



TTIP has great potential but there are no guarantees, especially from the UK perspective

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Since it was announced, there has been a tidal wave of endorsements for the US-EU free trade agreement – known as the Transatlantic Trade and Investment Partnership (TTIP) – including ringing ones from US President Barack Obama and UK Prime Minister David Cameron. And rightly so.

However, beyond these platitudes it is important to tread carefully when championing the potential, but as yet unrealised, benefits of what could become a crucial policy. After all, this is not just about economic benefits but also the political repercussions – notably for the UK's membership of the EU.

But let me begin, if you will, with a few endorsements of my own. Firstly, this is exactly the type of action which the EU should be pursuing. Far too much time and effort within the EU is spent on the wrong things – burdensome and often pedantic regulation, grandiose promises to tackle foreign policy issues and recycling cash between member states which often ends up adding little value. These are all areas where the EU adds little value for significant effort and in many cases the job would be better left to national governments, which are closer to and more responsive to local needs.

However, trade negotiations are a prime example of an area where EU states can benefit from working as a group and if they are able to pull (broadly) in the same direction. Here the EU's collective weight, if used effectively, can truly add value beyond what the member states could likely achieve alone.

Secondly, this deal could allow the EU to further its relevance in a global economy which is set to become increasingly dominated by large trading blocs and two massive economies in the US and China. Despite originating as a trade focused organisation and a proponent of free trade the EU's recent track record on this front is somewhat sketchy.

The eurozone crisis has evoked protectionist feelings in many countries, while the recent free trade negotiations with Canada, India and Ukraine have dragged on significantly with negotiations beginning for all back in 2007. While the Canadian agreement is finally essentially tied up, the Ukraine deal all but collapsed in recent weeks due to pressure from Russia while the Indian deal has been stalled since 2010.

Securing the TTIP would send a big message that this area of EU policy is firmly back on track. Furthermore, it also provides a solid foundation from which the EU can build further agreements, although this will require a clear decision on whether to make TTIP inclusive or exclusive, something which seemingly remains far from decided.

The third important potential benefit is an oft underreported one – it could help spur internal EU reform. If TTIP is to achieve its stated goals and deliver the significant economic benefit, touted at €2 billion per day, it will require some internal reform of the EU's single market. Significant non-tariff barriers remain, while protected professions or even entire industries are commonplace in the EU.

TTIP could help push for these to be removed, not least because the competitive pressure from the other side of the pond would force firms in Europe to ensure their goods and services are up to scratch. At the very least, it will help focus minds on this issue and provide a reminder that for all the talk of the single market, much more can be done to remove internal barriers.

With my clear support lodged, I would like to turn to a more cautious tone. When these sorts of statements are made, they seem to inevitably assume that TTIP will have a positive impact no matter what – this seems a spurious and potentially harmful assumption.

The first point to make here is that the risks of failure should not be underestimated. With most policies and negotiations there is no harm done if they fail and things carry on as before. This is not necessarily true of TTIP. A lot of political capital has already been invested in TTIP and even more will be over the coming year. As described above, the benefits have been widely touted and held up as a crucial development for the EU in many ways.

If the negotiations fail or if the final TTIP deal falls short of what was expected, it may serve to bolster the view that the EU is failing at some of its fundamental tasks and is no longer suited to the new geopolitical setup. This becomes doubly true if the deal is blocked by the European Parliament, which has already lodged its concern, or by deep divisions between member states. It is not hard to imagine how this would be viewed in the UK, or even Germany and Sweden (other key

proponents of free trade); questions would certainly be raised as to whether countries would be able to gain quicker and more efficient deals alone.

The second point here is that, even if TTIP does succeed, it is not guaranteed to pull the EU closer together and in particular, it is not guaranteed to pull the UK closer to the EU. TTIP could result in a significant boost in US-EU trade, the UK in particular is perfectly placed to take advantage of this, building on its already strong links with the US. If it proves successful, the UK could increasingly look towards the US on trade and related issues, as it already does on many foreign policy issues.

The prospect of a transatlantic trading bloc could be discussed as a viable alternative to the EU's single market. While this is a very distant and hypothetical possibility it should not be dismissed out of hand given that the discussion of alternative trading arrangements other than the EU is already well developed in the UK. Indeed, there has already been talk of using TTIP as a basis for an 'Economic NATO'; again this could be seen as an alternative rather than a complement to the EU for some countries.

From a UK perspective, the role TTIP can play in its potential relationship with the EU and subsequent referendum should not be overstated. While an agreement (or lack of one) would certainly make for big headlines the reality is that the actual economic impact will probably not have time to filter through. Negotiations over TTIP are likely to conclude in mid to late 2015, if all goes well. With a referendum currently scheduled for 2017, there will be little time for the economic impact to filter through to the real economy, it may barely begin to show up in some economic statistics. The impact, then, will be more about political presentation and the more comprehensive the deal is the easier it will be for a British Prime Minister to sell as an EU success story. If the deal is limited or frustrated, critics of the EU will seize upon it.

The final note of caution is on the wider repercussions of the deal. There is a flip side to the positive point of the deal setting the tone for future negotiations – it will set the tone for future negotiations. By this I mean that the deal will play a large role in determining future relations with many

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countries but notably the US, Russia and China. Whether or not the deal is inclusive or exclusive and exactly what sort of access (if any) Russia and China get will be a key point in future negotiations.

There is also the huge unknown of how these two countries will react to the deal. Within the EU views on how to deal with these two countries are divergent to say the least – see for example the Georgian crisis in 2008 and the recent trade disputes with China. Add the tricky US/China and US/Russia relations into the mix and managing this deal to send out the right signals becomes incredibly tricky. Controlling the impact of the deal, whether it succeeds or fails will be an important task and something which countries have to face up to.

Overall then, there is plenty of reason to be enthusiastic about TTIP. However, there are also reasons to be cautious and not to be presumptuous about its success or impact. This is no better encapsulated than by the final wider point I would like to make. The end of negotiations is only the beginning. It is vital that TTIP becomes a 'living agreement' that is subject to continued enforcement and oversight to ensure it meets the standards set by the initial agreement.

As we have seen with many EU projects, particularly the single market in services but even to some extent goods, as time passes enforcement becomes lax and barriers begin to creep up. Given the number of borders covered under TTIP, it is particularly susceptible to this problem. Once political pressure and enthusiasm evaporates, as it inevitably will, the structures must be in place to ensure continued adherence to the deal, otherwise it could quickly fall by the wayside. ■