antipiracy agreement](#), and the politicization of the Parliament, TTIP watchers would be wise to keep an eye on the nature and strength of the European public’s objections. As with so much of the European project, some of the most ambitious goals of EU trade policy have been pursued by elites; Europe’s public has not been carried along.

While the European Union’s pursuit of less controversial trade agreements—with Japan and Vietnam, for instance—will continue unabated, the capacity for Europe to advance significant geostrategic objectives through trade may well take a hit. If the next European trade commissioner is less ambitious than De Gucht, less willing to cajole trade negotiators into putting aside narrow economic cost-benefit analyses, and unable to make the final result palatable to Europe’s public, there is a danger that Brussels will appear more like the toothless bureaucracy people often believe it to be rather than a strategic trade actor—and TTIP will face a serious threat on the European side of the Atlantic, not just in the U.S. Congress. ■

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Simon Says...

According to an old war buddy, Secretary of State John Kerry [doesn’t much like](#) drinking wine. So why did he go on a [wine tasting tour](#) of Moldova? Because Russia—which drinks more alcohol per person than any country in the world except Moldova, Lithuania, and Belarus—banned Moldovan wine after the country signed a DCFTA with the European Union. Ridiculous it may seem, but Moscow really knows how to get people where it hurts: Russia was Moldova’s biggest market and wine its biggest export. Next on Moscow’s hit-list? [McDonald’s](#). Apparently Russia’s health officials have some concerns about the cheese. ■