

THE IMPACT OF TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP ON EUROPEAN UNION. A SOLUTION FOR THE EUROPEAN ECONOMIC CRISIS

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ABSTRACT:

THIS PAPER EXAMINES THE IMPACT OF THE EUROPEAN CRISIS ON THE EUROPEAN UNION'S INTERNATIONAL ROLE, WITH FOCUS ON THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP BETWEEN EUROPEAN UNION AND THE UNITED STATES, AS A SOLUTION FOR THE EUROPEAN CRISIS. NOWADAYS, THE WORLD PASS THROUGH GREAT CHANGES AND THE ECONOMIC AND FINANCIAL CRISIS HAS PUT EUROPE IN DIFFICULTIES, GIVING SOMETIMES THE IMPRESSION OF A EUROPEAN DECLINE. AS A REACTION TO THIS CRISIS, THE EUROPEAN UNION HAS TO USE ITS MOST IMPORTANT PRINCIPLES, SUCH AS RESPONSIBILITY, SOLIDARITY AND GOOD GOVERNANCE. BASED ON THESE PRINCIPLES, THE EVOLUTION OF THE EUROPEAN UNION WILL HAVE AS A RESULT A BETTER UNION AND A BETTER EUROPE. THE CHALLENGES THAT EUROPE FACES NEED MORE INTERNATIONAL IMPLICATION AND COORDINATION. THE NATURE OF GLOBAL TRADE IS CHANGING AND FOR EUROPE, THE NEW CHALLENGES OF USING KNOWLEDGE, INNOVATION, SERVICES AND THE EFFICIENT USE OF RESOURCES ARE NOW THE KEYS TO COMPETITIVENESS.

KEY WORDS: EU, US, TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP), ECONOMIC CRISIS, GLOBAL POWER.

INTRODUCTION

This article seeks to analyze the impact of the European crisis on the European Union's international role, with focus on the Transatlantic Trade and Investment Partnership (TTIP) between the European Union (EU) and United States (US), as a solution for European crisis. We will discuss about what it means the international role of the European Union, what is the transatlantic trade and how could be this agreement a solution for the economic crisis of the European Union.

Europe was affected by the violence of the first half of the 20th Century and after that period it was the time of peace and stability in European history. The purpose of creation of the European Union has been the transformation of the relations between states, and also

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among the citizens in the spirit of maintaining the peace and cooperation through common institutions of the Union². After years, the democracies became stable and dynamic in the European space and there was the time of successful enlargements which were the reality of a vision of the unity and common peace.

In the European integration and also in the European process of common security, the United States has played an important role, through the North Atlantic Treaty Organization (NATO) influence. After the Cold War, the United States remained in the position of dominant actor in military area³. Despite of this, there are some powers which will rise in the military and political areas, and European Union will be one of them.

Even if Europe still suffers from its deficit of security policy and threats, even if there are a lot of challenges for the position of a global player, the European Union still maintains its role with success because of the policy of crisis management and the new perspective of a stable foreign policy.

In the analysis of the European Union crisis, we should discuss about the fact that unemployment is at a very high level in some countries, especially in the peripheral ones and is a problem without solution in the near future. The policies of austerity have led Europe in a full process of industrial restructuring, having in the centre the Germany and other Northern countries with a strong position. At the same time, the producing capacity of Southern Europe was weakened and the European crisis has affected also the distribution of income⁴. It is thought that another cause of the European Union crisis is the fact that the European Commission is characterized by a serious democratic deficit and a lack of transparency in its activities.

THE IMPACT OF EUROPEAN CRISIS ON EU'S INTERNATIONAL ROLE

This section provides a brief presentation of the impact of European crisis on EU' international role, with special reference to what does it means the international role of the EU. This analysis is necessary in order to stand out the particular characteristics of European crisis and the measures took from the position of global power.

The European Union has become an important global actor in some areas, especially in economic one because of its key role in international trade negotiations. Other areas in which the EU has an important activity are the environment and development policy, being known as the largest provider of development assistance and also the largest contributor to the United Nations (UN) budget⁵.

The European Union faced a lot of crises over the time (democratic deficit, the process of enlargement, economic crisis, identity crisis), but managed to overcome them. The present European crisis is in the economic areas and also in the political one. Many European countries, especially EU members, have debts and that forced them to adopt tough measures in the financial system⁶.

As it is known, the European crisis is affecting the EU's position as a potential global actor, and this happens because of the lack of interest for foreign policy. The EU leaders are interested especially in economic and financial matters and they have no time for interest in foreign policy. That's why the European Union budget for external affairs is going down and

² J. Solana, "A Secure Europe in a better world – the European Security Strategy" in *European Development Policy Confronting New Challenges in Foreign and Security Policy*, (2004).

³ Solana, "A Secure Europe"

⁴ European Economists for an Alternative Economic Policy in Europe, *EuroMemorandum 2014*.

⁵ C. Frazer, *The EU as a Global Actor in Times of Crisis*, August 7. 2013, Konrad – Adenauer – Stiftung. V., online publication, accessed on April 22, 2014. <http://www.kas.de/brasilien/en/publications/34954/>.

⁶ Frazer, *The EU as a Global Actor*, 1.

some countries should cut spending money on foreign affairs. The European Union need to maintain the role of global actor and the European crisis of foreign policy is affecting this process. Beside this, there are other problems with the competition on the global market. It is recommended for the European Union to have on the open market based on reciprocity when it comes for its partners. There are recommendations for the European Union at times of crisis, but there are no solutions to avoid affecting the position of the EU as a global actor or partners on economic issues. The European Union has the power to solve its problem and it is thought that one of the solutions is to restore the EU's economic position through some trade agreements. Transatlantic Trade and Investment Partnership is one of the best solutions for the EU economic crisis.

The economic measures are the most important in the global trade and due to the budget cuts, the United States has no longer the power to dominate the whole world and this means that the EU will have to take more responsibility for its own security and for the regional security. The European Union uses its principles of responsibility, common peace and security, good governance to react to this economic crisis and this reaction will make the European Union a better union and the European world will become a better one. The challenges faced by the European Union call for more implication and cooperation on global trade and policy. After the Cold War, the main purpose of the Europe was to maintain and promote the strong liberal ideology in transforming the emerging countries in stakeholders⁷.

The EU-US relations have a history of economic, political and military issues and the evolution of these relations has two directions: cooperation on matters of mutual interest and competition on different areas or issues. In the time of the Cold War, the United States and the Soviet Union were two global actors struggling for the power and influence on the whole world. After the Cold War and the fall of the soviet bloc, the United States needed another enemy, but also, another ally. Giving the situation created, the European Union had one solution, and that was to survive after the Cold War and to become a global actor and a potential partner for the United States. In the process of creation the European Union, the United States had an important role, sustaining a more cohesive Europe. That's the reason of including the idea of a new form of security based on sharing sovereignty in the evolutions of the European integration process. The European Union has become a global actor due to some factors such as globalization, which connected the foreign policy and economic growth, and the common foreign and security policy (CFSP).

TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP) – A SOLUTION FOR EUROPEAN ECONOMIC CRISIS

This section of the paper emphasizes the most important aspects of the international context in which have been launched the negotiations for the Transatlantic Trade and Investment Partnership. The fact that Doha Round negotiations and the other attempts of creating a transatlantic partnership failed and the present context is the most favorable for these negotiations created the international background for the TTIP negotiations. There are expected also some delays or some problematic demands from the negotiators, but this will end with a big compromise and an important partnership. However, there are also a lot of positive consequences of the Transatlantic Trade and Investment Partnership, such as economic growth and the chance to expand the TTIP in other countries which are free trade partners of the US and of the EU.

⁷ Frazer, *The EU as a Global Actor*, 2.

The idea of TTIP

The idea of a Transatlantic Trade and Investment Partnership, launched at the beginning of 2013 was the first step in the negotiation process. The start of these negotiations was given in July 2013 and the present global context is considered the most favorable. The reason is the fact that the first attempt to establish such a Partnership in 1995 failed and after a failure there was analyzed and repaired the mistakes. The attempt from 1995 lacked a substantial supportive reaction and that's why it was unsuccessful⁸.

There is need a brief chronology of the stages of the transatlantic integration approaches to see why is so important this partnership and why it was necessary so much time⁹: in the 1990 the United States and European Community signed a Transatlantic Declaration. This was the declaration of both sides in which is sustained the wish of cooperation; in 1995, the two parties signed a New Transatlantic Agenda in which they established the agenda of a potential agreement; in 1998 was signed a Transatlantic Economic Partnership and was settled the nature of the future partnership; in 2007 the Economic Transatlantic Council was established in view of eliminating obstacles and improving trade relations between the United States and European Union¹⁰. Looking at the chronology, the decision of starting the negotiations of the Transatlantic Trade and Investment Partnership in 2013 is a logical and expected continuation of the events.

Going back in time with our analysis, we can put the question "Why was in 1995 launched the idea of a Transatlantic Trade and Investment Partnership?" To answer, we should think that the thing seemed proper because the North American Free Trade Agreement (NAFTA) started to be fully operational and the General Agreement on Trade and Tariffs (GATT) Uruguay Round had been successfully completed. Also, another reason was the fact that the Cold War was over and the United States needed an ally on the international scene to maintain the stability and peace¹¹.

In 1995 there was another proposal, for a Transatlantic Free Trade Agreement (TAFTA), which got a 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 (The American Federation of Labor Congress of Industrial Organizations - AFL-CIO)¹². But the idea was quickly left over.

There are some reasons why the year 1995 was not a favorable context for the idea of a Transatlantic Partnership¹³: first of all, 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. In this context it was supposed that the United States and European Union sustain a bilateral approach rather than a multilateral

⁸ F. Bonciu, "Economic Relations and the Prospects of a New Partnership" in *Romanian Journal of European Affairs*, Vol. 13, No. 3, September 2013.

⁹ Bonciu, "Economic Relations and the Prospects of a New Partnership", 23.

¹⁰ M. Egan, *From US-EU FTA to TTIP: Promises and Pitfalls* in *Transworld*, March 20, 2013; accessed on April 23. <http://www.transworld-fp7.eu/?p=1060>

¹¹ Ch. Ries, *Is it Time to (Re) Consider a TAFTA?*, *U.S.-EU Responses to Globalization – Working Papers*, Johns Hopkins University, Center for Transatlantic Relations, accessed on April 24, 2014 at http://transatlantic.sais-jhu.edu/transatlantic-topics/Articles/eu-us/forging-eu-us-partnership/us-eu_book_tafta_charles_ries.pdf

¹² Bloomberg Businessweek, *Remember Nafta? Well, Here Comes Tafta*, May 07, 1995, accessed on April 23, 2014. <http://www.businessweek.com/stories/1995-05-07/remember-nafta-well-here-comes-tafta-intl-edition>.

¹³ Bonciu, "Economic Relations and the Prospects of a New Partnership".

one; a liberalization in some particular area, such as agricultural sector, seemed unlikely; the tariff barriers for transatlantic trade were considered to be low and there was no need to reduce them, the was not justified. There are some of the most important reasons that stopped the negotiations back in 1995.

The European Union, as a global actor, has negotiated numerous bilateral trade agreements, and these negotiations culminated in 2013 with the most important trade agreement, between the EU and the United States, Transatlantic Trade and Investment Partnership. The aim of this agreement is to harmonize regulations in different areas, such as agriculture, food safety, product and technical standards, financial services, the protection of intellectual property rights and government procurement¹⁴. This partnership is an important trade for reducing trade barriers between the world economy's two biggest trading blocs. Based on some studies, the European Commission sustains that this trade deal will increase economic growth and jobs in the EU¹⁵.

There are different perspectives on this transatlantic partnership. Some of the skeptics sustain that the TTIP is no less than a frontal attack on democratic decision-making in the EU and there is an urgent need of a revised negotiations agenda. The doubt is about whether the trade agreement will deliver any net economic and social benefits to EU citizens. There is need a comprehensive impact assessment with detailed studies and opinions on the many critical issues involved and the level of transparency in the so-called democratic debate on the TTIP.

TTIP – a solution for European economic crisis

The idea and the need of the negotiations on the Transatlantic Trade and Investment Partnership – TTIP involves both United States and especially the European Union need to stimulate economic growth and to send some positive messages to their business environment and general public¹⁶. The conditions and measures from the Transatlantic Trade and Investment Partnership are very attractive for both sides. Because structural changes in these two economies in order to stimulate growth and competitiveness are not possible in short time, the trade partnership is the best solution.

This partnership would be a bilateral trade agreement between the two biggest economies and markets in the world, aiming to remove trade barriers. The effects of this agreement have importance for the European Union, especially in times of crisis. The central issues of the negotiations are investment liberalization and protection.

In the evolution of transatlantic relations, Transatlantic Trade and Investment Partnership, having as final objective the establishment of a free trade area between the two entities, represent a key event. In the official statement, in the best case scenario this transatlantic partnership will be concluded by the end of 2017¹⁷. While this date seems much too optimistic, it reflects an ambitious political goal that has to be taken into consideration on the next rounds of negotiations.

Transatlantic Trade and Investment Partnership has the following objectives in the purpose of deepening the transatlantic cooperation and integration¹⁸: the future cooperation of

¹⁴ European Commission, *Final Report, High Level Working Group on Jobs and Growth*, February 11, 2013, accessed March 14, 2014. http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf.

¹⁵ European Commission, *Final Report*

¹⁶ European Commission, *Impact Assessment Report on the future of EU-US trade relations*, Strasbourg, March 12, 2013.

¹⁷ 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.

¹⁸ S. Lester, *The Challenges of Negotiating a Transatlantic Trade and Investment Partnership*, Free Trade Bulletin No. 51, Cato Institute, February 26, 2013.

economies of the United States and European Union for mutual economic gains; the elimination of the tariff, non-tariff and other barriers for bilateral trade and investment; the harmonization of standards and regulations of trade and investments; the cooperation in reaching common target in global economy and the mutual support on participation to the globalization process. These are the most important objectives of this partnership in the first round of negotiations.

CONCLUSION

The European Union is recognized as an important actor in many areas because of its implications in international affairs. The more government is talking about European Union not like a Union of states and need the opinion of the whole member states, but like a union and when is needed the EU vision they ask the EU to speak on international issues, they need an opinion, not 28. This is considered a success, but the EU still has many problems to overcome if it wants to maintain the position of global power and to be a more coherent, more visible and more influential as a global actor.

Along the history, the EU and the US were simultaneous competitors and allies because of the growth of countries like Brazil, India, Russia and China. Being in the role of competitors in getting the influence in new markets, these powers proved that they can succeed in the combination of political stability, openness to foreign direct investment (FDI), availability of natural resources and internal demand, which makes them the best couple of commercial partners. But also, being allies, since emerging economies challenge the prominent position that both the US and the EU have held in the global economy for decades.

There was made an agreement between EU and US which included the ambitious reciprocal market opening in goods, services, and investment, and which includes the challenges and opportunities of modernizing trade rules and enhancing the compatibility of regulatory regimes. Such an agreement is hoped to generate new business and employment by expanding trade and investment opportunities in both economies; there are also some rules that must be respected and which addresses the challenges of global trade and investment that have grown in importance in recent years¹⁹; the agreement's aim is to maintain a strategic partnership between the United States and Europe. Both parties should benefit from this potential transatlantic agreement. The expected result of this agreement is to turn on the ability of the United States and EU to follow innovative approaches to reduce the unwanted impact on trade and investment of non-tariff barriers, with the final aim of moving progressively toward a more integrated transatlantic marketplace.

The trade commissioner of the European Union, Karel De Gucht, declared that "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 level"²⁰. This is an optimistic declaration in the support of the idea that TTIP can have as a result the final "win-win" relation between the European Unions and United States.

In motivating why the present context is favorable for the proposal of a Transatlantic Partnership we can remind the short and medium term unfavorable economic prospects for the European Union (particularly the Euro zone countries) as well as by the rather fragile economic recovery of the United States²¹. Another reason for the present context is the rise of new powers, such as China. A response to the rise of China can be the increase of

¹⁹ European Commission, *Impact Assessment Report*.

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

²¹ D.S. Hamilton, J.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).

competitiveness of both United States and European Union by means of the transatlantic economic integration which implicates not only liberalization of trade, but also of the investments²².

The success 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.

²² Bonciu, “Economic Relations and the Prospects of a New Partnership”, 26.

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