

# UACES 47<sup>th</sup> Annual Conference

Krakow, 4-6 September 2017

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## IS TRANS-ATLANTIC UNITY POSSIBLE WITHOUT TTIP?

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### Abstract

- The project of a transatlantic trade and investment partnership was presented in both the US and the EU as a major political enterprise with “geo-economic” implications and a declared intent to reaffirm transatlantic leadership as well as to secure, in the face of emerging rivals, a rules based international economic and political order. The failure of the announced conclusion of negotiations in 2016 and the reactions inside the EU and outside mean that things did not work out that way.
- After looking at the failure of the Obama trade agenda and the lessons to be learnt from the controversies in European countries over TTIP, this paper looks at the current, apparently remote, prospects for the revival of this ambitious and (in Europe) extremely controversial project. The reactions of China and Russia are considered as part of the geopolitics of the issues at stake.
- The current cooling of trans-Atlantic relations reflected most visibly in the G7 and G20 meetings during the first months of the Trump Presidency mean that the conditions for any revival of this project are rather difficult to imagine.
- In this context, the paper assesses the potential for the EU itself to take the initiative at a time of confusion and uncertainty as to the strategic view of trans-Atlantic relations of the Trump Administration.

This paper is not for publication. It was prepared for presentation at the Annual Conference of the Universities Association of Contemporary European Studies International Studies Association, Cracow, Poland, September 2017.

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## Introduction

The project of a transatlantic trade and investment partnership was presented in both the US and the EU as a major political enterprise with “geo-economic” implications and a declared intent to reaffirm transatlantic leadership in favour of a rule based international economic and political order. TTIP, it was argued, would remove remaining barriers to expanding trade and investment in a way which would enhance job creation and economic growth.

As defined in a study presented to the US Congress in 2014

*“The Transatlantic Trade and Investment Partnership (T-TIP) is a potential reciprocal free trade agreement (FTA) that the United States and the European Union (EU) are negotiating with each other.*

*The United States and EU seek to enhance market access and trade disciplines by addressing remaining transatlantic barriers to trade and investment in goods, services, and agriculture by negotiating a “comprehensive and high-standard” T-TIP through:*

- *reducing and eliminating tariffs between the United States and EU;*
- *further opening services and government procurement markets;*
- *enhancing cooperation, convergence, and transparency in regulations and standards-setting processes; and*
- *strengthening and developing new rules in areas such as intellectual property rights (IPR), investment, digital trade, trade facilitation, labor and the environment, localization barriers, and state-owned enterprises (SOEs).”<sup>1</sup>*

Things did not work out as planned. Many of the issues turned out to be far more controversial and difficult to resolve than expected. By the end of 2016 negotiations were still far from complete.

In the first months of the Trump Presidency strong words were exchanged across the Atlantic on issues of trade and a number of disputes have emerged with mutual accusations of protectionism. The President accused many EU countries of

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<sup>1</sup> <https://fas.org/sgp/crs/row/R43158.pdf>

failing to meet NATO defence expenditure targets. The current cooling of trans-Atlantic relations was reflected most visibly in the G7 and G20 meetings during the spring and summer of 2017.

TTIP had been presented by the Obama administration as part of a global plan which included a Trans-Pacific Partnership (TPP) which itself lost traction in 2015. This was after the negotiations had been completed and Congress refused to adopt legislation leading to ratification of the agreement. The rather ambivalent nature of the real meaning of US trade policy had been neatly, and perhaps unintentionally, summarised on the web-site of the US Trade Representative.

Under the heading “*What is the TPP?*” the USTR stated that

*“The Trans-Pacific Partnership (TPP) writes the rules for global trade—rules that will help increase Made-in-America exports, grow the American economy, support well-paying American jobs, and strengthen the American middle class.”*

Under the slogan “*Made in America*” USTR added that

*“TPP will make it easier for American entrepreneurs, farmers, and small business owners to sell Made-In-America products abroad by eliminating more than 18,000 taxes & other trade barriers on American products across the 11 other countries in the TPP—barriers that put American products at an unfair disadvantage today.”<sup>2</sup>*

These arguments did not, in the end, convince Congress and dropping TPP was one of the first decisive actions of President Trump. It is a dead issue for the US even if leaders of the other 12 signatories are looking at ways of salvaging the deal even without US participation. Observers in both the US and Europe thought the TPP was being over-sold and that it could create problems for EU exporters to TPP countries. The Obama trade strategy ended up satisfying neither US public opinion or European partners and, indeed, opening the door to an “America First” approach.

### TTIP door still half open

The conditions for any revival of the TTIP project are rather difficult to imagine and, in such a context, it could be argued that any discussion on TTIP is not even

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<sup>2</sup> <https://ustr.gov/TPP/#what-is-tpp>

of much academic interest as prospects for bringing TTIP back from the dead seem so remote. Indeed, in the course of 2017 commentators and officials used interestingly contrasting images to analyse the situation or present current policy. For the European Commission it remains at best, in a deep freeze. The movie “the Revenant” was the source for another, only slightly more optimistic image. Edward Bowles, a member of the Commission’s Advisory Group on TTIP provides an image based on this story of a man “mauled terribly by a grizzly bear, betrayed by his appointed protector and left for dead.... against all the odds he not only survives but makes it back to camp.”<sup>3</sup>

In May 2017 the US Commerce Secretary, Wilbur Ross drew a distinction between TTIP, and TPP a prime target for Mr. Trump during the 2016 election campaign, and an astutely chosen one. Ross told the US media that the United States is “open” to resuming the negotiations with the European Union on TTIP.

*“It makes sense to continue TTIP negotiations and to work towards a solution that increases overall trade while reducing our trade deficit.... It’s no mistake that, while we withdrew from TPP we did not withdraw from TTIP.”*

The remarks might suggest that over time there will be a meaningful shift in this direction by the Trump Administration but they were made at a time of numerous conflicts on trade issues between the US and Europe as well as conflicting signals from within the US Administration. Around the time of Ross’s statement, the President tweeted that

*“we have a MASSIVE trade deficit with Germany, plus they pay for less than they should on NATO & military. Very bad for US. This will change.”*<sup>4</sup>

Even Ross himself has irritated Brussels with provocative comparisons between the EU and China in terms of “protectionism.” The US, in fact, maintains, “Buy America” restrictions on US content requirements of up to 100 % for steel and many manufactured products. This, in effect, closes the US market to some EU exports. There is no “Buy European” Act. Maritime services, (transportation between US States) are subject to many restrictions. For example, domestic

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<sup>3</sup> <http://ecipe.org/publications/ttip-the-revenant/>

<sup>4</sup> <http://www.brief.news/ttip-us-open-resuming-talks-eu/>

transportation can only be performed by vessels which are US built, US owned/controlled, US crewed and US maintained.

The EU has an interest in seeking the real opening up of markets which TTIP seemed to promise. In May 2017, the EU Trade Commissioner Cecilia Malmstrom made it clear that as far as the Commission is concerned

*“with the United States, TTIP was left in the freezer in January. We have seen protectionist measures coming from the US. .... we need time to evaluate and reflect. There's still a case for an ambitious trade agreement between us; not to mention a huge potential. But we both need a bit more time, and to know there is shared ambition and common ground “<sup>5</sup>*

Around the same time, Robert Lighthizer the new USTR held what was reportedly a very positive meeting with Cecilia Malmstrom and they apparently agreed TTIP was/is not dead.

In such strange circumstances in Washington it is not even clear who speaks for the US on such issues. The US still has no Ambassador to the EU and, meanwhile, it is surmised that the State Department may remain convinced of the geopolitical arguments for TTIP. It is, therefore, too soon to conclude that TTIP is dead and buried and to, mistakenly, assign the principle responsibility for this apparent setback on Donald Trump.

In spite of this confusion, the difficult summits and the provocative tweeting, at the end of June, Chancellor Merkel chose to echo the constructive approach apparently initiated by Mr. Ross. Speaking at an economic symposium hosted by the CDU she said that

*“we should resume work on a trade agreement between the EU and the United States.... adding that “the multitude of problems that arise ... can only be dealt with in structured trade negotiations with each other. “<sup>6</sup>*

In the run-up to Federal Elections in September her main competitor the SPD took a more trenchant view with the current German Economy Minister, Siegm

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<sup>5</sup> [http://trade.ec.europa.eu/doclib/docs/2017/may/tradoc\\_155601.pdf](http://trade.ec.europa.eu/doclib/docs/2017/may/tradoc_155601.pdf)

<sup>6</sup> <http://www.dw.com/en/angela-merkel-welcomes-us-offer-to-resume-ttip-talks/a-39446579>

Gabriel distancing himself from the party's coalition partner in saying that the talks with the US "have failed."<sup>7</sup> In a barbed reference to the Chancellor he claimed that the failure was leaving some of its supporters in denial, refusing to admit that the project has not succeeded.

These exchanges certainly reflect the current reality that there is no likelihood of a TTIP coming to fruition in the term of the current European Commission which ends shortly after the next European Parliament elections in May 2019. It remains to be seen if exploratory contacts between the relevant Brussels and Washington officials can produce some traction and whether President Trump and EU leaders can find a common language on such a controversial subject.

Before looking at the prospects for keeping the TTIP concept alive it is worth looking at how the transatlantic partners arrived at this unexpected but apparently intractable impasse.

#### Failure of Obama Trade Strategy.

The failure under the Obama Administration to advance with TTIP seemed to confirm a collective inability of the allies to work effectively to shore up their leading role in setting the rules for global trade. An emboldened Russian President explicitly challenged America to abandon its exceptionalist view of itself. This is something no American President will ever do but what is new with Trump and recently confirmed by his Secretary of State is the abandonment of the very idea that American values have universal appeal or are linked to US security interests.

Looking back on the 2016 US election it is important to recognize that candidate Trump was extremely skillful in capitalizing on a widespread sense that the US was not defending its peoples' interests by pursuing such an ambitious trade agenda. It was Senator Sanders' strong primary challenge to Hillary Clinton which revealed the electoral appeal of anti-trade rhetoric.

The 2016 US Presidential election also revealed a deeply divided country concerned about its economic future and its international standing. Candidate

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<sup>7</sup> <http://www.independent.co.uk/news/world/europe/ttip-trade-deal-agreement-failed-brexite-latest-news-eu-us-germany-vice-chancellor-a7213876.html>

Trump even foresaw the importance of the June 23rd UK referendum well before the vote itself.

In office, the President has not appeared likely to abandon the anti-globalization rhetoric of the election campaign.

The Trump administration, therefore, began with profound uncertainty regarding the chances of the whole TTIP project ever coming to fruition. By his insistence on telling the world that he intended to emphasise US national interests, the President has made it clear that he will advance, or at least try to do so, primarily through bilateral rather than multilateral trade agreements.

A trade strategy document presented by the Trump Administration to Congress at the beginning of March 2017 stated explicitly that “it is time for a more aggressive approach.”<sup>8</sup>

In economic policy, the new President is putting the emphasis on increasing growth in the US economy through reduced taxes, cuts in Government expenditure, reform of financial services and investment in infrastructure. This has led to a stock market boom but whether this is just another bubble (as before 2008) remains to be seen. In fact, Trump inherited a relatively positive situation as compared with the financial crisis which faced President Obama eight years ago. Indeed, it was the impact of the 2008 financial crisis that partly inspired the Obama Administration to look for a global trade agenda aiming for jobs and growth.

The failure of Obama to achieve either a TPP or a TTIP seemed already to be good news for Moscow and Beijing. Indeed, after half a year in office the American President finds himself in somewhat unhappy relationships with both these two rival powers. At the same time, his words and actions are creating concern and sometimes consternation amongst allies in Europe. China and Europe have conflicting views on many trade issues but agree on the principles of organized globalization even if they cannot agree on how to achieve it. Even in confronting Russia, the US Congress obliged the Administration to adopt a set of sanctions which the EU found to be potentially damaging to its own economic interests.

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<sup>8</sup> <https://ustr.gov/sites/default/files/files/reports/2017/AnnualReport/AnnualReport2017.pdf>

In trade policy, the new President has not only abandoned the TPP, he also has given the impression that he will give priority to a trade deal with post-Brexit Britain rather than pursuing a Trans-Atlantic Trade and Investment Partnership (TTIP).

### Trade as a target of populism-on both sides of the Atlantic.

BREXIT was seen by Trump and some of his strategists as a sign that the US would not be alone if it chose to break with the consensus on global trade which the EU and the Obama Administration had been building up. Experience since June 23<sup>rd</sup> shows that it is not that simple.

The likely completion of BREXIT in March 2019 implies a conclusion of negotiations between the EU27 and the UK by the autumn of 2018. Indeed, the content of the BREXIT agreement will have implications for TTIP. Ironically with the UK leaving the EU the most pro-TTIP Government in Europe will be out of any relaunch effort that might still emerge. If the Conservatives lose power in the UK and even if Labour takes office and (conceivably) blocks BREXIT it cannot be overlooked that TTIP is not well perceived by the British left. Indeed, the initial attempts to lay a basis for a post-BREXIT UK-US Trade Agreement have already sparked controversy within the Conservative Government with conflicting views on the issue of chlorinated chicken, itself one of the first issues to raise alarm in Europe around the time of the launch of the TTIP negotiations.

Already in 2014, the Washington Post reported that agriculture was one of many issues undermining public support for the TTIP precisely because issues of food standards are amongst those the public can understand. <sup>9</sup>

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<sup>9</sup> [https://www.washingtonpost.com/world/europe/free-trade-with-us-europe-balks-at-chlorine-chicken-hormone-beef/2014/12/04/e9aa131c-6c3f-11e4-bafd-6598192a448d\\_story.html?utm\\_term=.e2398ec36c87](https://www.washingtonpost.com/world/europe/free-trade-with-us-europe-balks-at-chlorine-chicken-hormone-beef/2014/12/04/e9aa131c-6c3f-11e4-bafd-6598192a448d_story.html?utm_term=.e2398ec36c87)

Like the ISDS such issues became the basis for increasing mistrust of US intentions and fed into the rising populist challenge on both sides of the Atlantic.

According to one Brussels analyst

*“there is no doubt that on both sides of the Atlantic the political trail of this last 10 years has been a rise in populism, inwardness and ultimately even protectionism.....in the US, the unexpected election of Trump has accelerated an earlier US trend, bringing its role as an anchor of the global system into question. And it is not just about withdrawing from a leadership position. Trump’s ‘America first’ rhetoric openly challenges a core tenet of multilateralism. .... There are parallels in the UK, which voted in June 2016 to withdraw from the EU to craft its own trade agreements and find different ways of engaging with the rest of the world. The rhetoric of ‘taking back control’ is in line with this tendency to look inwards, protect one’s turf and adopt an antagonistic rather than cooperative position with others.”<sup>10</sup>*

Many TTIP critics saw the TTIP as favouring big corporations against nation states. Indeed, the most toxic part of TTIP was not the trade part but the investment part. Following a ruling by the European Court of Justice on a trade agreement with Singapore the Commission is now considering about whether trade and investment agreements should, in future, be dealt with separately. If this applied to a US/EU deal it would take away much of the argument that this is a corporate “power grab.”<sup>11</sup>

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<sup>10</sup> [http://bruegel.org/2017/07/the-eu-and-the-us-a-relationship-in-motion/?utm\\_source=Bruegel+Updates&utm\\_campaign=f1c95509d5-The+Bruegel+Newsletter+%7C+Public+Edition+28+July&utm\\_medium=email&utm\\_term=0\\_eb026b984a-f1c95509d5-278506809](http://bruegel.org/2017/07/the-eu-and-the-us-a-relationship-in-motion/?utm_source=Bruegel+Updates&utm_campaign=f1c95509d5-The+Bruegel+Newsletter+%7C+Public+Edition+28+July&utm_medium=email&utm_term=0_eb026b984a-f1c95509d5-278506809)

<sup>11</sup> <https://www.gtreview.com/news/europe/court-ruling-creates-new-hurdle-for-eu-singapore-free-trade-agreement/>

In view of this widespread perception that the rise of populism is providing an unmanageable challenge to established western political and economic elites what lessons can be drawn from the story (so far) of TTIP? Does it confirm that for the coming years the Atlantic partnership is obsolete or even unworkable?

Not all the fault of Trump.

A good way to attempt to find an answer to these questions is to stop blaming everything on the current US President.

In fact, blaming the TTIP impasse on the current US President is all too easy. Over 3 years up until the end of the Obama administration negotiations advanced at a much slower pace than originally expected and in an atmosphere of increasing controversy and hostile mobilization against TTIP amongst civil society in some European countries.

The failure of the TPP project, blocked in the US Congress early in 2015 represented an abject failure by the US to deliver on an ambitious agenda with explicit geopolitical aims to re-assert the centrality of American leadership in setting the global rules of international trade.

TTIP talks had, in effect, ground to a halt well before Donald Trump was even elected. The BREXIT vote was part of a process in Europe in which it became clear that maintain any pro-trade consensus was increasingly difficult. French and German Ministers called for a suspension of negotiations. TTIP had become a toxic touchstone of deteriorating European trust in America and its leadership, with some observers comparing the controversy to the early years of the Reagan Administration over the stationing of nuclear missiles in Germany. In Germany by 2014 TTIP had already become intertwined with concerns about US surveillance

ignited by the Snowden revelations and the bugging of Angela Merkel's mobile phone."<sup>12</sup>

The picture in France was similar where a June 2015 study for "Notre Europe" asked whether France had become a hotbed of opposition to the TTIP. In fact, it had been expected that given France's traditional wariness of trade liberalization and concerns about threats to French culture TTIP would eventually become controversial. The study saw the anti-TTIP dynamic spreading from Germany into France.<sup>13</sup> The study also looked at the wider issue of the spreading of active opposition to TTIP in Europe.

### The Plot against TTIP: challenges from European civil society.

In a world of WIKILEAKS and US Intelligence reports on Russian interference in the US elections the TTIP story might seem less dramatic. Russian attempts to influence politics in France, Germany and other EU countries are also well known.

Some observers do, however, draw attention to the way in which anti TTIP sentiment in Germany was to some extent manufactured from top down, partly even by NGOs that received European Commission funding. TTIP was not a grass roots matter from the start. Part of the aim of the movement was to export the anti-free trade sentiment to other European countries. A detailed study for the European Centre for International Political Economy found that

*"In 2013, a small group of German green and left- wing activists, professional campaign NGOs and well-established protectionist organisations set up deceptive*

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<sup>12</sup> Hartmut Mayer: Between "NATO for Trade and Pride in Angst-the German TTIP debate and its Spill-over into Wider Transatlantic Concerns" in the Politics of Transatlantic Trade Negotiations Morin, Novotna, Ponjaert and Telo Ashgate 2015 p.52

<sup>13</sup> [http://www.zukunftsdialog.eu/fileadmin/user\\_upload/Bilder/Publikationstitel/2015-07\\_dgapana\\_fabry\\_ttip-eng.pdf](http://www.zukunftsdialog.eu/fileadmin/user_upload/Bilder/Publikationstitel/2015-07_dgapana_fabry_ttip-eng.pdf)

*communication campaigns against TTIP, the Transatlantic Trade and Investment Partnership between the European Union and the United States. Germany's anti-TTIP NGOs explicitly aimed to take German-centred protests to other European countries.... anti-TTIP communication is based on metaphoric messages and far-fetched myths to effectively evoke citizens' emotions. Together, these groups dominated over 90 percent of online media reporting on TTIP in Germany... Nimble institutional structures, common ideological mind-sets and a strong affinity to modern online media allowed Germany's anti-TTIP NGOs to turbo-charge online and on-the-ground protest activities in other European countries. At EU level, the European Commission itself provided enormous financial funding to a great number of declared anti-TTIP campaign NGOs – in full knowledge about these organisations' ideologically driven, all too often deceptive, and therefore destructive, ways of political campaigning.”<sup>14</sup>*

#### The risks of a geo-strategic trade policy.

The TTIP project was clearly part of a global strategy of the US in which Europe was just one element. TTIP could have been, it was argued, a confirmation of the ability of the US and Europe to shape events and to cement the relationship as the Cold War faded in the collective memory. Some even saw TTIP as an “*economic NATO.*”

Zbigniew Brzezinski explicitly placed the TTIP project in the context of China's growing economic and military power arguing, in Bratislava in April 2013, that the success of the project could not only revise trans-Atlantic relations but also create a new geopolitical equilibrium:

*“It can create additional trans-Atlantic bonds ... it can shape a new balance between the Pacific and the Atlantic oceanic regions, while at the same time*

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<sup>14</sup> <http://ecipe.org/publications/manufacturing-discontent-the-rise-to-power-of-anti-ttip-groups/>

*generating, in the west a new vitality, more security and greater cohesion..... It can create additional trans-Atlantic bonds ... it can shape a new balance between the Pacific and the Atlantic oceanic regions, while at the same time generating, in the west a new vitality, more security and greater cohesion.”<sup>15</sup>*

Things turned out rather differently. As Hans Kundnani (research director at the European Council on Foreign Relations) dramatically put it, months before Trump was elected noted there was a real risk that TTIP would backfire and increase animosity between Europe and the United States.

*“Supporters of TTIP should take a step back and think more carefully about the West, as both a geographic and a moral concept. In order to reach out to rising powers that are not part of the West in a geographic sense, Americans and Europeans need to emphasize the moral definition of the alliance and de-emphasize its geographic definition. But this is the exact opposite of what those who invoke the West to make the case for TTIP are doing. By identifying the West with the economic interests of Europe and the United States, they are as likely to discredit it as “revitalize” it.”<sup>16</sup>*

The Obama trade agenda may, therefore, be seen as a test of whether projects like the TTIP and TPP can be both geopolitical and economic at the same time. The Trump trade agenda seems to reject this idea and indeed the new President seems unready to even talk about values as relevant to *either* trade or security policy. In fact, as Richard Higgott summed it up, early in 2016:

*“If the TTIP is to carry geo-strategic significance as both concept and practice then it needs to be driven by a wider set of (preferably universalised) values other than geographically defined economic interest, especially in an era of growing national*

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<sup>15</sup> Quoted in EU Observer, 19.4.13

<sup>16</sup> <http://foreignpolicy.com/2016/05/13/ttip-tpp-eu-trade-obama-asia/>

*populism. **Placing geo-strategic value on regional trade arrangements is always politically risky.** The TTIP and the TPP are both reflections of the politicisation of preferential trade activity similar to that of many PTAs over the last 20 years. But while many of those were small, bilateral and asymmetrical, there are much bigger stakes in play with the TPP and the TTIP. The former has been central to the Obama strategy of Asian re-balancing in the face of the rise of China. The TTIP is a way to address European fears that the pivot to Asia might represent a lessening US commitment to Europe. Should either fail then there will clearly be negative consequences for the wider credibility of US foreign policy.”<sup>17</sup>*

So, it seems that even if President Trump could be advised of the advantages to America of such a trade policy it may well be too late.

#### Challenges from the “others.”

In such a context, the readiness of Chancellor Merkel to keep the TTIP idea alive is an act of leadership which contrasts with the surrender to populism by the US President. Moreover, the wider geopolitical context of the efforts to block TTIP should not be overlooked. As early as 2013, President Putin made it clear that, for him, TTIP was part of an ideological offensive to shore up American global leadership as perceived by President Obama and his apparent successor, Hillary Clinton.

In a clear rejection of any idea of US global leadership the President of the Russian Federation used his address to the 70th session of the UN General Assembly in 2013 to include the economic sphere in his list of areas in which the US seeks to maintain its dominance. He followed up on criticisms of TPP from Prime Minister Medvedev that both TTIP and TPP undermined the WTO and were a unilateral

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<sup>17</sup> <http://www.eurasiareview.com/22072016-tpp-and-ttip-in-comparative-context-what-can-europe-learn-analysis/>

attempt to change the rules of the game in terms of world trade.<sup>18</sup> Putin put it like this

*“Not long ago it seemed that in the economic sphere, with its objective market laws, we would learn to live without dividing lines. We would build on transparent and jointly formulated rules, including the WTO principles stipulating the freedom of trade and investment and open competition.... I would like to point out another sign of a growing “economic selfishness.” Some countries have chosen to create closed and “exclusive” economic associations, with their establishment being negotiated behind the scenes, in secret from those countries’ own citizens, the public and business community. Other states, whose interests may be affected, are not informed of anything either. It seems that we are about to be faced with an accomplished fact that the rules of the game have been changed in favor of a narrow group of the privileged, with the WTO having no say. This could unbalance the trade system completely and disintegrate the global economic space.”<sup>19</sup>*

This part of President Putin’s speech received less attention than his remarks on Syria, Libya and Ukraine where the confrontation with America was more direct. What he said may, however, be read as an explicit rejection of the geopolitical basis of the Obama trade policy.

China also interpreted US strategy as potentially threatening but its response was more subtle, and more effective in the sphere of international economic and trade relations. Again, the reactions set off by US policies were quite evident well before 2017. Whilst Putin was explicit in his readiness to challenge US leadership China was the real target as the emerging economic superpower. It, not

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<sup>18</sup> <https://sputniknews.com/business/201608021043873347-wto-tpp-ttip-russia/>

<sup>19</sup> [https://www.washingtonpost.com/news/worldviews/wp/2015/09/28/read-putins-u-n-general-assembly-speech/?utm\\_term=.44d406af35a9](https://www.washingtonpost.com/news/worldviews/wp/2015/09/28/read-putins-u-n-general-assembly-speech/?utm_term=.44d406af35a9)

surprisingly, saw the TTIP/TPP combination as a contemporary form of the containment strategy adopted by the US in the 1950s when the USSR was the adversary. An expert in China's economic diplomacy put rather cogently. Writing in 2015 that China is

*"feeling encircled by the (TPP and TTIP) China is watching closely every step of the TTIP negotiations closely and calculating how to respond.....as an emerging great power China sees the TTIP from a strategic perspective, worrying that the TTIP would serve as a strategic instrument for containing China or curbing the growth of China's sphere of influence, mainly in Asia-Pacific and the Eurasian continent."*<sup>20</sup>

Even as the Obama trade agenda seemed on a positive trajectory China adopted a substantive response. In 2015 the formal launch of the Asia Infrastructure Investment Bank originally initiated around the beginning of President Obama's first term was part of the response. This not only was a practical step but it was one where US reserves were explicit even as EU countries became directly involved. The advancement of the Belt and Road Initiative sent a similar message that China had practical ideas for economic development with greater immediate impact than either TPP or TTIP. Similarly, China continued negotiations for the Regional Comprehensive Economic Partnership launched in 2012. President Putin's Eurasia Union project was less convincing and economically attractive but all these projects showed that the ambitious geopolitical objectives behind the US trade agenda would not go unchallenged.

Once President Trump took office and pulled out of TPP China could, without difficulty, present itself as genuinely committed, at least rhetorically, to cooperative globalization. The return to multilateralism by Obama is being followed by another about turn by President Trump. In both cases the

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<sup>20</sup> Zhang Xiaotong "China's Perspective: the perception of TTIP by an emerging third party" in Morin, Novotna et.al op.cit. Ch 11.

implementation of US policy has been unsuccessful and unnecessarily provocative. Where China felt threatened by Obama's containment policy it is expecting to take quick advantage of Trump's unilateralism. The result according to some observers will be to make China, not Americas "great again." As one New York Times commentator put it

*"Now that Trump has rejected our would-be Asian allies, China is trying to put together a different trade pact with some of the same countries. If China succeeds, it will gain more sway in Asia, as will a more bare-knuckle economic system in which copyrights, worker rights, product safety and the environment aren't taken very seriously."*<sup>21</sup>

#### What went wrong? Lessons learnt.

Were the original ambitions unrealistic and provocative towards Russia and China and insufficiently sensitive to European concerns about corporate power and excessive de-regulation? Does the US President's "America first" trade policy mean that the Atlantic partners are no longer able to set the standards in world trade or even to address any meaningful joint message to rising powers?

At a time of turmoil in Washington an answer to these questions is not immediately obvious. The US President has set himself up for huge domestic and international challenges. European leaders and public opinion do not trust him and in the immediate future meaningful strategic cooperation is hard to imagine.

Before looking at how the positive message from Chancellor Merkel might be followed up it is worth looking at some of the lessons of what happened to the high TTIP hopes.

Certainly, President Obama's expectation of completing negotiations during his second term was optimistic but it reflected the assumption that Europe was "hungry for a deal." It should also, however, not be forgotten that Obama,

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<sup>21</sup> <https://www.nytimes.com/2017/01/31/opinion/make-china-great-again.html>

himself, had by 2016 become a controversial figure in Europe most dramatically after 2013 when Edward Snowden revealed the extent of US surveillance of European citizens and even leaders. His plan to revive transatlantic economic integration via TTIP not only failed to get very far but was seen by many as merely an assertion of American corporate power out of step with European interests and ideas of environmental and social protection.

Some see the failure of three years of negotiations on TTIP to achieve a result as reflecting a lack of leadership by EU national Governments. As the subject became increasingly controversial national leaders (with the exception of the German Chancellor) became rather discreet in their support for the project. They appeared unimpressed by the messages from Washington that if negotiations did not end in 2016 the transition to a new Administration would hold things up. They had, of course, been assuming a new President Clinton with a mandate to get a deal done. Indeed, there were those so unaware of just how controversial trade policy had become in the US that they assumed that, somehow, she would have also brought the TPP back to life.

Given the very technical nature of some of the elements of TTIP the politicians left the detailed negotiations to the experts, primarily the European Commission in line with the provisions of the Treaty of Lisbon. As radical anti-TTIP NGOs took the initiative there was no convincing response from Governments. As Tereza Novotna put it, somehow EU Member States disappeared from the equation. This happened although the impetus for a TTIP came from the Member States on the first place. The 28 governments approved the Commission's negotiating mandate. The Commission officials dealing with trade then got down to work on what was planned as much more than a trade agreement. Novotna noted that the EU diplomats of the European External Action Service did not get heavily involved in the process even if there were some public diplomacy initiatives in the US itself. TTIP became the main project of transatlantic cooperation but it was, in fact, far too important to be left to trade experts.<sup>22</sup> On the other hand in 2016 she

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<sup>22</sup> Tereza Novotna "EU Institutions, Member States and TTIP Negotiations: the balance of power and EU foreign policy." in Morin, Novotna et al. op. cit. Chapter 5

observed *“if TTIP negotiations fail, national leaders can then blame the faceless European Commission bureaucrats.”*<sup>23</sup>

As the US apparently abandons the very idea of multilateralism, it seems unfair to blame the failure of TTIP entirely on Europe. If there is any chance of reviving the project certainly Europe will have to signal its readiness to play its part and then try to build on the Commerce Secretary’s remarks. Coaxing President Trump out of his isolation could prove to be in Europe’s interest.

If TTIP talks do resume other lessons have to be learnt. In particular, the use of economic models to predict the advantages of an agreement years before its contents become clear. The outlook is further complicated by BREXIT but the main lesson must be that whilst officials do the negotiating effective responses must be found to citizens’ concerns. The former US Ambassador to the EU, Anthony Gardner, drew some conclusions from the experience of the first three years of TTIP negotiations. Amongst his lessons learnt is the need for TTIP to be convincing as a genuine partnership so that it is not conceived or perceived as just the EU lining up behind US leadership. He also rightly refers to the need to manage expectations and accompany negotiations with something of an ongoing political campaign and conduct the talks with a maximum of transparency.<sup>24</sup> In fact, Washington can be at least as confusing and untransparent as Brussels but either way this is a fundamental lesson, especially as concerns about apparently secretive trade deals play into public distrust of institutions. Genuine outreach beyond the bubble of experts and lobbyists (respecting their relevant roles) will be vital if another fiasco is to be avoided.<sup>25</sup>

### Time for Europe to take the lead?

This impasse might still turn out to be an opportunity to reboot the entire process. The EU has no reason to abandon its commitment to seeking a deal with the US which would generate jobs and growth whilst safeguarding environmental and consumer standards.

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<sup>23</sup> Tereza Novotna “EU View: why TTIP may fail and why it will be Europe’s fault” LSE ideas Dahrendorf Forum May 2016 p.34ff

<sup>24</sup> <http://www.politico.eu/article/opinion-how-to-revive-ttip/>

As confusion reigns in Washington and US leadership on globalization and liberal values is abandoned Europe can adopt an approach combining combativeness and self-confidence.

*“America First’ cannot mean that Europe’s interests come last”* was the way President Juncker put it in July 2017.<sup>26</sup> This represented a refreshingly combative approach at a time of concern and sometimes disdain for the current direction of US policy. The EU is expecting strong leadership from France and Germany on several issues. TTIP could be one of these. If TTIP is to come back to life it is unlikely to do so at least until after the 2017 German elections by which time some order may have returned to the current chaos in Washington. When Donald Trump was in Paris for the Bastille Day events in July 2017 he tweeted, that trade had been among the issues he discussed with President Macron. TTIP could be part of a process by which the US at least recognises some of the limits of unilateralism. In view of the reassertion of Congress vis a vis the White House on many issues, a positive spiral can be built upon the initial open-minded comments from the Administration and the Commission. The European Parliament, the EEAS and the Commission can, perhaps, find avenues around the White House to build understanding and support for a revival of trade negotiations. Indeed, public diplomacy could play a big part across the US in this process. The reaction by city and state authorities to the President’s announcement of US withdrawal from the Paris Climate Agreement may be an indicator of a useful, pragmatic way forward.

The EUROZONE economy is also in confident mood. These circumstances could be propitious in influencing those in Washington who recognise the need to advance with a project which can enhance the transatlantic economy in the future. This is not just a matter of European self-interest it is an opportunity for America’s friends to teach the US that it really does need the rest of the world. Martin Sandbu noted the importance of the confidence of Europe and others in the face of the Trump Presidency:

*“If other western countries display a quiet confidence vis-à-vis Mr. Trump, it is because they have reason to. Their unrepentant globalism is striking. Canada’s reconsecration of its globalist destiny matches its ambitious welcome of refugees.*

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<sup>26</sup> <http://www.reuters.com/article/us-usa-trump-russia-eu-idUSKBN1AB1DP?il=0>

*Europe and Japan are creating one of the world's largest free trade areas. The EU vows not to withdraw from globalisation but to shape it to its values of solidarity. Japan is leading the other spurned partners from the Trans-Pacific Partnership Mr. Trump has pulled out of, to complete trade liberalisation without US participation.....it may just be true that US isolationism will most harm the US itself. The US president used to be thought of as the leader of the free world. America's western friends are finding that they can no longer rely on it. But the truly transforming change is that they may find they no longer need to — and that the US needs the world more than the other way around.”<sup>27</sup>*

Indeed, the EU has not the slightest intention of mimicking US unilateralism and is pressing ahead with the implementation of the EU Canada Free Trade Agreement as well as looking to speed up progress on the agreements with Japan, Mexico and MERCOSUR. Observers noted that by announcing the basis of an EU-Japan trade agreement on the eve of the G20 meeting in Hamburg Japan and the European Union sent a rather clear message that free trade is alive and well.

This does not mean that trade deals will become any less controversial in Europe. The anti-TTIP backlash and the strengthened role of member states and national parliaments in the process of reaching and ratifying agreements illuminate rather well the rocky terrain that lies ahead if an agreement is to be achieved and accepted. The complacency of 2013 when there was talk of achieving TTIP on “one tank of gas” will not return but the 2016 breakdown on the road does not have to mean abandoning the journey.

Certainly, as a Commission official has been quoted as saying *“Before taking a decision on how to proceed, we would need to clarify that there is a sufficient level of shared ambition and common ground in finding solutions to difficult issues.”*<sup>28</sup>

Ideas for reducing trade barriers across the Atlantic have been looked at regularly over recent years so TTIP was never really a new idea. It is one that is unlikely to lose its attraction. There is little likelihood, however, of a quick agreement even if the two sides come to an understanding of their revived, perhaps, reduced objectives. US mid term elections in 2018 will be followed by the European Parliament (post-BREXIT) elections in May 2019. Then the next US Presidential

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<sup>27</sup>“An enfeebled America stands alone” Financial Times July 19<sup>th</sup>, 2017 p9

<sup>28</sup> <https://www.ft.com/content/7996f226-282a-11e7-9ec8-168383da43b7>

cycle begins with Donald Trump hoping to show how successful a President he has been. Having never been, in principle, opposed to TTIP it is quite imaginable that some progress can be achieved in the coming years.

Rem Kortweg has explained why and how the TTIP could be revived and, moreover, why Europe has an interest in keeping the idea alive.<sup>29</sup> He mentions the possibility of renaming the agreement as the acronym itself had become literally toxic.

The basic geopolitical dimension of TTIP remain as relevant as ever. The EU may share some common ground with China on its general approach to globalization and trade with China is continuing to grow. Despite European anxiety about the direction of US policy the EU is not about to jump into China's arms. The EU is not overlooking the need for China to advance beyond rhetoric and towards genuine economic reform. The EU shares US concerns about China on intellectual property and dumping. These concerns condition EU views on trade and investment agreements with China. European leaders do not, however, echo the deliberately aggressive rhetoric chosen by the US President to communicate his views about China. The EU accepts that it has common interests to pursue with China and the US despite differences on issues of values.

Showing its readiness to continue work on TTIP whilst advancing on other trade agreements could, therefore, provide an opportunity for the EU to assert its own global role as a champion of multilateralism.

Bringing the US back to the process it so successfully led for many decades will not be easy and success is not certain. It is certainly worth a try.

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<sup>29</sup> [http://www.cer.eu/sites/default/files/pb\\_ttip\\_rk\\_10.5.17.pdf](http://www.cer.eu/sites/default/files/pb_ttip_rk_10.5.17.pdf)

