

Chapter 2

The Geopolitical Implications of TTIP

Robert D. Hormats

There are a multitude of reasons why a well-constructed and well balanced Transatlantic Trade and Investment Partnership, or TTIP, is greatly in the interest of both the United States and Europe. Many of these are in the economic realm. The United States and Europe are each other's largest trading and investment partners. And while neither has enjoyed robust growth recently, although U.S. growth is now picking up, even a small amount of trade liberalization, improvement in trans-Atlantic regulatory consistency and harmonization of standards-setting practices can have a significant positive impact on transatlantic commerce and on job creation. This is because even a small percentage point increase in the enormous volume of commerce that flows between our continents can produce big increases in trade. Moreover, if the United States and EU can agree on common regulations, consistent standards setting practices, mutual recognition of tests in certain areas, recognition of science-based decisions on key trade-related procedures etc. in important areas, we will together be in a stronger position to encourage other nations or entities to adopt them, giving our companies and workers further benefit. If we want to be on the winning side of globalization we need proactive trade policies that improve global rules and we can best do that together. If we fail, other will seize the opportunity—and we will be divided against one another and as we face the world.

Related to this are the geopolitical implications of TTIP. It is difficult to imagine a clearer wakeup call for closer U.S.-European cooperation than recent events in Ukraine. With the United States having devoted more attention to Asia of late, and now being diplomatically drawn into the Middle East in a variety of ways, all the “tapering” in Washington did not come from the Federal Reserve. Europe received relatively little attention both in relative and absolute terms. And on Europe's side, there were those who argued that it did not need the US as much in part because the security threat had diminished and in part because Europe itself was devoting more attention on the eco-

conomic front to Asia's growing markets and to attracting Asian investment. All this should have changed as the result of Russian actions in Ukraine—and other activities on its western border. But has it?

It is surprising and disappointing that the importance of enhanced economic relations as a way of enhancing U.S.-European solidarity in the wake of these actions has not been greater. Both sides speak of it and write about it, but the level of political commitment and the full-throated endorsement of TTIP as a priority seem a bit underwhelming. President Obama made a key point in arguing for firm resolve regarding support for Ukraine when he addressed European Youth on his March 2014 visit to Brussels. He warned about how badly the world would see us “If we defined our interests narrowly...” in these circumstances. The danger with TTIP, I fear, is that if we define our interests too narrowly in these talks, if we might fail to see the broader benefits of TTIP. And the rest of the world, beginning in Moscow but not ending there, would conclude that a moment when the a US and Europe should find a way to overcome historic but often relatively obscure trade differences,

The goal in these negotiations then should first and foremost be a sound agreement that can stand the test of scrutiny on economic ground on both sides of the Atlantic, because without that it will not get the popular or legislative support it needs for passage. But there are ways of defining interests very narrowly and ways of defining them more broadly—and in the current geopolitical environment it is imperative that both sides recognize the necessity of the latter. American and European leaders need to make this point more forcefully and effectively than they have in the recent past.

Let's look at the stakes in historic terms. The glue that held the United States and Europe together for many years, particularly during the Cold War, was NATO. To put it succinctly, it kept American forces in Western Europe and Soviet forces out. Most Americans and Europeans supported that US presence. The United States maintained substantial troop strength in Western Europe for decades and a significant number of European members of the Alliance maintained substantial troop levels for several decades as well; large portions of the populations on both sides of the Atlantic understood why the Alliance was there and how vital it was.

Trade and investment, of course, were vitally important parts of the broader political and security relationship. Initially supported by the Marshall Plan and then by the Kennedy Round of trade negotiations and growing private sector engagement in transatlantic commerce and investment, the economic dimension of the relationship supported the recovery of Western Europe. That in turn enabled it to become a stronger ally of the United States in the Cold War and reduced its vulnerability to internal instability, from time to time fomented by extremist groups. Some of these were purely internal in nature; others were supported by the Soviet Union or those sympathetic to its views or ideology.

Europe's economic recovery also boosted American growth and job creation; imagine, for a moment, how much weaker the American economy would have been during this period had Europe not recovered its economic strength and how much greater the American defense budget would have been had there been constant political instability in western Europe, fewer resources generated there to defend themselves and more domestic instability inviting external intervention of various types.

Now we find ourselves in a very different world. The Cold War ended over two decades ago. So did the existence of the entity known as the Soviet Union. And today younger generations of Americans and Europeans have little or no knowledge of what NATO is or why it is there—much less of the critical role it played in protecting Europe's freedom for several decades, setting the stage for a united Germany in a united Europe and addressing wars in other parts of the continent, for instance the Balkans, after the Cold War ended.

In addition, there are growing pressures in the United States to reduce America's global engagement in various parts of the world and cut back on military presence overseas. A recent poll by the Pew Research Center indicated that 52% of Americans asked responded that the "US should mind its own business internationally and let other countries get along the best they can on their own." Among those who felt this way, 28% said they did because of the cost of foreign involvement. Add to this the growing pressures to reduce budgetary expenditures for all programs, including the military. America's NATO forces are unlikely to be exempt from these pressures.

In Europe, major cuts in forces have already taken place. These began well before the financial crisis—for budgetary reasons and because of less overall public support in a great many countries in Europe for maintaining a large military establishment. This drop in public support can for the most part be attributed to the end of the Cold War and significant reluctance to engage in military activity elsewhere in the world. The financial crisis and the resulting additional budget cuts to restore fiscal stability have further sharpened that trend. Moreover Europe’s already costly social welfare system requires growing sums of money—and further competes with military budgets for resources. Former U.S. Defense Secretary Robert Gates described American concerns about this situation in his June 2011 Farewell Speech in Brussels; he warned that budget cuts in Europe would lead to a two-tiered NATO, which in turn could cause the United States to pull back from support for the transatlantic security relationship.

There is a strong argument for sustaining a well-prepared NATO; recent events relating to Ukraine vividly and tragically illustrate the need. It is also important to meet contingencies in other parts of the world where the joint military help of the United States and Europe is required—as an indication that the United States and Europe are prepared to meet threats to stability, to vulnerable populations and to shared interests in a unified way. Recent actions in Libya fell into this category.

But it is also true that the European Union today encompasses a much wider range of countries than those in Europe that are members of NATO, and that for the vast majority of Europeans, economic prosperity and stability—particularly the creation and sustainability of jobs—are the top priority. The same sentiment is true for the vast majority of Americans. Indeed, significant numbers of Americans oppose greater military involvement abroad while at the same time support various types of international economic engagement. They do the latter because they recognize that it produces domestic economic benefits. In the same Pew study cited above, 66% of Americans said that U.S. involvement in the global economy was a good thing because “it exposed the US to new markets and opportunities for growth. It must be said, however, that many Americans do not have a positive attitude toward trade agreements; many in weighing the pros

and cons of these see them as harmful to jobs and wages at home because they augment competition from foreign companies, which in the eyes of many has greater negative weight than the positive weight of potential export benefits.

TTIP comes into play here because success in these negotiations—an agreement that both sides see as balanced and expanding mutual opportunity—would demonstrate a transatlantic response to the concerns of tens of millions of Americans and Europeans who have been adversely affected by the recent economic crisis and thus are keenly and urgently focused on economic priorities. The added trade and investment will provide tangible economic benefits on both sides of the Atlantic. It will remind both Americans and Europeans of how much the relationship between the two continents benefits their common economic interests today—just as it was in the post-WWII era. That in turn can underpin support for the kinds of broader security and U.S.-EU political ties embodied in NATO and in various other non-alliance, but similarly important, political ties.

This connection is of crucial geopolitical importance for American and Europeans alike. Global competition today is not simply about goods and services. It is also about which nations' economic and political models or systems are most responsive to their citizens' needs and serve the interests of societies seeking to prosper in this rapidly changing global economic environment. The most powerful message that can be sent by countries that value their democratic systems and believe in the power of market economies to produce growth and advance living standards for their people is to demonstrate that their political and economic systems are successful in producing positive results.

By advancing trade and investment opportunities across the Atlantic, the EU and the United States, which share so many values and interests, can demonstrate to their own citizens and to the world that they are capable of taking the bold decisions—particularly needed now in light of events in Ukraine—that enable stronger and less impeded economic ties between them to improve the lives of their citizens. To the extent they succeed, leaders on both sides will enjoy increased popular support for other types of transatlantic collaborative action, outside the economic realm. And both Europe and the United

States will be more credible in advocating policies and institutions in other parts of the world that are consistent with their own values and practices.

It would be naïve, of course, to believe that this will mean instant agreement to work together on every security or political challenge the United States or members of the EU face, or that success will have a decisive influence on the attitudes of other nations or their responsive to American and European suggestions for policy reform. But a more dynamic and visible set of economic ties has at least the potential to enhance cooperation on some matters in the geo-political realm and their success in a world in which other nations are concerned about Europe and the United States playing a diminished role. Success in these negotiations can play a significant role in dispelling these attitudes.

In the more specific arena of trade and investment, the ability of Europe and the United States to agree upon common rules, regulations, standards and approval processes in areas where differences currently impede commerce and business operations can not only produce bilateral benefits but also provide a template for other negotiations in other parts of the world and for forging a common position for encouraging other countries or regional groupings to adopt such rules or practices. This would give the United States and EU together a considerably greater chance to shape global rules on trade and investment than would be the case if the two were divided.

In that latter circumstance, other nations or groups of nations would be in a much stronger position to influence the process and to force their national preferences on others. Or there would be a more “Balkanized” system of global rules that would lead to problems for American and European companies, which would have to produce goods and services to comply with several sets of national or regional standards—one for their home market and others for a series of other markets.

This is not merely an economic consideration. Joint European-American leadership in setting the global trade rules enhances prospects that trade regionalism—which can lead to both economic and political frictions—over time can be slowed and that nations and regional groups can gradually converge around more broadly agreed

rules and practices. This can in turn produce a wide range of geopolitical benefits by countering the kinds of trade fragmentation and disputes that weaken cooperation on a broader range of issues.

All told, there are a wide range of geopolitical as well as economic benefits to be derived from a successful TTIP. Although the results of these negotiations must first and foremost pass the test of economic soundness and mutual benefit on both sides of the Atlantic, considerable weight must also be given to the geopolitical benefits. During the recent financial crisis we all learned how much economic disruption on one side of the Atlantic affects the other. And the last seventy years should have taught us that prosperity in Europe and the United States is mutually reinforcing.

In much the same way, history makes it quite clear that year in and year out virtually every international political and security challenge the United States has faced has seen Washington call on America's European friends and allies first and to rely on Europe far more than on any other group of nations. Likewise, in times of crisis or need, Europe consistently looks to the United States first. And no two groups of nations have closer ongoing collaboration on security, intelligence and political matters than the NATO partners of Europe and North America.

It is vitally important that all these connections and patterns of cooperation continue. But they cannot be taken for granted, and require constant efforts on both sides to ensure that they are strengthened and that electorates and various social groups understand their value and see tangible benefits from this relationship. Benefits must be seen and felt on Main Street America and in what President François Mitterrand often referred to as "La France Profonde." While the Cold War is thankfully over, the threats to the security and political interests of Americans and Europeans continue in Europe and in many other parts of the world. A successful TTIP that demonstrably boosts job-creating trade and investment in the United States and Europe will further underscore to Americans and European the direct economic value of close transatlantic ties to them and will provide reinforcement of broader and vitally important political and security ties as well. And it will send a powerful message to the rest of the world that the United States and Europe are able to take decisive steps for-

ward at a time when solidarity between them is greatly needed to revitalize their own economies, to reinforce their cooperation and to play a collective leadership role in promoting their values on the global stage.