

The Distinctive Politics of the Transatlantic Trade and Investment Partnership Negotiations⁴

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The Transatlantic Trade and Investment Partnership (TTIP) negotiations, as the world's most ambitious trade agreement between the world's two largest economies, have excited considerable scholarly analysis and commentary. To date that attention has focused overwhelmingly on the issues at stake in the negotiations and has touched on the politics associated with the negotiations only in passing. Little attention has been paid to the distinctive politics of TTIP.

Since the Second World War major trade agreements have been based upon reciprocal concessions of market access. That is, each party has sought to gain access to foreign markets for its exporters by granting greater access to its own for foreign exporters. The negotiating positions of the parties, therefore, reflect the interplay between export-oriented and import-competing interests – firms and their workers within each party (Hiscox 2011: 101). Firms and workers in the different parties are assumed to be rivals. The patterns of political mobilization in the TTIP negotiations diverge from this traditional picture in two striking and significant ways: 1) the negotiations are characterized by transatlantic alliances among firms (and among workers) and 2) the most vigorous opposition to the agreement is coming from non-traditional trade actors, consumer and environmental groups and even the general public. In this short article, I sketch out the distinctiveness of the politics of TTIP, their origins and their implications.

The distinctive politics of TTIP

In contrast to the traditional view of economic interests in the negotiating parties as rivals, one of the most striking features of the politics of TTIP is the overwhelming presence of transatlantic alliances. Leading American and European manufacturing and services associations—including in automobiles, chemicals, pharmaceuticals, textiles, express delivery service, financial services, and insurance—as well as horizontal business groups submitted joint proposals for the negotiations (see Young 2015). The leading trade union confederations of the two sides also adopted a joint position paper (AFL-CIO and ETUC 2014), as did more than 150 consumer, environmental, labor and other civic groups (AFL-CIO et al 2014). There is, however, one glaring exception to this transnationalism: agriculture. There are no transatlantic

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alliances among farmers, and the farm groups on each side advance rival objectives, while rejecting concessions (see Young 2015). With the exception of agriculture, however, the politics of TTIP is distinctly transatlantic.

The other striking feature of the politics of TTIP is the extensive and vigorous mobilization of non-traditional trade actors. In traditional trade politics, individuals' trade policy preferences are assumed to reflect their interests as workers (Mansfield and Mutz 2009: 427), and so unions are the relevant trade actor. In TTIP, however, a diverse array of civic interest groups has adopted positions on TTIP. In May 2014 a coalition of NGOs from both sides of the Atlantic wrote to the lead negotiators to express their concerns about the TTIP negotiations (AFL-CIO et al 2014). The signatories were 73 US NGOs -- including Consumer Federation of America, Consumers Union, Friends of the Earth US; Greenpeace US, Public Citizen and the Sierra Club -- and 90 EU NGOs -- including the European Environmental Bureau, the European Public Health Alliance, and Friends of the Earth Europe. TTIP represents the first time that most US consumer groups have engaged actively in trade policy.⁵ Moreover, there is also an unprecedented level of popular mobilization against TTIP in Europe. As of the end of May 2015 almost two million people had signed a self-organized European citizens' initiative opposing TTIP.⁶ As a result, the most vigorous opposition to the agreement comes from actors that have not traditionally engaged in trade politics.

Sources of TTIP's distinctive politics

Each of these distinctive features of the politics of TTIP has its origins in a different feature of the transatlantic relationship. The alignment of preferences and cooperation among business interests reflects the extensive interpenetration of the US and EU economies through foreign direct investment (FDI). The mobilization of non-traditional trade actors reflects the unique emphasis in the TTIP negotiations of addressing the adverse trade effects of regulatory differences.

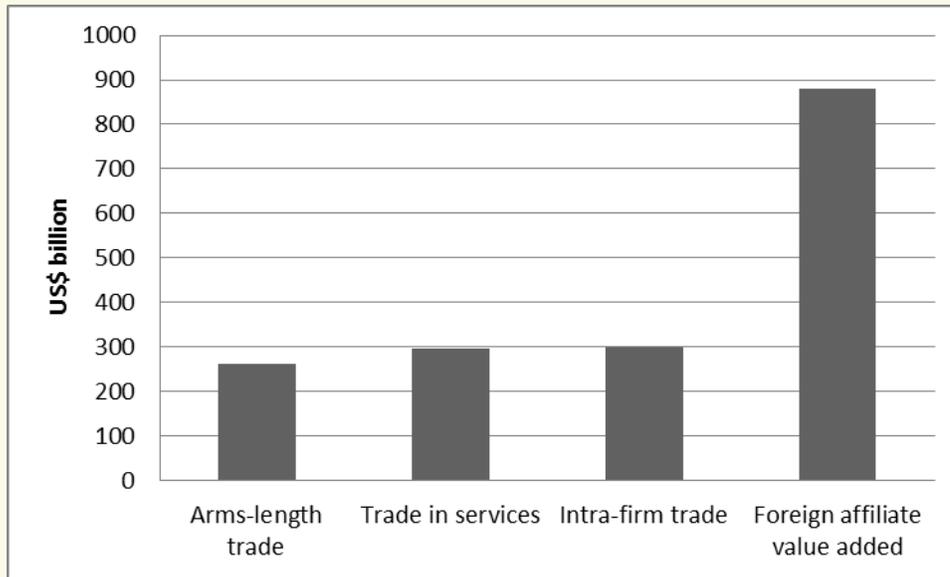
Transatlantic trade is not traditional trade. The transatlantic economy is characterized primarily by foreign direct investment. European companies accounted for 64 percent of the stock of inward FDI in the US and American companies accounted for 46 percent of the inward stock of non-EU FDI in the EU in 2010 (Lakatos and Fukui 2013: 2). As a result, the value-added by foreign affiliates is worth more than the trading relationship and intra-firm trade is central to that trading relationship (see Figure 1). Further, although hard to quantify, a substantial proportion of nominally arms-length trade almost certainly occurs within value chains (see Young 2015).⁷ Due to the extensive transatlantic FDI, there are numerous companies operating on both sides of the Atlantic. This interpenetration is evident the overlapping membership of the associations that comprise the transatlantic alliances (see Young 2015). The prominence of firms with their feet planted firmly on both sides of the Atlantic, therefore, explains the distinctive presence of transatlantic business alliances.

⁵ Interviews with consumer group representatives, Washington 18 May 2015 and via telephone 26 May 2015.

⁶ See <https://stop-ttip.org/>. Accessed 28 May 2015.

⁷ Interview, business representative, Washington, DC, 18 May 2015.

Figure 1: Components of transatlantic economic exchange (2010)



Sources: Own calculations based on Lakatos and Fukui (2013: 2) for intra-firm trade and value-added by foreign affiliates; USTR (2012: 133) for total trade and USTR (2013: 143) for trade in services.

While transatlantic alliances reflect the nature of the transatlantic economy, the mobilization of non-traditional trade actors is a response to TTIP's emphasis on regulatory cooperation. In part because of relatively low tariffs and in part because both the EU and the US have highly developed but distinct regulatory approaches, regulatory differences are the most significant obstacles to transatlantic trade (ECORYS 2009: xiii; HLWG 2013: 3). While traditional liberalization tends to bring only benefits to consumers, regulatory coordination potentially also bringing costs in the form of less safe or more environmentally harmful products. This gives regulatory cooperation greater salience for citizens than traditional trade policy (Evans 2003: 155).⁸ In addition, the expressed intention of both parties to include an investor-state-dispute-settlement (ISDS) mechanism in the agreement is seen as giving transnational corporations an additional mechanism for challenging domestic regulations. Concerns that TTIP might be deregulatory with respect to existing regulations and might make it harder to adopt new rules animate opposition to TTIP on both sides of the Atlantic (AFL-CIO et al 2014).⁹ Absent business opposition¹⁰ to the agreement and organized labor's generally sanguine view of market access liberalization (AFL-CIO-ETUC 2014),¹¹ non-traditional trade actors' (and unions') opposition to regulatory cooperation presents the most serious challenge to the agreement.

⁸ Telephone interview with a representative of US consumer organization, 26 May 2015.

⁹ Interviews with representatives of US consumer and environmental organizations, Washington, DC, 18 and 20 May 2015 and by telephone 26 May 2015. European Citizens' Initiative (available at <https://stop-ttip.org/what-is-the-problem-ttip-ceta/>. Accessed 28 May 2015).

¹⁰ Interviews with representatives of American and European business associations, Washington, DC, 18, 19 and 20 May 2015.

¹¹ Interview with a labor union representative, Washington, DC, 21 May 2015 and a European business association representative, Washington, DC, 20 May 2015. There are some exceptions, but they are exceptions.

Implications of TTIP's distinctive politics

The distinctive politics of TTIP, therefore, mean that the more traditional aspects of the negotiations – tariff reduction – relatively easy, while the newer elements – regulatory cooperation and ISDS – are challenging. Moreover, the existing mechanisms for aggregating trade policy preferences are ill-suited to the pattern of mobilization in TTIP. Traditionally firms (and their workers) were the actors that cared about trade and it was their interests that were accommodated in consultation mechanisms. The lack of public information about the state of the negotiations and the perception that business interests are intimately involved in the discussions contribute strongly to NGO and public opposition to the talks.¹²

The Commission, however, did take the unprecedented step of launching a public consultation on ISDS, which prompted an overwhelming number of critical responses organized by NGOs opposed to TTIP (Commission 2015a), and which is reflected in the Commission's (2015b) 'concept paper' on investment. In addition, the Commission has been much more open about its negotiating positions than has the US Trade Representative.¹³ The problem for the Commission has been that people do not believe that the Commission will deliver the agreement that it says it wants.¹⁴ As a result, popular opposition in Europe does not seem to have been placated by the Commission's initiatives.¹⁵

The significance of popular opposition will be felt most acutely when it comes to ratification and will hinge on how legislatures respond to the concerns. As of late June 2015, TTIP is relatively uncontroversial in the U.S. Congress, even as the Trans-Pacific Partnership and the granting of Trade Promotion Authority are embroiled in controversy.¹⁶ The European Parliament has paid closer attention to TTIP, having adopted resolutions in October 2012 and May 2013 with a third due in early June 2015. Throughout the Parliament has emphasized the need to safeguard European consumer and environmental protections. The draft resolution adopted by the International Trade Committee on 28 May 2015 added language on ISDS that is broadly supportive of the Commission's concept paper. That compromise, however, fell apart when the Socialists & Democrats withdrew their support just before the 10 June plenary. More than 200 amendments were submitted in plenary, and the matter was referred back to the committee. Thus TTIP is more controversial in Europe even though the Commission has taken greater steps to address the non-traditional trade actors' concerns. As the apprehensions concern what might be in the agreement, if the Commission delivers on its promises, ratification may not pose a problem. The negative framing of the agreement thus far, however, may make that an up-hill battle.

¹² Interviews with representatives of US consumer and environmental organizations, Washington, DC, 18 and 20 May 2015 and by telephone 26 May 2015. European Citizens' Initiative (available at <https://stop-ttip.org/what-is-the-problem-ttip-ceta/>. Accessed 28 May 2015).

¹³ Interviews with a European Parliament official and a Commission official, Washington, DC, 19 and 21 May 2015 and a representative of a US consumer organization, 26 May 2015.

¹⁴ Comments by a senior Commission official, Atlanta, GA, 21 April 2015.

¹⁵ Jordan, W. 'Europeans and Americans Ambivalent about free trade,' 20 April 2015. Available at <https://today.yougov.com/news/2015/04/20/americans-and-europeans-ambivalent-free-trade/>. Accessed 14 May 2015.

¹⁶ Interviews with a European Parliament official and representatives of transatlantic and U.S. business associations, Washington, DC, 18 and 19 May 2015.

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