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The Geopolitics of TTIP

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The Transatlantic Trade and Investment Partnership will play a major role in deciding the future of transatlantic security and defence, and may rekindle the debate on a new coalition of like-minded and highly capable states, with the EU and the US at its core. TTIP's logic is geopolitical in nature, seeking to compete with a rising Asia, rather than betting on global normative convergence. It is more than a game-changer, but the best chance the transatlantic West has to advance a liberal world order for the 21st century. TTIP may have a rather unpredictable impact on the future of the EU. Whether it will reinforce the EU's path towards federalism, or undermine it, will become one of the most important side effects of TTIP.

Why geopolitics is crucial

The main reason why the European Union (EU) and the United States have embraced the ambitious goal of achieving a Transatlantic Trade and Investment Partnership (TTIP) is geopolitical in nature. The rise of China (and other Asian countries), combined with the relative decline of the US and the economic malaise of the Eurozone, is spurring the transatlantic West to use its combined economic and political preponderance to write new global trade rules reflecting its economic principles (rules-based market economy) and political values (liberal democracy). TTIP is an essential component of this new strategy.

The expected economic benefits of improved transatlantic cooperation in the regulation of markets for goods and services are significant and well documented.¹ TTIP's main selling

point is that it will contribute to growth, welfare and employment on both sides of the Atlantic. The US and EU are each other's most important trade and investment partners, and the sheer volume of exchange ensures that the reciprocal market opening and improved cooperation in market regulation will have a considerable impact. This is the main reason why US President Obama, European Council President van Rompuy and EU Commission President Barroso officially gave the green light to TTIP negotiations in February 2013.

1. Jeffrey J. Schott and Cathleen Cimino, *Crafting a Transatlantic Trade and Investment Partnership: What Can Be Done?*, Peterson Institute for International Economics, Policy Brief no. PB13-8 (March 2013), and Klaus Günter Deutsch, *Atlantic Unity in Global Competition: T-TIP in Perspective*, Deutsche Bank Research, EU Monitor (August 2013).

TTIP has certainly been a long time coming, and its pedigree goes back as far as the 1960s, when the US proposed a North Atlantic Free Trade Area to bolster NATO's efforts to win the Cold War. This indicates that five decades ago, geopolitics was one of the main arguments driving the debate on transatlantic free trade. The same applies to successive initiatives such as the New Transatlantic Agenda (1995), and the New Transatlantic Economic Partnership (2007), aimed at reviving a tired and battered EU-US relationship during periods of post-Cold War euphoria and post-9/11 discordance.

Today, the political prospects for a comprehensive trans-atlantic trade agreement are better than evergovernments and parliaments, as well as key interest groups in both the US and the EU are positive in their attitude, and criticism and resistance are low-key and limited. Critical issues such as energy, agriculture, culture and the regulation of internet services and data protection can still derail this ambitious partnership. But there is a distinctive sense of urgency and opportunity on both sides of the Atlantic that makes the TTIP project different from past comparable initiatives. Without these positive 'vibes', TTIP would no doubt crash into the same barriers as its predecessors, and grind to a halt by bureaucratic or institutional blockages. This sense of urgency is fed mainly by anxiety and uncertainty. America's 'unipolar moment' (if it ever existed), has clearly passed; the EU is gloomy due to the unremitting Euro-shambles; and China continues to rise, not just economically, but also politically and militarily. The belief that 'something has to be done' to keep the West on top is widely shared, overcoming well-known reservations and galvanizing diplomatic procedures. This explains why (former) US secretary of state Hillary Clinton labels TTIP as an 'economic NATO', and EU

Trade Commissioner De Gucht claims that TTIP 'is about the weight of the western, free world in world economic and political affairs'.² This raises the stakes, turning TTIP into an existential deal, with a hint of a Western 'last chance saloon'.

"Today, the political prospects for a comprehensive trans-atlantic trade agreement are better than ever"

To date, the TTIP process has already weathered a few rough political storms. The (usual) French 'non' to the inclusion of culture (cinema, television and online media) in such a free-trade deal (the so-called *exception culturelle*) has so far been side-stepped; and the European indignation over what is believed to be massive US spying on its allies, has threatened, but not derailed, the opening of TTIP negotiations.³ This rocky but nevertheless successful start seems to confirm that there is the high-level personal commitment and political leadership required to overcome bureaucratic and institutional hurdles. It is not just geopolitical reality that induces political leaders to support TTIP, but also the mundane political and legislative agenda. The European Commission (which negotiates TTIP on behalf of the EU member states), wants to end its term of office (31 October 2014) on a positive note, after a half-decade of financial crisis management aimed at rescuing a troubled Euro.

2. David Ignatius, 'A Free-Trade Agreement With Europe?', *The Washington Post* (5 December 2012), and Robin Emmott, 'EU Trade Chief Hopes To Clinch U.S. Trade By Late 2014', *Reuters* (27 February 2013).

3. Catherine Nicholson, 'EU Reaches Deal on French 'Cultural Exception'', *France24* (15 June 2013); 'US-EU Trade Talks Begin Amid Spying Row', *Deutsche Welle* (8 July 2013).

In a similar vein, the Obama administration is desperately looking for success after its complete foreign policy agenda has been wrecked (no policy 'reset' with Russia; no new beginning with the Islamic world after the sorry outcome of the 'Arab spring'; humiliated by Russia over Syria, etc.).

There are indications that President Obama may come to see TTIP (as well as the Trans-Pacific Partnership, or TPP) as a part of his personal legacy in support of global multilateralism.

TTIP's window of opportunity is therefore small, with just over a year to go. If we assume that some form of TTIP will be achievable by late 2014, any deal – be it moderate or ambitious – will have to be ratified by the US Senate (by a two-thirds majority) and the European Parliament (simple majority), as well as by all parliaments of the 28 EU member states (since TTIP is a so-called 'mixed agreement', concerning the EU as an institution as well as the individual member states). Especially in some southern EU member states ratification may prove problematic, since their fragile and austerity-wrecked economies will hardly benefit from more economic openness and global competition. It is unlikely that jobless Greek voters will be swayed by the geopolitical arguments in support of TTIP. But even the average Greek will wonder what to think of China buying into (or buying up?) the port of Piraeus as well as Greece's other strategic assets.⁴

The remainder of this Policy Brief will lay out the geopolitical context of TTIP, examining the good, the bad, and – perhaps most interesting – the uncertain consequences of this bold initiative by two major but dwindling world powers, looking for a new lease of life in a rapidly changing global environment.

TTIP's geopolitics – context and consequences

In 2012, the US National Intelligence Council (NIC) offered a devastating outlook on the future of US and European power in world affairs. The NIC's so-called *Multi-Component Global Power Index* (see Figure 1) visualizes the decline of the West and the rise of Asia with cruel clarity. The NIC concludes that 'by 2030, no matter the power index, developing states overtake developed states'.⁵ This forecast is uncontested, and comes as no surprise. However, the consequences of this major power-shift remain contentious. Kishore Mahbubani foresees the dawn of a new global governance system uniting regions, civilizations, and great powers. This 'great convergence', Mahbubani claims, will be driven by the transformative power of economic modernization and the emergence of a global middle class.⁶ This one-world logic asks us to believe that the West's decline hardly matters, since the new rising powers (China, India) will follow the same rules, based on shared norms and values. For the West, believing in Mahbubani's prophecies would be a tremendous leap of faith, and probably a misguided triumph of imagination over intelligence.

Instead, both the US and the EU subscribe to the more Realist outlook offered by American analyst Zbigniew Brzezinski, who argues that TTIP 'can shape a new balance between the

4. Holly Ellyatt, 'Will China Buy Up Greece's Best Assets?' *CNBC* (16 May 2013).

5. National Intelligence Council, *Global Trends 2030: Alternative Worlds* (December 2012), p. 17.

6. Kishore Mahbubani, *The Great Convergence: Asia the West, and the Logic of One World* (New York, PublicAffairs, 2013).

Pacific and the Atlantic oceanic regions, while at the same time generating in the West a new vitality, more security and greater cohesion'.⁷

"TTIP's logic is soundly based on the Clintonian view of an emerging 'economic NATO'"

The European pendant of this view is most eloquently submitted by Gabor Steingart, who foresees a 'world war for wealth' with two camps: Europe and the US on the one side, and Asia on the other. His is an anti-Mahbubani world, based on competition rather than convergence.⁸ Although EU and US officials generally use the diplomatically correct language of 'convergence', TTIP's logic is soundly based on the Clintonian view of an emerging 'economic NATO', competing – rather than converging – with a rising Asia. This Realist footing means that TTIP eschews rosy scenarios and opts for a strategy of optimizing national (or in this case regional) interests in an anarchic world.

There are five reasons why this Realist approach to TTIP is wise:

First, TTIP can renew NATO. NATO will no doubt continue to exist regardless (it is even moving to new and flashy headquarters, just to prove the point). But the Alliance has been adrift since the end of the Cold War, looking for new roles, based on new rationales in a new strategic environment. This is, of course, healthy and appropriate, showing that NATO is keen to stay relevant and focused. But over the past two decades, the Alliance has taken a rather precarious route by adopting a strategy of multiple partnerships. After the 1994 Partnership for Peace with Central Europe, NATO entered into a Mediterranean Dialogue which, combined with the Istanbul Cooperation Initiative, has led to today's privileged relationship with around a dozen 'core' third countries which 'recently made

particular political, operational and financial contributions to NATO-led operations'.⁹ As Karl-Heinz Kamp and Heidi Reisinger argue, the 'result is a jungle of different relations and regulations, with attendant difficulties in terms of practical management and political oversight'.¹⁰ What is needed is a new hierarchy, indicating the countries that really matter, and that really share the values and interests of the transatlantic West. TTIP offers NATO clear guidance in making this choice, and setting this hierarchy. TTIP is not just about free trade, it brings together countries and societies that trust each other's institutions, and are willing to defend their way of life against rising competitive powers. When Clinton refers to an 'economic NATO', she is not being frivolous. Without Western economic cohesion, strategic unity is impossible. TTIP can reinstall hierarchy within NATO, and develop a core of like-minded and capable countries sharing economic, political and strategic interests.¹¹

Second, TTIP can re-balance the well-known US 'Pacific pivot', and underline Europe's relevance to a sceptical American public and political elite. President Obama has made it clear that the US wants to commit itself to the Asia-Pacific region, recognizing that the

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7. Andrew Rettman, 'Brzezinski: EU-US Trade Pact Can Halt West's Decline', *EUObserver* (19 April 2013).
 8. Gabor Steingart, 'An Argument For a Trans-Atlantic Free-Trade Zone', *Spiegel Online* (20 October 2006).
 9. NATO, *Chicago Summit Declaration* (20 May 2012).
 10. Karl-Heinz Kamp and Heidi Reisinger, *NATO's Partnerships After 2014: Go West?*, NATO Defense College Research Paper (May 2013), p. 2.
 11. See also Ash Jain, *Like-Minded and Capable Democracies: A New Framework For Advancing a Liberal Order*, Council on Foreign Relations Working Paper (January 2013).

dominant issues of the 21st century will be decided there. This implies a significant 're-balancing' of US interests and capabilities away from Europe and the Middle East and towards East Asia. Militarily, this shift may not mean too much, since apart from moving 2,500 US marines to a base in northern Australia, Washington has taken few concrete steps. However, the TPP may change all this. The TPP involves 12 countries, including the US and Japan. The latter two countries scarcely attempt to hide the strategic implications of the TPP, and consider this impending free-trade zone as a cornerstone of what Japan's Prime Minister, Shinzo Abe, has called 'Asia's Democratic Security diamond'. Abe envisages 'a strategy whereby Australia, India, Japan, and the US state of Hawaii form a diamond to safeguard the maritime commons stretching from the Indian Ocean region to the western Pacific'.¹² In this strategy, the TPP is essential in order to manage, or even contain, a rising and more assertive China. Europe should of course applaud such a strategic consolidation of democracies in the Asia-Pacific region. But one thing is clear: without TTIP, Washington's 'Pacific pivot' further diminishes Europe's strategic relevance. In a way, TTIP offers Europe the opportunity to re-balance the 'Pacific pivot', and keep Europe on the US strategic radar.

"TTIP buys for the transatlantic West the most valuable commodity of all: time"

Third, TTIP will be instrumental in rewriting global trade rules reflecting the economic principles (rule-based market economy) and political values (liberal democracy) of its members. TTIP is not just about free trade, but also about the convergence of regulatory approaches and requirements between the EU and US. As Klaus Günter Deutsch argues, TTIP is 'being driven by the joint concern that standard-setting power could be increasingly

lost to China, and [transatlantic] cooperation is the only way the two sides can continue to assert their market power and preserve their mutual economic interests worldwide'.¹³ TTIP's standard-setting power would indeed be overwhelming, and even a major competitor like China would almost certainly comply with whatever trade rules and regulations the transatlantic West offered to the world. TTIP would be the best way to beat China (as well as Russia and the Gulf states) at their own economic game. As Timothy Garton Ash aptly phrased it: 'One way of thinking about [TTIP and TPP] is to see it as the Widest West Web, though the definition of the west [as includes] Japan, Peru, Brunei and Vietnam is wide indeed. Another way to describe it is EBC: Everyone But China'.¹⁴ Today's geopolitical formula therefore looks like this: TTIP + TPP = EBC.

Fourth, TTIP can reinvigorate (or should one say resuscitate?) the global trade liberalization process that has gone nowhere since the Doha Development Round reached a cul-de-sac in 2008. At first, this may seem counter-intuitive, since TTIP and the TPP are regional initiatives that by definition bypass the Global South as well as – most importantly – China, India, Russia and Brazil. There is legitimate fear that developing countries will have difficulty in implementing the new TTIP rules and regulations, causing negative externalities.¹⁵

12. Shinzo Abe, 'Asia's Democratic Security Diamond', *Project Syndicate* (27 December 2012).

13. Deutsch, op. cit., p. 16.

14. Timothy Garton Ash, 'Welcome to the Geopolitics of Trade, Where Dr Pangloss Meets Machiavelli', *Guardian* (10 July 2013).

15. Ska Keller and Franza Drechsel, 'The EU-US Free Trade Agreement: Bad Prospects for the Global South', *Green European Journal* (24 July, 2013), at: www.greeneuropeanjournal.eu

The bigger picture is, however, more important and certainly more positive. Successful regional trade deals would send the message that economic and political liberalism remains the preferred and superior organizing principle for modern, thriving societies. The standards developed within TTIP would also serve as the basis of new, global standards, particularly if the EU and US were to extend them to third countries with which they have Preferential Trade Agreements (PTAs). The impact of TTIP on third countries has strengthened the call (from non-governmental organizations [NGOs] and from companies, as well as developing countries) for transparency in TTIP negotiations, as well as a certain measure of openness. It is fairly unlikely that all third countries will simply comply with all emerging TTIP rules. But, as Romain Pardo rightly argues, if the EU and US 'want to have a legitimate and credible leadership role, they must allow countries which will be strongly affected by the eventual outcome of TTIP to shadow the negotiations and ensure that their point of view is taken into account'.¹⁶ For the time being, emerging economies, including China, are rarely technology leaders, and do not aspire to become standard-setters in key economic areas (especially the services sector). The deadlock in both the Doha and World Trade Organization (WTO) negotiations may well be broken by a successful TTIP (and subsequent TPP), especially if these regional initiatives become anchored in the existing WTO system (and its well-regarded dispute settlement procedure).

Fifth (and last), TTIP buys for the transatlantic West the most valuable commodity of all: time. Ever since Paul Kennedy predicted (in 1987) the decline of the US, Western policy-makers have realized that their global hegemony was living on borrowed time. It's a numbers game, both economically and demographically. The

emerging economies will inevitably catch up, as the disquieting figures of the NIC's 'Multi-Component Global Power Index' testify. The window of opportunity is closing on the transatlantic West's dominance. TTIP is an expression of the belief that there is still life in good-old capitalism and liberalism, and that 'the West' – as an idea and as an economic reality – remains vital enough to take care of its interests; at least for now...

Conclusions – possible surprises and side effects

But what if things go wrong? French farmers defending their cheeses; NGOs crying 'Frankenstein food' outside fast food restaurants; China calling our bluff and refusing to play along with our game-plan of continued Western dominance? Does the transatlantic West have a Plan B? Can it afford failure, and go for second best? The problem is that if TTIP fails, it will fail publicly, exposing the transatlantic West as a vacuous myth. The other risk is that TTIP may well turn into a self-fulfilling prophesy, inducing the Global South, Russia and Brazil to rally round the Chinese flag, just to thwart EU-US standard-setting ambitions. TTIP may, in the worst scenario, create a unified anti-Western BRIC-bloc that hardly exists at the moment. TTIP may also cause a flurry of negative trade diversion hurting third countries, as well as – in the end, through the so-called spaghetti-bowl effect – the West itself.¹⁷

16. Romain Pardo, 'The Transatlantic Trade and Investment Partnership: A Long Hard Road to Multilateralism?', *EPC Commentary* (19 July 2013), p. 1

17. Stormy-Annika Mildner and Claudia Schmucker, 'Trade Agreement With Side-Effects?', *SWP Comments* (June 2013).

Although it is obviously important to be aware of these risks, they are overshadowed by TTIP's geopolitical advantages. Moreover, these risks are by definition not inevitable. Countervailing measures, such as transparent and (more or less) open TTIP negotiations, may assuage third-party criticism and suspicions. But the transatlantic West has more to worry about than geopolitical backlash. Especially the EU will have to prepare for the surprising (and even unpredictable) undercurrents TTIP may have on the volatile process of European integration. Just a few examples:

First, TTIP may reinforce the already ongoing process of European federalization. A TTIP success is the ultimate federalist dream, since it shows that a unified EU can play on a par with the US, achieving excellent deals for its member states and its citizens. A United States of Europe may look appealing and even inevitable to some; to others, it resembles a bureaucratic behemoth.

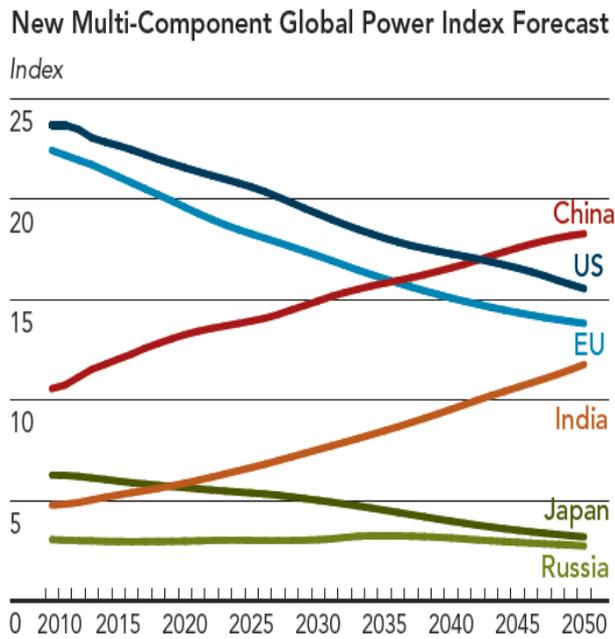
Second, TTIP may also go in the opposite direction, and loosen up the EU. If other, non-EU, European countries, such as Turkey, Switzerland, Norway and Ukraine, are included in the new trade bloc, a more open and flexible EU will become a reality. This new diversity would encourage an *à la carte* EU, allowing cherry-picking and opting in or out, depending on one's whims and tastes. This would certainly make it easier for the EU to deal with Turkey, as well as (in the future) Ukraine. Both countries could join TTIP, as well as the EU's Common Market. This scenario may please some EU member states (most notably the UK), but frustrate the ambitions of Europe's federalists (most notably Germany and France).

"TTIP calls upon the EU to think strategically about its economic interests, and defend these interests in tougher ways than it is used to"

Third, TTIP (and the US) may draw the EU into a strategic arena where it is not – at least not yet – comfortable. As a self-proclaimed postmodern, civilian power, the EU tends to acknowledge as many geostrategic threats as it can handle; and that's not much. As an 'economic NATO', TTIP may well call upon the EU to think strategically about its economic interests, and defend these interests in different, tougher ways than it is used to. The EU is a bureaucratic power, thinking along procedural lines and redefining all conflicts as 'deals' that can be solved through diplomacy and negotiations. When drawn into the 'real world' by TTIP, the EU will have to adopt the Realist American world-view, and will be called upon by Washington to do so. This is long overdue, and may well be – for the EU – TTIP's biggest bonus.

TTIP's bottom line is that, for once, there are good reasons to believe the hype; TTIP indeed looks like a game change, if it comes about and is handled well by both the US and the EU. For the transatlantic West, these are momentous times. Their values and interests are at stake. As G. John Ikenberry has claimed, '[Western] power and liberal order are of one piece.' In a G-zero world, or a world 'beyond power', this liberal order will be seriously challenged, despite the soothing words of Mahbubani c.s., and the usual criticism of doomsayers on the activist Left. For once, politics should go beyond the 'art of the possible', but instead focus on making the possible a reality.

Figure 1



About Clingendael

Clingendael is the Netherlands Institute of International Relations. We operate as a think-tank, as well as a diplomatic academy, and always maintain a strong international perspective. Our objective is to explore the continuously changing global environment in order to identify and analyse emerging political and social developments for the benefit of government and the general public.

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