Chapter 4

TTIP: Don't Lose Momentum!

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The world economy is challenged by a brand new trend: for the first time since decades the wheels of globalization are turning more slowly.[1] It looks like the post-World War II era of global economic liberalization is coming to a halt and perhaps, in the worst case, to an end. In many countries, the further opening up of national markets has gotten stuck. Protectionism has returned as a political strategy.[2]

In earlier times, the World Trade Organization (WTO) would have worked as a counterweight to the temptation of national authorities to rebuild impediments to free international exchange of goods and factors. Its aim is "to open markets for trade" ("where countries have faced trade barriers and wanted them lowered").[3] However, the WTO has lost momentum recently. After a decade of negotiations it has not able to reach more than just the absolute minimum and to avoid the worst scenario: the complete collapse of the Doha Round of multilateral trade negotiations.

The weak compromise on trade facilitation reached by WTO members in the very last minutes of their meeting in Bali in December 2013, after many years of debate, was nothing more than a symbolic bypass operation. It helped the WTO to survive but did not cure the causes of the malady: with about 160 WTO member countries, the world economy has become too complex to find a common single solution.

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[1]In 2012–2013 world trade grew below the long-term average rate (measured in volume terms, i.e., adjusted to account for inflation and exchange rate movements). In the period from the 1980s to 2008, the growth rate for world trade was around twice that of world gross domestic product (GDP), but in 2012 the ratio of world trade growth to world GDP growth fell to around 1:1 See World Trade Organization (WTO), *World Trade Report 2013*, Geneva 2013, p. 21.

[2]"In recent years the trend to greater openness has been replaced by an enthusiasm for building barriers—mostly to the world's detriment. … Policymakers have become choosier about whom they trade with, how much access they grant foreign investors and banks, and what sort of capital they admit. They have not built impermeable walls, but they are erecting gates," "The Gated Globe," *The Economist*, Special Report, October 12, 2013.

[3]See: http://wto.org/english/thewto_e/whatis_e/who_we_are_e.htm.

The United States and the European Union (EU) have been the parents of the global multilateral order in the post-World War II era. Now they see this period of Western dominance in setting the rules of the game coming to an end. The emerging economies are hardly or even not at all willing to accept rules established more or less unilaterally by the West, as was the case in the past. They want to bring in their points of view, their values, norms and interests.

As a consequence of the shift in (economic) power from the West to other world areas in the last decades, the speed and development of global multilateralism have slowed down. Strong initiatives for further worldwide liberalization rounds are not in sight. This tendency is not favorable for economic growth, which reduces the options to make use of existing economic potentials in the transatlantic area. Therefore, for the United States and the EU the search for alternatives to global multilateralism is a wise strategy. And a regional transatlantic agreement might be the best they could find. It is politically feasible and improves economic welfare. That is the key message of this chapter.

The first section of this chapter shows that globalization—the economic offspring of global multilateralism—has lost momentum recently because public, and thus political, attention has shifted from the economically positive growth effects of liberalization to the much more controversial issues of distributing the benefits and costs of globalization. The second section argues that a comeback of global multilateralism dynamics within the WTO will not taken place for years to come. Therefore, regionalization might be a good substitute for global multilateralism. The third section presents the Transatlantic Trade and Investment Partnership (TTIP) as a concrete example of the new paradigm of regional multilateralism. The final section draws the conclusion that TTIP would lead to stronger growth, more jobs and higher standard of livings—firstly and directly in the United States and Europe but lately and indirectly also in other world areas.

Sand in the Wheels of Globalization

The reasons for the recent slowdown in the globalization process are basically the same as those that stimulated globalization in the post-World War II period: changes in transaction costs. Most of the time in the last decades, political and technological changes have gone hand in hand stimulating and strengthening each other. Technological improvements have been allowed to cross national borders easily and cheaply, and to expand national markets to a global dimension. Simultaneously, political arrangements like the creation of international institutions—the General Agreement on Tariffs and Trade (GATT—later the WTO) or regional agreements like the European Union (EU) or the North American Free Trade Area (NAFTA)—have liberalized international activities. They curtailed economic nationalism and restricted beggar-thy-neighbor policies. Thus, politics allowing international business, and technology enabling international exchange, have together been the parents of globalization.

More recently, transaction costs for doing global business have rather increased than further declined. Obviously enough, globalization follows the iron economic law of diminishing returns: the further it has gone already, the smaller the additional benefits will be in the future. On the other hand marginal costs are rising: the more global business is organized, the more complex it will become. In total, globalization might be close to optimal scale that would balance further benefits of a global division of labor with the additional costs of coordinating actors from different and diverse places.

Even more important, perhaps, is that the wind of politics has recently shifted. "Globalization and its discontents"[4] has received more attention than the economic benefits of worldwide open goods and factor markets.[5] Several reasons might have been responsible for this shift:

1. Even if globalization has led to improvements in the standard of living for the mass of people worldwide, the gap between the rich and the poor did not narrow, it has become larger.[6] The distance between advanced and developing economies when they are taken as two aggregates have converged but there are still millions of people in some of the poorest coun-

[4]Joseph E. Stiglitz, *Globalization and its Discontents* (New York/London: Norton, 2002).

[5]Jagdish Bhagwati, *In Defense of Globalization* (Oxford: Oxford University Press, 2004).

[6]See Branko Milanovic, "More or Less?", *Finance & Development*, September 2011, vol. 48, no. 3, pp. 6-11 and—older but broader—Lant Pritchett, "Divergence, Big Time," *Journal of Economic Perspectives*, 1997, vol. 11, pp. 3-17.

tries whose incomes have remained almost stagnant for more than a century and divergence increased between the richest people in the world and the very poorest, despite the broad convergence of average incomes.[7] Some countries have caught up indeed. But others have been rocked by political crisis and social turmoil. As a consequence, the distributional and social aspects of globalization have gained more attention. This can be seen anecdotally in the protests against globalization by the so-called "occupy movement" or turmoil in Brazil, Venezuela, Thailand or China.

2. The period of globalization has gone hand-in-hand with an increasing demand for natural resources and raw materials. In many regards this has led to increasing environmental costs, climate change and the question whether the consequences of economic globalization are sustainable or lead to pollution, global warming and ecological catastrophes, mostly and especially to the costs of poorer people who are not able to finance mitigation and protection measurements.
3. The financial market crisis of 2008/2009, with its attendant, long-lasting tremendous economic consequences, has acted like a culminating point in the last decade. It was eye opener and game changer alike, bundling all the criticisms against globalization, sorrows and fears, broken promises and disappointed hopes. It has slowed down the dynamics of economic development in the emerging economies of Southeast Asia and Latin America. And it has led to increasing unemployment figures around the world. That is why most governments had to protect domestic markets through all kind of policies (fiscal, trade and monetary policies). The United States and the EU had their stimulus packages, India imposed local-content requirements on government purchases of information and communications technology and solar-power equipment, and Brazil urged local firms to buy more from local companies.

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[7] Kemal Dervis, "Convergence, Interdependence, and Divergence," *Finance & Development*, September 2012, vol. 49, no. 3, pp. 11-14.

4. The recession following the financial market crisis provoked a return of protectionism. "After two decades in which people, capital and goods were moving ever more freely across borders, walls have been going up, albeit ones with gates."[8] In particular, the exchange rate has been re-detected as the most important weapon in a blazing currency war (look at the Japanese case as the probably most prominent example).[9] A devaluation of the currency to protect the domestic economy is a much more powerful instrument of protectionism than any import duty. And it promotes exports stronger than any export subsidy.

All in all, the pace of globalization has slowed down recently. The share of internationally traded goods and services relative to total world production and foreign direct investment has failed to attain pre-crisis levels. This is especially true for global capital flows, which have collapsed from $11 trillion in 2007 to barely a third of that figure in 2012.[10]

Similarly, the current volume of world trade lies in the post-crisis period well below the long-term trend from 1990 to 2008.[11] The world economy is now less globally connected than in 2007. The 2012/2013 ratio of world exports of merchandise and commercial services has not yet reached the peak value of 2008.[12]

It has become obvious that "Globalization is neither inevitable nor irreversible."[13] "Governments increasingly pick and choose whom they trade with, what sort of capital they welcome and how much freedom they allow for doing business abroad."[14] The consequence of the

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[8]"Gated Globe," *op. cit*.

[9]Of course the tremendous crash of the national currencies—like in Argentina or Turkey in spring 2014—has gone much below a currency war strategy and was fueled by the expectation of a recovery in the United States and further turmoil (as described above) in some emerging markets.

[10]"Gated Globe," *op. cit*.

[11]*World Trade Report 2013*, *op. cit*., p. 23.

[12]Ibid., figure 1.3.

[13]Ibid., p.5.

[14]"Gated globe," *op. cit*.

return of protectionism is simple: the pressure on globalization leads to pressure on global multilateralism.

Regional Multilateralism as a Substitute for Global Multilateralism

The United States and Europe were the pioneers of a liberal world economic order after World War II. They believed in the iron laws of international trade. According to them, opening up national markets allows for welfare enhancing specialization, international division of labor and an efficient reallocation of production factors. Consequently, both the United States and the EU promoted the establishment of a global multilateral system. first via the GATT and later the WTO, with a universal, uniform and equal treatment of countries (and people).

There is no doubt that the United States and the EU would still benefit from a further liberalization of international trade in goods and services, investments and business activities within a global multilateral system. A world economy with lower or no artificial exchange barriers would reduce transaction costs for international trade, investments and migration. However, after the failure to speed up the further development of the WTO in Bali in 2013, the dynamics for finding a new global multilateral economic order will be slowed down for many years. Further major improvements to the WTO are not in sight.

The rising political and economic power of emerging markets questions the concept of global multilateralism. Liberalization and globalization are challenged by new powers outside the transatlantic rim. Many more players with many more different interests have joined the worldwide game of international exchange of goods and factors. Homogeneity is gone. Heterogeneity is in. And this challenges the global multilateral approach that has been regulating international economic activities since World War II. Universality, uniformity and equal treatment of states cannot be attained anymore.

New approaches for a reanimation of further liberalization of international activities are needed. This is in the interest of all countries. Economic theory can easily demonstrate that national borders and walls are costly—also for the economy that should be protected. And empirical evidence confirms the negative impact of protectionism on growth and employment. The experience of the last decades clearly shows a definite statistical link between freer trade and economic growth.[15]

However, if the first best solution (i.e. a global multilateral system that aims to remove barriers to trade in goods, services and factors) is politically not feasible, a second best solution (where at least some countries remove restrictions on international activities) might be a wise compromise. Removing borders and opening up national markets to some but not every country is not as good as a world without trade restrictions, but it is better than a world with nationally protected markets.[16]

The idea of "second best" solutions is the midwife of a liberalization arrangement between the United States and the EU. An agreement should be easier between these two partners than among many (i.e. about 160 WTO members)—especially since the two partners share many basic values and have a long historical common background.

While global multilateralism would generate the largest economic benefits of globalization (at least theoretically), regional multilateralism has a higher likelihood to convey the benefits faster in practice. It follows the pragmatic judgment that some liberalization is better than no liberalization, independent of whether it is regional or global.

For the United States and the EU, the only viable way to further develop a liberal economic order is to start small rather than big and to go regional rather than global. Further steps to liberalize international economic activities have to be negotiated among a few rather homogeneous partners with a broad range of common goals and not

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[15]"Protection ultimately leads to bloated, inefficient producers supplying consumers with outdated, unattractive products. In the end, factories close and jobs are lost despite the protection and subsidies. If other governments around the world pursue the same policies, markets contract and world economic activity is reduced. One of the objectives that governments bring to WTO negotiations is to prevent such a self-defeating and destructive drift into protectionism." (http://wto.org/english/thewto_e/whatis_e/tif_e/fact3_e.htm).

[16]The concept of "second best solutions" was developed in the 1950s. See James Edward Meade, *Trade and Welfare* (Oxford: Oxford University Press, 1955), and Richard G. Lipsey and Kelvin Lancaster, "The General Theory of Second Best," *Review of Economic Studies*, vol. 24, no. 1 (1956–1957), pp. 11-32. More recently, Dani Rodrik, "Second-Best Institutions," *American Economic Review*, vol. 98, no. 2 (2008), pp. 100-104, has applied the concept to argue that appropriate institutions for developing countries are "second-best" institutions—"those that take into account context-specific market and government failures that cannot be removed in short order. Such institutions will often diverge greatly from best practice."

among heterogeneous actors with different interests. Regional, not global, multilateralism is the answer to the changes in the world economy, including the political and social reluctance to accept the outcomes of the new globalization.

TTIP as a Pragmatic Approach to Further Liberalization

In June 2013, President Barack Obama, European Council President Herman Van Rompuy, and European Commission President José Manuel Barroso launched the Transatlantic Trade and Investment Partnership (TTIP). The founders of the TTIP idea have left open how far they would like to go by integrating economically Europe and the United States. They have simply declared that the United States and the EU aim to deepen their bilateral relationship, assert their trade policy leadership, and advance a rules-based system of global economic governance that reflects their shared values and interests.

As TTIP indicates, the focus lies in a trade and investment agreement between the United States and the EU that aims to remove trade barriers (both tariffs and non-tariff trade barriers [NTBs] like differences in technical regulations, approval procedures and recognition of technical standards and product admission) in a wide range of economic sectors in order to facilitate the buying and selling of goods and services between the United States and the EU.

TTIP's goal is to eliminate all impediments in bilateral trade in goods and investments according to the principle of origin. For the trade in services, the aim is to obtain improved market access and to address the operation of any designated monopolies and state-owned enterprises.

TTIP would amalgamate the world's two largest economies. And of course it would resolve concerns of the EU about the fact that the United States is engaged in talks about a Trans-Pacific-Partnerships (TPP).[17] Measured in purchasing power parity, the United States and

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[17]The TPP is currently being negotiated among twelve countries (i.e. United States, Canada, Mexico, Peru, Chile, New Zealand, Australia, Singapore, Malaysia, Brunei, Vietnam, and Japan). The threat to the EU is that TPP could generate serious trade diversion effects for EU economies.

the EU together are responsible for almost 40% of global GDP, for almost 60% of worldwide foreign direct investment,[18] and for one-third of worldwide trade in goods and services.[19]

The expected economic effects of TTIP are well analyzed in theory.[20] They can be summarized as: a) trade creation, b) trade expansion and c) trade diversion effects. While the first two impacts are clearly positive the third one is negative. Trade diversion leads to discrimination against third countries. As a result, there might arise a feeling of unfair treatment culminating in anti-liberalism tendencies or even an aversion to the Western economic order.

The expected economic effects of TTIP are tremendously positive.[21] According to a CEPR study, the annual GDP growth stimulus could reach up to 0.5% of GDP (about 160 billion U.S. dollars) for the EU, and 0.4% of GDP (about 130 billion U.S. dollars) for the United States. A Bertelsmann Foundation study estimates that at least a total of 750,000 new jobs would be generated in the United States alone.

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[18]See United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2013*, (Geneva: 2013).

[19]*World Trade Report 2013*, op. cit.

[20]As an example see the seminal book by Jacob Viner, *The Customs Union Issue* (New York: Carnegie Endowment for International Peace 1950), newly edited and with an introduction by Paul Oslington, (New York: Oxford University Press, 2014). Especially in the 1950s the theory of customs union has been established further. The *World Trade Report 2011* presents an exhaustive survey about the literature and the recent state of the art in both theory and empirics (see World Trade Organization (WTO), *World Trade Report 2011*, Geneva, 2011).

[21]The economic consequences of TTIP have been analyzed broadly in a study by CEPR (see Centre for Economic Policy Research (CEPR): *Reducing Trans-Atlantic Barriers to Trade and Investment* (project leader Joseph Francois), London March 2013) and in several articles by the Ifo-Institute in Munich (see Gabriel J. Felbermayr, and Mario Larch, "The Transatlantic Trade and Investment Partnership (TTIP): Potentials, Problems and Perspectives," *CESifo Forum* vol. 14, no. 2, June 2013, pp. 49-60). Some of the Ifo results have been published together with the Bertelsmann Foundation (see Gabriel J. Felbermayr, Benedikt Heid and Sybille Lehwald, *Transatlantic Trade and Investment Partnership (TTIP): Who Benefits from a Free Trade Deal? Part 1: Macroeconomic Effects*. Bertelsmann Foundation (Gütersloh, 2013) Available at http://www.ged-project.de/studies/study/who-benefits-from-a-transatlantic-free-trade-deal/). And finally there is a Bertelsmann study that evaluates the job effects of TTIP; see: Tyson Barker, Anne Collett, and Garrett Workman, *TTIP and the Fifty States: Jobs and Growth from Coast to Coast*. Atlantic Council of the United States, the Bertelsmann Foundation, and the British Embassy in Washington, Washington 2013.

The optimistic expectations are caused by the fact that the United States and the EU are each other's most important trade partners. Both regions have similar cost and production structures, similar levels in economic development, deep political relations and strong cultural similarities. Therefore the reduction of trade frictions could help to reallocate more efficiently production factors (especially capital i.e. firms and their production sites) and to make use of comparative advantages, economies of scale and joint research activities to develop new technologies.

TTIP would generate significant economic gains on both sides of the Atlantic. Because the levels of tariffs between the United States and the EU are already very low, the dismantling of non-tariff barriers between both regions has a much bigger influence on the growth process and on the employment rate than the dismantling of tariffs. The CEPR study simulates the potential impact of a TTIP in a couple of liberalization scenarios.[22] In one "limited" scenario, where only tariffs are eliminated (98% of all tariffs), a growth stimulus of 0.1% is projected for the EU per year ($31.7 billion) and 0.04% per year ($12.5 billion) for the United States. However, in a second "comprehensive/ambitious" scenario, where 98% of all tariffs and 25% of NTBs on goods and services and 50% of procurements non-tariff barriers are abolished, the benefits would be much higher. Annually, the EU's GDP is estimated to increase by 0.48% ($158.5 billion) and U.S. GDP by 0.39% ($126.2 billion).

The general view is that 70-80% of TTIP benefits will come through aligning U.S. and EU approaches to regulation. The goal will be an agreement stating that, while domestic rules and regulations across many sectors may be different in the United States and European Union, there is no need for harmonization. Rather, both sides can identify sectors in

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[22] CEPR and Ifo as well base their economic assessments on a simulation of a computable general equilibrium (CGE) model. The two studies differ with respect to aggregation. The Ifo study models 126 separate countries, but adopts a macroeconomic single-sector perspective. The CEPR study works with 10 regions, but adopts a multi-industry perspective. To obtain a detailed explanation of the model used by the CEPR respectively by the Ifo Institut see Francois, et al. (2013: 21-25 and 105-112) respectively Felbermayr, et al. (2013: 57-63 and 140-147) and for a methodological comparison between the CEPR and the ifo-studies see Gabriel J. Felbermayr and Mario Larch, "Transatlantic Free Trade: Questions and Answers from the Vantage Point of Trade Theory," in *CESifo Forum*, vol. 14 (2013), no. 4 (December), pp. 16-17.

which they recognize the essential equivalence of each other's regulatory systems. This would be a cost-saving measure and help avoid duplications or contradictions across the Atlantic. To do this successfully, however, equal treatment independent of nationality will be crucial. Domestic and foreign certifications have to be treated the same way.

However, and for the long run even more importantly, TTIP would also allow the United States and EU to define basic standards for open flows of investment, which could have a major effect on opening growth markets elsewhere in the world.[23] This is of special importance because investment will drive the dynamics of transatlantic activities, just as trade drives the transpacific relationships. TTIP would allow U.S. and European firms to construct their value chains more efficiently, better profit from larger economies of scale and scope, and to be able to exchange ideas, skills, and firm-specific knowledge more easily across the Atlantic. This would not only bring some static costs savings, as in the case of trade. It would also allow for new forms of producing and processing that stimulate growth rates and not just cost levels.

The United States and the EU together are already by far the most important players in the world's financial markets. "Achieving convergence or common regulatory standards could leave in its wake an explosion of growth in these markets."[24] If successfully done, TTIP could become the rule-setter for new global standards—with a first advantage for the United States and the EU.

While the effects of TTIP might become tremendously positive for the United States and the EU, the consequences for the rest of the World would be rather negative in the short run. Especially those countries which are geographically close to the United States or to the EU and countries which already maintain free trade agreements with the United States and/or the EU or countries which have a high trade volume with either one or both of the transatlantic giants, must expect to lose trade flows through the trade diverting effects of a TTIP in the short run.

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[23]See also: Bernard Hoeckman, "Business and Transatlantic Trade Integration," in *CESifo Forum*, vol. 14 (2013), no. 4 (December), pp. 28-32.

[24]Jim Kolbe, "Alice in Trade-Land: The Politics of TTIP," GMF Policy Brief, February 2014, p. 3.

The simulation studies confirm the intuitive expectation that trade diversion would matter a lot for neighbors or strong trading partners. TTIP would lead to strong trade-diverting effects within the NAFTA area. Trade with Canada and Mexico would fall substantially and consequently per capita income in the neighboring countries would fall dramatically (in the worst case by about a total of 7% for Mexico and 9.5% for Canada in the long run). But the highest declines in the trade flows would be seen between the United States and China.

However, in the long(er) run the higher growth, the additional jobs and the increase in the standard of living in the United States and the EU will lead to stronger economic relations also with the outside world.[25] Thus, TTIP will not only stimulate the U.S. and EU economies. It will also improve the economic situation of neighboring countries and the outside world in the long run.

That makes clear how crucial it is that TTIP remains open for other countries willing to accept the rules of the game of a new transatlantic order. TTIP should be an inclusionary, rather than exclusionary agreement. If TTIP establishes common standards and reduce regulatory divergences and invites other countries to join, the likelihood is high that third countries might profit and will experience a decline in trade costs and an increase in their GDP as well. Therefore, the TTIP has the chance to promote economic growth worldwide.

To lower concerns in the rest of the world that TTIP might be the end of global multilateralism, it should be open for other countries to join in principle. It should be clearly communicated to partners beyond the transatlantic area—particularly those in the Transpacific Partnership (TPP), who might be concerned that TTIP is designed to be an exclusive arrangement—that those who want to join would be able to do so.

The only precondition for joining TTIP would be the acceptance of a "TTIP Acquis Atlantique" by the date of accession. This means that joining would be an all-or-nothing decision for new members.

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[25]Empirical evidence from existing regional trade arrangements does not show that in the past regional and global liberalization have proceeded together, they have tended to reinforce each other, the interactions have been largely positive throughout the postwar period; see the contributions in: Richard Baldwin, and Patrick Low (eds.), *Multilateralizing Regionalism: Challenges for the Global Trading System* (WTO: Geneva, 2008).

They would have to accept all TTIP norms and requirements in order to join, without any ability to negotiate changes to the TTIP Acquis.

In practice not many other countries might be willing or able to accept the "Acquis Atlantique" of TTIP without having the chance to change it according to specific national preferences. However, for the neighbors of the United States and the EU such access could be realistic. Being outsiders they would be harmed most in the short run and could profit far more by becoming a member of TTIP in the long run. Therefore for them it might be a very profitable decision to join TTIP.

Conclusion: Do It and Do It Now!

The United States and the EU should start a new liberal order quickly and economically successfully or there will be no further liberalization anymore at least for some time. They should not wait for a common global understanding of what should be done. Such a joint global agreement will not be found soon, and if there will be a compromise it is uncertain what it would look like, and it might contradict the economic interests and liberal values of the "West."

TAFTA (Transatlantic Free Trade Area), TEC (Transatlantic Economic Council) and other previous initiatives for a deeper transatlantic integration were bottom-up in nature, pushed by either single countries or with one side of the Atlantic taking the lead. TTIP, however, is top- down. It is a high priority on the agenda of both the U.S. president and the European Commission.

TTIP is the pragmatic answer of the United States and the EU to the shift from global to regional multilateralism that could be seen worldwide.[26] It is an effort to find common ground among transatlantic partners with a long common history. The EU and the United States are relatively close in their shared understanding of fundamental values like individualism, liberalism, constitutionalism, human rights, liberty, rule of law and democracy. Therefore win-win-agreements, compromises and further steps towards liberalization and an opening up of national goods, labor and capital markets might be

[26]For a survey of the many regional arrangements, see *World Trade Report 2011*, *op. cit*.

reached easier than on a global level where national interests differ much more.

TTIP follows the empirical evidence of the past that more liberalization is better than less and that regional multilateralism is better than no multilateralism. So the expectation is that TTIP is a good strategy not only for the transatlantic area but for the world economy as a whole. For that reason "countries outside the EU and the United States, especially the larger emerging economies, should fear TTIP failure rather than TTIP success."[27]

To be ultimately successful, TTIP negotiators should consider "rejecting the single undertaking approach to negotiations, where nothing is agreed until everything is agreed."[28] Instead, negotiations should start on transatlantic trade, investment and regulatory cooperation. However, they should be ready to include additional themes like financial services, energy, environmental issues or corruption. Eventually, TTIP could serve as a single economic area for all kinds of businesses. While an opting out (from the Acquis) should not be possible, an opting-in approach should be possible for countries that wish to go ahead with cooperation in certain areas.

After an optimistic start in 2013, negotiations are stuck in 2014 for several reasons:[29]

1. Genetically modified organisms: Americans might see genetically modified food as a solution to the problem of starvation, Europeans might see it as a source for new problems of and with agro-business.

2. Media ("cultural exception"): Europeans want to protect their cultural heritage against an unwanted and unbeloved "Ameri-

[27]Frederik Erixon, "The Transatlantic Trade and Investment Partnership and the Shifting Structure of Global Trade Policy," *CESifo Forum*, vol. 14 (2013), no. 4 (December), p. 19.

[28]Daniel Ikenson, "Fresh Ideas for a Successful Transatlantic Trade and Investment Partnership," *CESifo Forum*, vol. 14 (2013), no. 4 (December), p. 27.

[29]For recent information on the status of negotiations see The TTIP Forum at the Center for Transatlantic Relations, Johns Hopkins University School of Advanced International Studies (SAIS) http://transatlantic.sais-jhu.edu/index.htm#TTIP or the Atlantic Council (http://www.atlanticcouncil.org/blogs/ttip-action/about-ttip-action) "TTIP Action" project, each of which offer the latest news and analysis on TTIP.

canization." Americans see this goal as a (poorly disguised) demand for protection.

3. Privacy (NSA/PRISM-affair): Unless there is a common transatlantic understanding about the minimal standard of privacy protection, the European Parliament might not sign a TTIP agreement. Going forward, both sides will need to have a serious discussion about where to set the balance between security and privacy and liberty, a contentious debate which has been ongoing since 9/11. A U.S.-EU working group has been set up on the issue; both sides must use this mechanism to reach some agreement, otherwise it is more than doubtful that the European Parliament will ratify TTIP.[30]

4. Some Europeans fear that an investment agreement with the United States might become a Trojan horse allowing American companies to subvert European regulations and to gain access to the EU Single Market without having to accept European laws and standards. Opposition is especially strong with regard to labor standards ("hire and fire"), social standards (minimal protection) and environmental standards.

5. The missing authority for President Obama to sign a TTIP agreement on a "fast track" makes the negotiations very complex. As long as the Congress does not provide the President with "Trade Promotion Authority," negotiators on both sides could of the Atlantic cannot be sure whether Congress would carve up any agreement. What if the President agrees on what has been negotiated but Congress wants to change some paragraphs? How would the Europeans react? And: how does this uncertainty influence the negotiation process?

6. The May 2014 European Parliament elections and formation of a new European Commission means that for 2014 political leadership will be missing, and it is unclear who eventually will be in charge in the endgame of the negotiation process.

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[30]See Annegret Bendiek, "Beyond US Hegemony: The Future of a Liberal Order of the Internet," in *Liberal Order in a Post-Western World* (Washington, DC: Transatlantic Academy, 2014).

Having in mind the undeniable benefits of TTIP, there is no doubt that it would be worth to overcome rapidly the difficulties and to avoid further delays.[31] The TTIP initiative comes at the right time. Globalization has lost momentum. Benefits of doing business with the emerging markets have declined and transaction costs have increased. The financial crisis has led to high unemployment rates and high public debts on both sides of the Atlantic. New impulses for growth are needed to improve prospects for employment, growth and welfare.

TTIP could spur growth, translate into millions of new jobs in the United States and Europe, and improve both earnings and competitiveness for many companies, particularly small and medium-sized enterprises on both sides of the Atlantic. However the benefits would not be restricted to the United States and the EU. They would spread out worldwide. In the long run, all countries could benefit from more prosperity in the transatlantic area. That is why TTIP should become a success, not a failure, and why TTIP should gain, not lose, momentum.

[31]Remarkably enough, several empirical studies have analyzed the impacts of TTIP with different methods but all come to the same positive evaluation.