

Transatlantic Economic Relations and the Prospects of a New Partnership

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Abstract: *The paper analyzes the international context in which negotiations between the European Union and United States on a Transatlantic Trade and Investment Partnership have been launched in July 2013. This context includes both the repeated failures of the Doha Round negotiations as well as the previous attempts and achievements of the European Union and United States to create a transatlantic partnership. The author considers that the current circumstances are more favourable for the successful finalization of the transatlantic partnership but, at the same time, stresses the sensitive issues that may delay or divert the negotiations. The paper concludes that there are many possible immediate positive consequences on economic growth and creation of jobs of the Transatlantic Trade and Investment Partnership as well as a high potential to expand its implementation in North America through NAFTA and in some other countries that have free trade agreements with either the European Union or the United States.*

Keywords: *Transatlantic Trade and Investment Partnership, free trade area, European Union, United States, TAFTA, NAFTA, economic integration, post-Doha Round negotiations, globalization*

JEL classification: *F13, F15, F53, F55, F68*

World context: from Doha Round to free trade agreements

The decision taken in February 2013 by the leaders of the European Union and United States to initiate the establishment of a new framework for their economic relations under the form of a trade and investment partnership (in fact a free trade agreement with a broader agenda) is not a singular option in the present context of the world economy.

On the contrary, one can note that the repeated failures of the multilateral negotiations on international trade within the frame of the Doha Round have determined many important actors of the world economy to look towards negotiating free trade agreements¹. This trend towards free trade agreements has been noted even since 2003, after the Cancun

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¹ Ian F. Fergusson, World Trade Organization Negotiations: The Doha Development Agenda, Congressional Research Service, December 12, 2011.

negotiations failure, when the idea of switching the attention towards bilateral negotiations has emerged as an imperfect but functional option, in anyway better than stagnation.

The understanding of the causes that led to the failure of Doha Round negotiations may explain clearer why the free trade agreements represent a solution for a long period of time in the foreseeable future. Started in November 2001 the Doha Round negotiations had a comprehensive list of objectives including, besides trade related matters concerning manufactured and agricultural goods and services, aspects concerning competition, intellectual property rights and foreign investments². Some initial estimates showed that the success of Doha Round could have determined important gains at world level, gains estimated at about 280 billion US dollars per year. Unfortunately, the large number of participating states in the negotiations (155 states) correlated with the principle „ nothing is agreed until all is agreed“ which was applied in the negotiations led, quite normally, to a list of repeated failures.

The states participating in the Doha Round encountered major differences of opinion at least in two areas:

- **trade with agricultural products**, particularly referring to agricultural subsidies provided by some countries or organizations such as the European Union;
- the so-called **Singapore issues** which referred to four issues regarding: trade and foreign investments; trade and competition; transparency in the field of public acquisitions; aspects referring to trade facilitation³.

Regarding these fields of negotiations, in time, a number of divergent positions were stated among various groups of participants as follows:

- Divergences between developed states and developing states, members of the so-called Group of 20 – G20⁴. The leaders of this G20 are India, Brazil, China and South Africa⁵;
- Divergences between the United States and the European Union, particularly on agricultural subsidies used by the European Union;
- Divergences between developed and developing states on the one hand and the smallest and poorest countries, members of the so-called Group of 90 – G90, on the other hand⁶.

The divergences mentioned above were accompanied by a lot of others which were less prominent.

Anyway, the substantial differences in the levels of development of the participating states as well as the differences in the approaches used by these participants make highly

² World Trade Organization, Annual Report 2002 – The Doha Development Agenda.

³ The Singapore Issues, Doha Round Briefing Series, Vol. 2, No. 6 of 13, August 2003.

⁴ The G20 is a group of 23 countries: Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe. The Group is named after the date of 20 August 2003 when a number of developing countries decided to present a common position at the 5th WTO Ministerial Conference that was held in Cancun, Mexico, in September 2003 in response to the common position on agriculture presented by United States and European Union.

⁵ Nicola Bullard, G20, The Developing Nations Coalition, *Focus on Trade*, No 98, April 2004.

⁶ The G90 group of countries was established on the occasion of the WTO Ministerial Conference held in Cancun, Mexico in September 2003. G90 reunites countries from African, Caribbean and Pacific Group (ACP), the African Union and the group of Least Developed Countries (LDC).

unlikely a multilateral agreement under the WTO umbrella, at least in the foreseeable future. In such a context, the bilateral negotiations represent the next best thing, not at all an ideal or preferable solution.

We can comment that from the long term perspective on the world economy, perspective that seems to lead to an ever increasing level of globalization, a small step ahead (that is bilateral free trade agreements) is better than no progress at all.

If we analyze the situation in the world economy as regards the free trade agreements or negotiations on this topic, we have to distinguish some nuances. The principles and content of the free trade agreements are clear, but the number of parties involved can make a lot of differences. Therefore, one can note that free trade agreements may be:

- free trade agreements as such, concluded between two states (such as the Japan – Mexico free trade agreement, entered into force in April 2005 or the USA – Singapore free trade agreement, entered into force in January 2004);

- free trade agreements which are still bilateral, but one of the parties is in fact an organization of economic integration that reunites more states. An important example in this respect is the China – ASEAN free trade agreement, entered into force on January 1, 2010. This agreement is on the first place in the world regarding the total population involved and on the third place in the world as Gross Domestic Product of the signatory countries. Another example of this kind is the free trade agreement between European Union and South Korea, entered into force provisionally on July 1, 2011. This agreement is on the second place in the world, after North American Free Trade Agreement, regarding the Gross Domestic Product of the member countries.

In the larger context of the regulations on world trade, we can say that the bilateral agreements where one of the parties is an organization that reunites more countries represent, in fact, multilateral agreements. To the extent that such agreements are concluded and fully implemented they may represent important building blocks or stepping stones towards future world level regulations.

The fact that by mid 2013 there are open negotiations on free trade agreements between:

- European Union and USA;
- European Union and Japan;
- European Union and India;
- European Union and MERCOSUR

To mention only the ones that involve the European Union reflects a major interest showed by the large global actors for this form of international trade regulation.

Transatlantic economic relations in a new perspective

In February 2013 a new stage in the evolution of the transatlantic economic relations has begun with the announcement of a **Transatlantic Trade and Investment Partnership - TTIP**⁷ having as final objective the establishment of a free trade area between the two entities. The effective launch of the negotiations took place in July 2013 and according to the official statements, in the best case scenario, the Transatlantic Partnership will be concluded by the end of 2014. While this date seems much too optimistic, it reflects an ambitious political goal that has to be taken into consideration.

⁷ Statement from United States President Barack Obama, European Council President Herman Van Rompuy and European Commission President José Manuel Barroso, MEMO/13/94 Event Date: 13/02/2013.

This new approach towards the liberalization of trade relations, but also towards the coordination and further stimulation of transatlantic economic relations is not really a new one, but rather a continuation of several stages that succeeded during the past 23 years. At a conceptual level, the idea of a transatlantic integration and even of a transatlantic federation is much older, dating from the inter-war period⁸.

A brief chronology of the contemporary stages of the transatlantic integration approaches includes moments such as:

- In 1990 the USA and European Community signed a Transatlantic Declaration;
- In 1995 the two parties signed a New Transatlantic Agenda;
- In 1998 a Transatlantic Economic Partnership was signed;
- In 2007 the Economic Transatlantic Council was established in view of eliminating obstacles and improving trade relations between the United States and European Union⁹.

If we look at this list, the 2013 announcement of the Transatlantic Trade and Investment Partnership represent a rather logical and expected continuation.

The **Transatlantic Trade and Investment Partnership** will represent, in case it succeeds to be finalized, the largest free trade area in the world. As Karel De Gucht, trade commissioner of the European Union showed, the size of this free trade area will influence not only the two partners, but also the whole system of regulations and trade at a global level¹⁰.

The importance and the impact at a global level of this Partnership results from the fact that the European Union and United States of America represent together about 50 % of the World Gross Product and about 30 % of world trade. The bilateral trade with goods and services carried out daily between the European Union and United States represents over 2 billion Euros (estimate figure for 2012)¹¹.

At the same time, the stock of investments made by the USA companies in the European Union and the European Union companies in the USA amount to 3000 billion dollars¹², while the jobs created by all these investments amount to around 6.8 million (data for 2010)¹³. The high level of development of the two parties is proved by the fact that together they represent about 50 % of World Gross Product, while their cumulated population represent just 11.8 % of the world population¹⁴.

The impressive economic dimensions of the transatlantic relations are the result of the fact that the development of the post-war transatlantic relations was based on the existence of common values and approaches, as well as on the close inter-conditionality of the objectives of prosperity and security of each party. Starting from these premises we can

⁸ Clarence K. Streit, *Union Now - A Proposal for a Federal Union of the Democracies of the North Atlantic*, Harper & Brothers Publishers, New York, London, 1939.

⁹ Philip Whyte, An EU-US trade deal: prospects, benefits and pitfalls, Public service Europe, 2013, <http://www.publicserviceeurope.com/article/3123/an-eu-us-trade-deal-prospects-benefits-and-pitfalls>.

¹⁰ Karel De Gucht, Transatlantic Trade and Investment Partnership: Opening free trade negotiations with the United States, Document SPEECH/13/147, Event Date: 21/02/2013.

¹¹ Final Report High Level Working Group on Jobs and Growth, February 11, 2013.

¹² Philip Whyte, An EU-US trade deal: prospects, benefits and pitfalls, Public service Europe, 2013, <http://www.publicserviceeurope.com/article/3123/an-eu-us-trade-deal-prospects-benefits-and-pitfalls>.

¹³ Office of the United States Trade Representative, European Union, <http://www.ustr.gov/countries-regions/europe-middle-east/europe/european-union>.

¹⁴ Gabriel Felbermayr, Mario Larch, Lisandra Flach, Erdal Yalcin, Sebastian Benz - Dimensions and Effects of a Transatlantic Free Trade Agreement Between the EU and US, IFO Institut, Munich, February 2013

anticipate with a high degree of certitude that the transatlantic relations will continue to represent an important economic pole of the world economy during the 21st century.

The deepening of the transatlantic cooperation and integration by means of the **Transatlantic Trade and Investment Partnership** has the following objectives¹⁵:

- The further opening of the economies of the United States and European Union for mutual economic relations;
- The further elimination of tariff, non-tariff and other barriers for bilateral trade and investment;
- The increase of the harmonization of standards and regulations related to trade and investments;
- The support of participation to the globalization process of companies (including small and medium sized ones) from both economies;
- The increase of cooperation in reaching common targets related to the well functioning of the world economy.

According to international experts, in case this Partnership is concluded, it will be the largest trade agreement ever negotiated and it will generate, just by eliminating tariff barriers an increase by 0.5 % of the Gross Domestic Product of the European Union and by 1 % for the Gross Domestic Product of United States.

The estimated increase by 0.5 % of the Gross Domestic Product of the European Union may seem a minor achievement, but if we take into account that the budget of the European Union represents about 1 % of the Gross Domestic Product then we understand that only this partial increase will be equivalent with half of the European Union budget.

At the same time, the achievement of the objectives of the Partnership will create at least 13 million new jobs in the two economies. These results are envisaged starting from the fact that at present the European Union and United States have the largest and most important trade relations in the world between two economic entities and also the most integrated economic relations.

The favourable present global context for the negotiations regarding the Transatlantic Trade and Investment Partnership

The announcement of the negotiations for the establishment of a Transatlantic Trade and Investment Partnership at the beginning of 2013 and the effective start of these negotiations in July 2013 are taking place in a global context that is rather favourable to this approach. The constructive character of the present global context can be better understood in comparison with the first attempt to establish such a Partnership in 1995. That first attempt lacked a substantial supportive reaction.

In 1995 the launch of the idea of a Transatlantic Partnership seemed opportune because the North American Free Trade Agreement (NAFTA) just started to be fully operational and the GATT Uruguay Round had been successfully completed. At the same time, after 1990

¹⁵ Simon Lester, The Challenges of Negotiating a Transatlantic Trade and Investment Partnership, *Free Trade Bulletin* No. 51, Cato Institute, February 26, 2013.

– 1991 the Cold War was over and the launch of a new Transatlantic Partnership seemed to be a good idea¹⁶.

In 1995 there was a proposal for a **Transatlantic Free Trade Agreement (TAFTA)** which got a rather substantial political support from important personalities such as Klaus Kinkel, the Foreign Affairs Minister of Germany, John Major, the Prime Minister of Great Britain and Malcolm Rifkind, the Foreign Affairs Minister of Great Britain, Alain Juppe, the Foreign Affairs Minister of France, Joseph Lane Kirkland, the president of the largest trade union organization in the United States AFL-CIO¹⁷.

Among the reasons why the year 1995 did not hold a favourable context for the idea of a Transatlantic Partnership we can name the following:

- In 1995 the World Trade Organization has been launched as a successor to the General Agreement on Trade and Tariffs (GATT) and as a symbol of the multilateral approach to international trade. Under these circumstances, the proposal for a Transatlantic Free Trade Agreement could have meant that the United States and European Union support a bilateral approach rather than a multilateral one;

- The subsidies and restrictions related to the agricultural sector were so large and comprehensive that it seemed very unlikely to expect a liberalization in that particular area;

- The tariff barriers for transatlantic trade were rather low and therefore from that perspective a substantial effort to further reduce them was not justified;

- The explicit political focus of the United States in the 90's has been towards the Pacific area and therefore the American politicians were afraid to send a signal that they offer some privileged attention to the Atlantic area;

- Both parties acknowledged at that time that the main barriers for the trade between the European Union and United States referred to non-tariff aspects, related to various regulations and standards. Such barriers are not automatically eliminated in case of the establishment of a free trade area.

Different from the international context of the 1995 period, the present context seems to reunite much more elements in favour of such a proposal for a Transatlantic Partnership.

A first reason why the current international context is favourable to this approach is represented by the short and medium term unfavourable economic prospects for the European Union (particularly the Euro zone countries) as well as by the rather fragile economic recovery of the United States. This situation put the idea of a Transatlantic Partnership in a favourable light, as a lasting solution for getting out of crisis by further transatlantic economic integration due to scale effect, new orders and new jobs that may appear due to this construction.

A second reason may be represented by the fast track of China towards the prominent position of largest economy in the world. Such a relatively fast happening prospect attracts a lot of attention from the part of United States and European Union and viable solutions are seriously considered. A possible response to the rise of China can be the increase of

¹⁶ Charles Ries, Is it Time to (Re) Consider a TAFTA?, U.S.-EU Responses to Globalization – Working Papers, Johns Hopkins University, Center for Transatlantic Relations, <http://transatlantic.sais-jhu.edu/partnerships/eu-us-partnership.htm>.

¹⁷ Bloomberg Businessweek, Remember Nafta? Well, Here Comes Tafta, May 07, 1995, <http://www.businessweek.com/stories/1995-05-07/remember-nafta-well-here-comes-tafta-intl-edition>.

competitiveness of both United States and European Union by means of the transatlantic economic integration which will imply not only liberalization of trade, but also of investments, as well as a joint correlation and coordination of trade and investment regulations.

A third reason is, without any doubt, linked to the failure of Doha Round negotiations. This outcome has as result the orientation of the global players towards regional free trade agreements as long as no global agreement is available or envisaged in the short term.

The importance of transatlantic economic relations in a global context

In order to assess the potential results of a Transatlantic Trade and Investment Partnership we can enumerate some of the quantitative aspects of the current transatlantic economic relations. Starting from these present dimensions we can only estimate that as result of the Transatlantic Partnership will significantly boost these dimensions due to synergies and increases of efficiency that will appear.

If we put the current economic dimensions of the transatlantic relations against the background of the world economy we obtain the following picture:

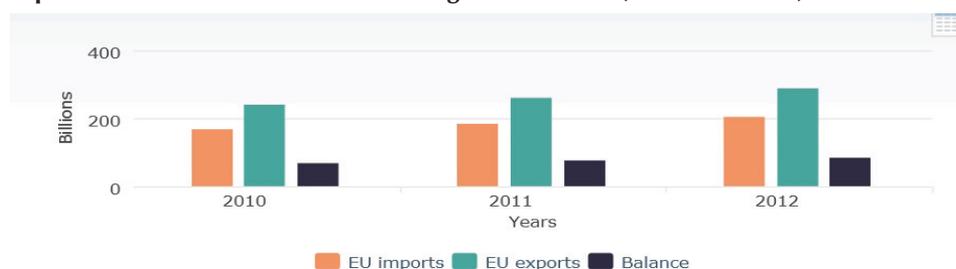
- In 2012 the economic activities that took place due to relations between the European Union and United States generated sales of 5300 billion dollars and provided 15 million jobs in the two entities¹⁸;
- Investments made by United States in European Union were 3 times larger than investments made by United States in Asia;
- Investments made by European Union in United States are over 8 times larger than investments made in China and India combined;
- The economic dimension and the characteristics of the transatlantic economic relations are given to a large extent by the mutual investments. As a result of these investments about one third of the transatlantic trade is represented by intra-company trade (between mother companies and their affiliates), generated as a result of mutual investments;
- At a global level the United States and European Union represent the most important trade partners for the vast majority of the countries of the world.

The evolution of the economic relations between the European Union and United States during 2008 – 2012 period is analyzed in the following. These economic relations include both trade in goods and services as well as mutual investments.

An important component of these economic relations is represented by the trade with commodities which is presented in Graph no. 1.

¹⁸ Daniel S. Hamilton, Joseph P. Quinlan, *The Transatlantic Economy 2013: Annual Survey of Jobs, Trade and Investment between the United States and Europe*, Volume 1, Washington, DC: Center for Transatlantic Relations, 2013.

Graph no. 1. Evolution of trade with commodities and balance of trade between the European Union and United States during 2010 – 2012 (in billion Euros)



Source: EU's trade balance with the United States, DG Trade, Statistics 26 April 2013

As results from Graph no. 1, during the 2010 – 2012 period the trade balance was in favour of the European Union. The reciprocal importance of the European Union and United States as a trade partners in 2012 is reflected in Table no. 1

Table no. 1. Reciprocal share in imports and exports with goods and services of European Union and United States in 2012

Partners	European Union %	USA %
United States	Exports: 21 %; Imports: 19 %	-
European Union	-	Exports of goods: 17 %; Exports of services: 25 %; Imports of goods: 11 %; Imports of services: 31 %

Source: Office of the United States Trade Representative

The trade deficit of the United States in relation with the European Union amounted to 115.7 billion dollars in 2012, level that marked an increase of 15.9 % compared to 2011. The exports of the United States in the European Union amounted to 265.1 billion dollars in 2012, level that marked a small decrease of 1.2 % compared to 2011 but a substantial increase of 57 % compared to the year 2000.

The imports of United States from the European Union amounted to 380.8 billion dollars in 2012, which represented an increase of 3.4 % compared to 2011 but a 67 % increase compared to year 2000¹⁹.

An important component of the trade between the European Union and United States is represented by the trade with agricultural products. This component is important as value but also very sensitive from a political point of view. The US exports of agricultural products to European Union amounted to 9.9 billion dollars in 2012. The European Union market is on the 5th place as importance for United States.

¹⁹ Office of the United States Trade Representative, European Union, <http://www.ustr.gov/countries-regions/europe-middle-east/europe/european-union>.

The United States imports from European Union amounted to 16.6 billion dollars in 2012. The European Union is the 2nd supplier of agricultural products to the United States (after Canada).

At present the trade relations between the European Union and United States are affected much more by non-tariff barriers than by tariffs which have an average level of 3 – 4 % (with notable differences in the sense of much higher values for agricultural products due to the provisions of the Common Agricultural Policy of the European Union).

The non-tariff barriers are much more numerous and with a much higher impact in acting as limits to trade flow between the two entities. Karel De Gucht, the trade commissioner of the European Union stated that the equivalent effect of these non-tariff barriers is that of some tariffs with values between 10 – 20 %, in function of the nature of goods and services²⁰.

The reduction and even elimination of such barriers will generate, without any doubt, significant results. It was estimated that only in the automobile industry the harmonization of regulations regarding emissions and safety would eliminate the need for vehicle producers which make the same model to produce different versions for the United States and for the European Union. Only this single fact will reduce the production cost by several hundred dollars per unit²¹.

Among the non-tariff barriers existing at present there can be mentioned: the banning by the European Union of the imports of Genetically Modified Organisms; complex customs procedures in the United States, particularly after September 11, 2001; different standards concerning consumers' protection and security; limits in foreign ownership of companies (for instance in the United States for sea transport companies); the existence of subsidies, for instance in the aviation industry in the European Union; restrictive regulations in public procurement²².

Although when considering the trade in goods the European Union has an advantage over the United States, when it comes to trade in services, the situation is more balanced, with just a small surplus in favour of the United States.

In 2012 the United States exported to the European Union services representing 194 billion dollars, an increase with 2.8 % compared to 2011 level and with 108 % compared to the 2000 level²³. In the case of trade in services the United States recorded in 2012 a surplus with the European Union of 55.4 billion dollars, a level with 6.5 % higher than in 2011.

An even more important aspect that reflects the high degree of integration of the economies of the European Union and United States is that of the sales of services made in the European Union by affiliates with majority ownership by US companies, sales that amounted, in 2010, to 499 billion dollars. At the same time, the sales of services made in United States by affiliates with majority ownership from the European Union were of 382

²⁰ Karel De Gucht, Transatlantic Trade and Investment Partnership: Opening free trade negotiations with the United States, Document SPEECH/13/147, Event Date: 21/02/2013.

²¹ Nicholas Kulish, Jackie Calmes - Obama Bid for Europe Trade Pact Stirs Hope on Both Sides, February 13, 2013, The New York Times Europe.

²² Philip Whyte, An EU-US trade deal: prospects, benefits and pitfalls, Public service Europe, 2013, <http://www.publicserviceeurope.com/article/3123/an-eu-us-trade-deal-prospects-benefits-and-pitfalls>.

²³ EU's trade balance with United States, DG Trade, Statistics 26 April 2013.

billion dollars. In the same context of discussion, that of transatlantic economic integration, it is worth mentioning that 50 % of the trade relations between the European Union and United States is represented by intra-company trade (that is between mother companies and their respective affiliates).

Besides trade, in today's globalized world economy, the foreign direct investments represent another key element. We can even appreciate that in the case of the European Union – United States economic relations, foreign direct investments represent the backbone of the partnership. According to statistics, the foreign direct investment stocks (the cumulated value of foreign direct investments) owned by European Union companies in the United States and by United States companies in the European Union amounted to about 3700 billion dollars in 2011.

In 2011 the stock of foreign direct investments owned by European Union companies in the United States was about 1600 billion dollars while the stock of foreign direct investments owned by United States companies in the European Union was around 2100 billion dollars. The European Union member countries with the largest investments in United States are: Great Britain, Netherlands, Germany and France.

Main targets and expectations regarding the Transatlantic Trade and Investment Partnership - TTIP

The European Union and United States are already mature and well regulated markets which represent in both explicit and implicit ways reference markets for the rest of the world. Anyway, because of the size of these economic actors and also due to the complexities of their economies there is considerable room for improvement in their production and trade activities. The importance of these improvements is not directed only to the two entities because there is also an important „demonstration effect“ which the new transatlantic regulations may have upon other large players such as China or India. This „demonstration effect“ is the more important as the Doha Round negotiations carried out under World Trade Organization umbrella could not be successfully finalized.

Regarding the areas of improvement in the transatlantic economic relations, the High Level Working Group on Jobs and Growth has noted 3 important intervention areas²⁴:

- a) Access to markets;
- b) Regulation issues and non-tariff barriers;
- c) Rules, principles and new cooperation methods for joint solving and capitalization of opportunities at a global level.

In the following we are going to analyze and comment these 3 areas of intervention that have been announced. Given their different current status, they do not have an equal share in the timetable of negotiations. For instance, the “Access to markets” area is already in an advanced operational state and requires just some adjustments and improvements of existing situations. For the other two areas there are a lot of topics to be negotiated and the stakes are high as the potential benefits for the two participants are significant, as well as the implications for the rest of the world.

²⁴ Final Report - High Level Working Group on Jobs and Growth, February 11, 2013.

Access to markets

In the field of **access to markets** the Transatlantic Partnership has to identify all obstacles related to tariffs, services, investments and public procurement and find solutions for their removal. The major objective is, simply stated, to achieve a much better regulatory environment than the existing one.

In case of **tariffs** the final objective is to completely eliminate all tariffs in the bilateral trade between the European Union and United States. This is to be done in two unequal stages: a larger proportion of existing tariffs to be eliminated at the time of entering into force of the Partnership, and a gradual elimination, but in a relatively short time, of the remaining tariffs for the most sensitive products and services.

In the field of **services** the objective is to consolidate the highest liberalization level existing at present, looking at the same time for solutions for the reduction or elimination of barriers for services that are regarded as sensitive. Given the nature of the term "services", the two parties have to define rules regarding transparency, objectivity, licensing and certifying mechanisms, as well as implementation procedures.

The Partnership has to include measures for the consolidation and improvement of **the liberalization and guaranteeing of investments** made by companies from each of the two parties. This process will start from the highest standards agreed upon until present times.

In the field of public procurement the objective is that of substantially improving the access of companies from each party to the public procurement programs of the other party, at all levels, based on granting national conditions.

Regulation issues and non-tariff barriers

As it was mentioned above, an important part of the negotiations will be dedicated to the reduction or elimination of non-tariff barriers that have at present the largest limiting effect upon transatlantic economic relations. The administration costs of technical regulations as well as the time needed to monitor their observance have to be reduced. At the same time the high levels of health, environment and security protection have to be maintained.

A particular issue related to this area of negotiations refers to the need to avoid in any way the limiting of the global innovation and competitiveness of companies from the European Union and United States as result of non-tariff barriers.

A difficult task will be that of harmonization and mutual recognition of standards and regulations between the two parties. The difficulty is given by the existence of some significant differences that have to be reconciled.

Among the key aspects to be negotiated under this area there are the following:

- **SPS-plus chapter (Sanitary and Phitosanitary Issues – SPS)**. The two parties will start from the existing regulations under World Trade Organization framework (WTO SPS Agreement) and will add new requirements only to the extent they are needed for the protection of human life, of plants and animals. The criteria and requirements have to be transparent for each party. In this area the parties demand and expect fast and continuous improvement results.

- **TBT plus chapter (TNT - Technical Barriers to Trade)**. In this case the two parties will also start from existing World Trade Organization regulations and will try to reduce

the number of redundant tests and certifications. An important objective is represented by the mutual recognition of certification agencies from the European Union and United States. The two parties will also cooperate in order to define standards and evaluation procedures accepted at a global level. The two parties aim to engage in early consultations in case of new regulations.

- Provision of an institutional and legal framework for future cooperation in the field of regulations.

In order to identify pragmatic approaches to these issues the two parties initiated in 2012 consultations with the business environment, governmental and non-governmental organizations. This process of consultations will be a permanent component of the regulatory mechanism.

Because time is of essence in finalizing the negotiations and tangible results (that is jobs and economic growth) are desired to be obtained soon, the two parties will organize periodical high level meetings in order to assess the progresses made.

Rules, principles and new cooperation methods for joint solving and capitalization of opportunities at a global level

Due to the share and influence of transatlantic economic relations in the world economy, the Transatlantic Partnership will include some rules and principles with not only bilateral, but also multilateral implications. Among these global reaching implications there are the following:

- **The intellectual property rights.** Both the European Union and the United States promote a high level of intellectual property protection. This position includes the existence of enforcement mechanisms and an enhanced cooperation between parties involved.

- **Environment and labour related issues.** European Union and United States support high levels of environment and labour protection. The negotiations will start from the provisions of the European Union on sustainable development and the United States provisions regarding environment and labour protection.

- **Trade and investment activities witnessed substantial changes at a global level** in the past years. New production mechanisms based on complex production chains emerged. The crisis determined anti-competition activities like granting subsidies and incentives to public companies, restrictions on exports of certain raw materials, requirements related to location of investments, etc. The European Union and the United States have similar approaches on these issues and they can act together by including specific provisions on these issues in the transatlantic partnership.

In order to have a global impact and to secure their competitive capabilities in the world economy, the European Union and United States are aware that a number of topics have to be included and properly treated in the transatlantic partnership so that the two entities can generate a higher impact and influence on the rest of the participants in the world economy. Among these topics there can be mentioned:

- Stimulating trade and simplifying customs procedures beyond the provisions of the World Trade Organization;
- Solving competition policy issues, particularly the cases when public entities and even private companies receive subsidies and other forms of assistance from their governments;
- Avoiding and eliminating positive discrimination of local economic agents at the disadvantage of foreign actors;
- Provision of free access on the raw materials and energy markets;
- Support for small and medium sized companies;
- Providing transparency for the regulations, procedures and mechanisms.

All of the above have to be considered as a starting point in the transatlantic negotiations. To the extent that new areas of interest or particular obstacles will be identified, these will become also part of the negotiations.

It is very likely that some third parties (large global players like Japan, China, the Russian Federation or some developing countries) may have reactions vis-à-vis the negotiations and these reactions will also have to be taken into account as both the European Union and United States operate in the global economy and can not insulate from that global framework.

Last but not least, the public opinion may have reactions to the negotiations and these reactions are very sensitive for both the industrialists and politicians. This is why, besides pure technical issues related to negotiations, good communication with the general public and with the rest of the world may bring a significant contribution to the success of these negotiations.

Conclusions

The announcement in February 2013 and the launch in July 2013 of the negotiations on the **Transatlantic Trade and Investment Partnership – TTIP** may be regarded as timely because both United States and especially the European Union need to stimulate economic growth and to send positive messages to the business environment and general public. Given the fact that structural changes in the two economies in order to stimulate growth and competitiveness are not feasible in the short run, a project that aims at improving the existing situation based mostly on negotiations and political decisions is very attractive.

Although optimistic official statements foresee the finalizing of the Partnership in about 2 years (2013 – 2014), there are many sensitive issues that can not be easily overcome. The first and most evident refers to agriculture. In the European Union agriculture has been a controversial issue with its trading partners and not only since the launch of the Common Agricultural Policy in 1962. Even if in time there were a lot of adjustments and concessions, for the period 2014 – 2020 agriculture will continue to receive about 37 % of the community budget, a fact that will imply subsidies and tariff and non-tariff barriers. On the other hand, in United States the farmers also receive subsidies in various forms which can represent in certain cases up to 40 % of their income²⁵.

To these financial aspects we have to add the divergent positions adopted by the

²⁵ Ouyang Shi, EU-US FTA talks could spell trouble, China Daily, April 4, 2013.

European Union and the United States vis-à-vis the Genetically Modified Organisms, as well as a number of different agricultural standards. All these aspects make agriculture a difficult negotiating area. In our opinion it is not impossible that, should it be the case for some irreconcilable differences to emerge during the negotiations on agriculture issues, we may see that this negotiations chapter will be, partially or as a whole, left aside of the Transatlantic Partnership, such a decision being based on the principle of achieving as much as possible in the shortest time possible, without blocking the whole process.

Other sensitive areas are represented by the regulations on food products, pharmaceuticals and cultural goods and services. The harmonization of regulations in such areas require a considerable time, anyway longer than 2 years.

In our opinion, only the significant increase of the social dissatisfaction and unrest as result of high unemployment and lack of perspectives in many European Union member states may determine politicians and businessmen in Europe to accept the solution represented by the **Transatlantic Trade and Investment Partnership – TTIP** as a quick and partial economic fix, able to alleviate social tensions at least by offering positive expectations supported by some visible and concrete measures.

This opinion is partially based on the estimation that the small and medium sized enterprises from the European Union will be among the main beneficiaries of the Transatlantic Partnership because United States represents the main non-EU market for European SMEs with international activity. This fact means that the Transatlantic Partnership has the potential to boost European SMEs activity which in turn will translate into creating a significant number of new jobs²⁶.

An important aspect related to the **Transatlantic Trade and Investment Partnership – TTIP** refers to its expansion potential to other countries, first of all NATO countries or countries with which the European Union or United States have free trade or even customs union agreements. Some notable examples are easy to be found. Canada is part of NATO and part of North American Free Trade Agreement. Turkey is part of NATO and has a customs union agreement with European Union since December 31, 1995 (with some limitations regarding agriculture, services and public procurement).

Also Mexico is part of the North American Free Trade Agreement (NAFTA) but, since 1997 is also part of an Agreement for partnership and economic and political cooperation with the European Union, agreement that includes some free trade provisions. At the same time, the European Union has started in 2009 negotiations with Canada on a Comprehensive Economic and Trade Agreement (CETA). This Agreement is in 2013 in an advanced stage of finalization²⁷. If all these aspects are taken into account we can rather speak about a European Union – NAFTA agreement as long as all three members of NAFTA (United States, Canada and Mexico) either discuss or already have some free trade agreements.

This possibility of extending the provisions of the **Transatlantic Trade and Investment Partnership** beyond the two negotiating parties encounters some criticism from the part of those who fear that this partnership represents an important step ahead towards a world government as it was conceived in 1939 by Clarence Kirschmann Streit in his book Union

²⁶ European Commission, Commission Staff Working Document: Impact Assessment Report on the future of EU-US trade relations, Document SWD(2013) 68 final, Strasbourg, 12.3.2013.

²⁷ European Commission, Trade policy with Canada, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/canada/>.

Now. He supported the establishment of a federal state similar with United States of America that was to include the states in Western Europe, USA, Canada, Australia, New Zealand and South Africa²⁸. His ideas had quite a large audience and led to the establishment in 1939 of an organization, the Federal Union, to which it was added in 1949 the Atlantic Union Committee, an organization with an important role in the establishment of NATO. Since 2004 the activities of the Federal Union have been continued by Streit Council for a Union of Democracies²⁹, an organization that supports the deepening of the transatlantic integration with the possible participation of other democratic developed countries, such as OECD member countries.

The successful finalization of the **Transatlantic Trade and Investment Partnership** could represent a model to be followed by a similar project involving the Pacific area countries: the **Trans-Pacific Partnership – TPP**. This project includes countries which are much more diverse than the ones **involved** in the transatlantic partnership.

These far reaching global implications may strongly support the idea that the **Transatlantic Trade and Investment Partnership** brings important chances that contribute not only to the short and medium term improvement of the social and economic situations of the participating entities, but also to the design of the new architecture of the world economy beyond 2020.

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²⁸ Clarence K. Streit, *Union Now - A Proposal for a Federal Union of the Democracies of the North Atlantic*, Harper & Brothers Publishers, New York, London, 1939.

²⁹ Streit Council for a Union of Democracies website, <http://streitcouncil.org/>.

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