



FOREIGN AND SECURITY POLICY PAPERS

TOWARD A TRANSATLANTIC RENAISSANCE?

TTIP's Geopolitical Impact in a Multipolar World

ERIK BRATTBERG

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of the United States

STRENGTHENING TRANSATLANTIC COOPERATION

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The German Marshall Fund of the United States
1744 R Street, NW
Washington, DC 20009
T 1 202 683 2650
F 1 202 265 1662
E info@gmfus.org

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FOREIGN POLICY PAPERS

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By Erik Brattberg¹

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1 INTRODUCTION

“There are essentially two competing models of governance in the post-Communist world. One is the transatlantic model shared by many other countries, based upon democratic governance, with free peoples, free markets, and free trade; the other is autocratic governance, state-controlled or dominated economies, and managed trade. TTIP is an opportunity to show the world that our model of governance can produce tangible gains for our people on both sides of the Atlantic and more broadly is the best model to meet the challenges of the 21st century.”

- *Stuart E. Eizenstat, Remarks at the Woodrow Wilson International Center for Scholars, Washington, DC, March 21, 2013*¹

At a time when the transatlantic community is confronting numerous challenges both at home and abroad — ranging from the eurocrisis and the migrant crisis to Russia’s invasion of Ukraine and the implosion of Syria and Iraq to the rise of China — optimism is hard to find. Staking out a positive global transatlantic agenda could therefore not be any timelier. One of the most important elements of such an agenda in recent decades is the Transatlantic Trade and Investment Partnership (TTIP).

The announcement by U.S. President Barack Obama in his February 2013 State of the Union address of a new trade and investment agreement between the European Union and the United States was immediately heralded on both sides of the Atlantic as a “gamechanger” and a historical opportunity for the transatlantic relationship. For a relationship that has traditionally been centered around a military alliance, TTIP presents an opportunity to deepen and broaden

the transatlantic relationship, adding a second economic “anchor” to the partnership.

But TTIP’s future looks uncertain. It is likely an agreement will not be ready during the Obama administration, as originally planned. As EU and U.S. leaders seek to intensify their efforts to conclude an ambitious and comprehensive TTIP agreement, keeping an eye on the bigger picture of what is at stake is therefore essential.

While the economic potential of TTIP is strong, the impact of an agreement can equally be measured in political, indeed even geopolitical, terms. Or to paraphrase from Bill Clinton, “It’s the geo-economy, stupid!” TTIP is fundamentally about recalibrating the transatlantic relationship for a new, increasingly multipolar era in which the West has no choice but to more assertively enforce its own values and principles.

This report examines the broader geopolitical and strategic dimensions of TTIP. Guiding this report is a vision that TTIP represents a historic opportunity to bring about a “transatlantic renaissance”² in the 21st century. But this also requires more thinking about how to make the most out of the momentum generated by TTIP, including assessing both the potential positive and negative impact of an agreement. While the strategic case for TTIP is often mentioned, few studies have explored this topic in depth.³

This report will discuss the geopolitical impact of TTIP through addressing three sets of questions. For each of these, specific policy recommendations

TTIP is fundamentally about recalibrating the transatlantic relationship for a new, increasingly multipolar era.

¹ Available in full at <http://www.transatlanticbusiness.org/wp-content/uploads/2014/05/TTIP-Eizenstat-Remarks-Woodrow-Wilson-Center-3-21-13.pdf>.

² The term “transatlantic renaissance” was originally coined by U.S. Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland during a speech at the Atlantic Council in Washington, DC on November 13, 2013.

³ Kundnani, Hans, “The ‘strategic’ case for TTIP,” *Commentary*, European Council on Foreign Relations, February 9, 2015, http://www.ecfr.eu/article/commentary_the_strategic_case_for_ttip421.

for strengthening EU-U.S. cooperation will be developed:

1. Can TTIP affect the potential for the EU to become stronger and a more strategic global actor?
2. What is the impact for transatlantic cooperation on political and security issues as a result of TTIP?

3. What does TTIP mean for the West's ability to tackle the challenges associated with the growing role of China and other rising powers in the global economy?

2 TRANSATLANTIC CHALLENGES IN 2015

It is not an exaggeration to say that today's transatlantic agenda is a busy one. Both Europe and the United States are confronting a whole host of serious challenges, both at home and further afield. How they respond to these challenges is likely going to have a significant impact on the transatlantic partnership going forward. Simplistically, three sets of core challenges underpin the transatlantic community's current agenda.

First, both sides of the Atlantic are still grappling with the political and economic aftershocks of the global financial crisis. While economic recovery in the United States has been historically weak, its macroeconomic outlook seems more encouraging than Europe's. Several EU states still struggle with sluggish or even non-existent growth and historically high unemployment levels, raising serious concerns about the sustainability of the entire European societal model over time. The political outlook follows a similar pattern. While Washington still grapples with gridlock and partisan brinkmanship — with the government shutdown in the fall of 2013 marking a low point — the situation in Europe is arguably even more alarming. Today, Europe's political reality includes populist parties with an anti-establishment and anti-Brussels agenda in virtually every EU country. The European Parliament elections in May 2014 confirmed this rise of euroskeptical parties across the continent. Meanwhile, there are growing concerns about the respect for democracy and human rights in places like Hungary, where Prime Minister Viktor Orban has openly toyed with the idea of introducing "illiberal democracy." On top of this, uncertainty surrounding the eurozone's future following the Greece debt crisis; unraveling European solidarity over the escalating "migration crisis"; crucial upcoming elections in France and Germany; and London's future relationship with

Brussels all add to Europe's list of concerns going forward.

Second, Europe is confronting a series of unprecedented security challenges on both its eastern and southern flanks. In the east, Russia's invasion of Crimea in 2014 and subsequent aggression in Eastern Ukraine has undermined the post-1991 European security environment and thrust the Western-Russian relationship back to Cold War levels. Russia has invested heavily in military modernization and the number of provocative military incidents involving Russia has risen sharply.⁴ Russia has also stepped up its information and propaganda campaign against Western nations. Examples of this include Russian financing of euroskeptical political groups and propaganda targeting Russian-speaking minorities in Estonia and Latvia.⁵ Concerns over Europe's dependence on Russian energy have also intensified. It remains to be seen how the current dual strategy of applying economic pressure on Moscow in the form of targeted sanctions while shoring up NATO's deterrence in Eastern Europe is going to affect Moscow's behavior going forward. What is clear is that the transatlantic community needs to be prepared for a long-term antagonistic relationship with Russia. Further to the south, Europe is also confronting growing instability and violence in the Middle East and North Africa in the wake of the "Arab Spring." While the EU's own Security Strategy from 2003 spoke of creating a "ring of friends" in Europe's neighborhood, the situation today is markedly different. As former Swedish Foreign Minister Carl Bildt has put it, a

⁴ See Frear, Thomas et al., "Dangerous Brinkmanship: Close Military Encounters Between Russia and the West in 2014," *Policy Brief*, European Leadership Network, London, November 2014.

⁵ Rettman, Andrew, "Russian propaganda wins EU hearts and minds," *EU Observer*, June 23, 2015, <https://euobserver.com/foreign/129237>.

Both Europe and the United States are confronting a whole host of serious challenges, both at home and further afield. How they respond to these challenges is likely going to have a significant impact on the transatlantic partnership going forward.

How the West responds to the new “geo-economic” challenges is a pivotal issue for the transatlantic community and the liberal order alike.

“ring of fire” now surrounds the EU.⁶ In particular, the unraveling of stable governance throughout the region — giving rise to new terrorism groups (such as the self-proclaimed Islamic State group in Syria and Iraq), attracting scores of European jihadists and causing a sharp uptick in the number of migrants across the Mediterranean — present formidable security challenges to the West for many years to come.

A final set of challenges is associated with the rise of China as a major economic and political power and what it means for the durability of the international rules-based order, which has guided international relations since the post-World War II period. Institutions such as the Bretton Woods organizations are under growing pressure to reform to better accommodate China and other emerging power such as India and Brazil. Meanwhile, the

⁶ Bildt, Carl, “The Fire Forging Europe,” Project Syndicate, September 28, 2015.

BRICS countries⁷ have taken concerted steps to set up their own economic institutions, such as the BRICS-led New Development Bank (NDB) and the China-led Asian Infrastructure Investment Bank (AIIB). Though these institutions are still in their infancy, their potential impact may be significant over time. Meanwhile, there are also concerns that China and other emerging powers seem more interested in imposing their own norms and rules on the global economic system. How the West responds to these new “geo-economic” challenges is a pivotal issue for the transatlantic community and the liberal order alike.

⁷ Brazil, Russia, India, China and South Africa

3 ENTER TTIP: A STRATEGIC OPPORTUNITY

The idea of a transatlantic free trade area is not a new one, but dates back several decades. In the 1995 document stipulating the priorities for the “New Transatlantic Agenda,” providing a framework for collaboration between the EU and the United States, trade featured prominently: “We are determined to create a New Transatlantic Marketplace, which will expand trade and investment opportunities and multiply jobs on both sides of the Atlantic. This initiative will also contribute to the dynamism of the global economy.”⁸ Notable efforts to promote EU-U.S. trade liberalization include the establishment of the Transatlantic Business Dialogue, the Transatlantic Economic Partnership, and the Transatlantic Economic Council (TEC), which was set up in 2007 to develop economic partnership objectives and harmonize regulations. On February 11, 2013, a high-level working group led by former Congressman Jim Kolbe and Swedish Trade Minister Ewa Bjorling⁹ submitted its recommendations to launch comprehensive EU-U.S. trade negotiations.¹⁰ TTIP was first announced by President Barack Obama in his 2013 State of the Union address to Congress¹¹ while negotiations were formally launched at the G8 summit in Northern Ireland.

8 European Commission website, “The New Transatlantic Agenda,” http://eeas.europa.eu/us/docs/new_transatlantic_agenda_en.pdf.

9 For a list of taskforce participants, see <http://www.gmfus.org/publications/new-era-transatlantic-trade-leadership>.

10 “A New Era for Transatlantic Trade Leadership: A Report from the Transatlantic Task Force on Trade and Investment,” German Marshall Fund, Washington, DC, February 2012, <http://www.gmfus.org/publications/new-era-transatlantic-trade-leadership>.

11 White House website, “Remarks by the President in the State of the Union Address,” February 12, 2013, <https://www.whitehouse.gov/the-press-office/2013/02/12/remarks-president-state-union-address>

TTIP in a Nutshell

The EU and the United States are the world’s largest trading and investment partners. The goal of creating a single commercial market stretching from Hawaii to the Black Sea is to stimulate the economies and promote job creation on both sides of the Atlantic — something that is desperately needed in these days of austerity, sluggish growth, and higher-than-average unemployment. TTIP is also intended to help pave the way for smoother capital flows over the Atlantic, and for regulatory alignment to set vital global standards. TTIP accordingly goes far beyond the scope of any traditional free trade agreement. As such, TTIP has three core objectives:¹² 1) promoting market access through reduced tariffs on goods and services, agreements on rules of origin, investment protection, and public procurement; 2) regulatory issues and non-tariff barriers; and 3) agreement on global trade issues such as intellectual property rights.

Projections of the economic impact of completing TTIP suggest gains both in terms of growth and jobs creation on both sides of the Atlantic. The most commonly cited studies suggest an ambitious and comprehensive TTIP agreement could bring significant economic gains as a whole for the EU totaling €119 billion a year (equaling 0.5 percent of GDP) and €95 billion a year in the United States (equaling 0.4 percent of GDP).¹³ However,

12 See European Commission website, “Member States endorse EU-U.S. trade and investment negotiations,” June 14, 2013, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=918>.

13 Francois, Joseph et al. “Reducing Transatlantic Barriers to Trade and Investment an Economic Assessment,” Centre for Economic Policy Research, London, March 2013, http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf; “TTIP and the Fifty States: Jobs and Growth from Coast to Coast,” The Atlantic Council of the United States, the Bertelsmann Foundation, and the British Embassy in Washington, Washington, DC, 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/245085/TTIP_and_the_50_States_GovUK.pdf.

Projections of the economic impact of completing TTIP suggest gains both in terms of growth and jobs creation on both sides of the Atlantic.

The debate around TTIP has become highly contentious, especially in Europe where anti-TTIP NGOs and other groups have played a large part in the debate, occasionally even painting TTIP as a threat to European democracy and human rights.

the positive economic impact of TTIP has itself become part of a critical debate between opponents and supporters of an agreement. Some studies have actually argued that the economic impact of TTIP will be negligible or even negative,¹⁴ although other scholars have in turn criticized these studies.¹⁵ Surely TTIP, as with any free trade agreement, will have both winners and losers. A report from Bertelsmann Stiftung in 2013 suggests not all EU countries would benefit the same from a transatlantic trade agreement.¹⁶ Within individual EU states, some industries in Europe will clearly gain while others stand to lose. To fully determine the effects of TTIP, one would also need to take into account any potential diversion of intra-EU trade as a result of more transatlantic trade. The bottom line is that forecasting the economic impact of TTIP with certainty is hard since it will only be felt over a long period of time. It should also be noted that most economic predictions of TTIP rarely take into consideration the role of investments and services, both which are likely to be one of the most significant parts of the agreement.

State of Play in Late-2015

When TTIP was announced, the expectation was that this agreement, along with the Trans-Pacific Partnership (TPP), would be completed before the end of the Obama administration. Political declarations to conclude TTIP by 2015 or 2016 were initially made on both sides of the Atlantic,

14 See, for example, Capaldo, Jeronim, "The Trans-Atlantic Trade and Investment Partnership: European Disintegration, Unemployment and Instability," *GDAE Working Paper 14*, Tufts University, October 3, 2014, http://ase.tufts.edu/gdae/policy_research/ttip_simulations.html.

15 See, for example, Bauer, Matthias and Erixson, Fredrik. "Splendid Isolation' as Trade Policy: Mercantilism and Crude Keynesianism in 'the Capaldo Study' of TTIP," *ECIPE Occasional Paper 03*, 2015, http://www.ecipe.org/app/uploads/2015/04/1-Occasional-Paper_v4.pdf.

16 Felbermayr, Gabriel et al., "Transatlantic Trade and Investment Partnership (TTIP): Who Benefits from a Free Trade Deal?," Bertelsmann Stiftung, 2014.

but TTIP negotiations have proven more sluggish than initially expected. With the agreement on TPP reached in October 2015,¹⁷ however, it is likely that Washington and Brussels can now intensify their efforts to complete TTIP as soon as possible.

Ever since negotiations between the United States and the EU officials begun in earnest in mid-2013, some dozen negotiation rounds have taken place on both sides of the Atlantic. During these, EU and U.S. negotiators have managed to make progress on several issues, while others (such as public procurement, energy chapter, and financial services) have proven more difficult to resolve quickly. Alongside these negotiation rounds, separate public consultations and stakeholder meetings have also been held. Both sides have also released separate position papers on TTIP publically. But while negotiations are ongoing, rising public opposition to the agreement, especially in Europe, means that the road to completing a comprehensive and ambitious agreement before the stated new goal of before the end of the Obama administration in January 2017 will be challenging. The debate around TTIP has become highly contentious, especially in Europe where anti-TTIP NGOs and other groups have played a large part in the debate, occasionally even painting TTIP as a threat to European democracy and human rights.

Of course, it should come as no surprise that issues such as GMOs and cultural exceptions would be controversial cornerstone pieces of a transatlantic trade deal among some countries in Europe. What is perhaps more interesting is that some other issues, such as investor-state dispute settlement (ISDS), have become perhaps even more controversial. The critics argue that such arbitration courts would allow companies to essentially sue governments, putting environmental and human

17 "U.S., Japan, and 10 Countries Strike Pacific Trade Deal," *Financial Times*, October 5, 2015.

rights at risk. In response to such criticism, EU Trade Commissioner, Cecilia Malmström has presented a revised proposal on ISDS,¹⁸ although it remains to be seen whether the U.S. negotiators will accept these changes. Critics have also described the TTIP negotiations as lacking transparency. But while no complex trade deal can be negotiated completely out in the public eye, it seems fair to say that both EU and U.S. negotiators have made efforts to release relevant information about TTIP and engage with various stakeholder groups. Recently, in response to criticism, Malmström revealed plans to release “key negotiating texts” of TTIP for the public consumption.¹⁹ Whether such moves will ease the criticism remains to be seen.

¹⁸ “Malmström pitches new TTIP court,” *Politico Europe*, September 16, 2015, <http://www.politico.eu/article/commission-pitches-new-ttip-court-investor-malmstrom/>.

¹⁹ “Malmström tries a new tack on TTIP,” *Politico Europe*, October 14, 2015, <http://www.politico.eu/article/malmstrom-tries-a-new-tack-on-ttip/>.

Controversial in Europe, TTIP has featured far less prominently in the U.S. debate. When it comes to trade, the Trans-Pacific Partnership (TPP) that Washington has negotiated in the Asia-Pacific region has been subject to a much more intense discussion, especially over whether Congress should grant Trade Promotion Authority (TPA) to the White House to negotiate this and other trade deals. The Obama administration struggled to secure support from Democrats in Congress for the TPA, many of whom view previous trade agreements like the North American Free Trade Agreement (NAFTA) with a heavy dose of skepticism. In a U.S. context, TTIP is less controversial than TPP, given that outsourcing of U.S. jobs to low-wage countries is hardly an issue at play here.

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4 MORE THAN JUST EUROS: TTIP'S POLITICAL IMPACT IN EUROPE

Expected to benefit Europe's economy as a whole, the relevance of TTIP is crystal clear in the aftermath of the global financial crisis and the eurocrisis.

Without question, Europe is in desperate need of fresh forward-looking initiatives to address the continent's political, economic, and societal structural challenges. TTIP deserves to be part of this conversation. A commercial deal of historical proportions with the United States such as TTIP would inevitably go beyond economics, having significant political ramifications. Though predicting with precision the wider political impacts of TTIP is not straightforward, it is nevertheless a useful exercise, especially when considering the plethora of claims frequently made over the agreement by both its proponents and critics.

Reviving a Struggling “European Project” Under Fire

The “European Project” has sustained heavy blows in the past few years and is currently facing an uncertain future. A successful TTIP deal could serve to reinforce the foundations of the European Union. Expected to benefit Europe's economy as a whole, the relevance of TTIP is crystal clear in the aftermath of the global financial crisis and the eurocrisis. As the recent Greece debt crisis illustrates, Europe needs new ways to spur growth without simultaneously accumulating more government debt. TTIP presents one opportunity to do just that. Although the agreement should by no means be viewed as the panacea to Europe's economic malaise, with few other good options at hand given the current political climate and still ravaging austerity measures across several EU member states, it could certainly assist turning the continent around economically — something that is also an essential part of ensuring societal cohesion within European nations.

Indeed, it seems reasonable to assume that the rise in populist political sentiment throughout the continent and the decline in EU solidarity, especially in the wake of the eurocrisis, is at least

partially linked to economic factors.²⁰ The situation is particularly acute in southern European countries such as Greece where youth unemployment still exceeds 40 percent.²¹ This kind of extreme lack of economic opportunity has arguably contributed to a widening legitimacy gap between citizens and their elected leaders, and has helped fuel populist movements on both sides of the political spectrum. By signaling to average citizens that Europe's modern democratic institutions are indeed actively taking steps to deliver positive economic results for average citizens, TTIP could help boost the legitimacy of and support for mainstream political parties while at the same time taking some of the steam out of these populist movements.

Another potential benefit is to improve EU citizens' perception of Brussels while also reducing the risk for a widening economic and political gulf within the eurozone. Growing public dissatisfaction with the EU is currently observed all across the continent. The 2014 European Parliament elections saw “euroskeptic” parties making inroads in virtually every member state. Although the latest Eurobarometer from May 2015 shows that positive views of the EU had risen slightly to 40 percent on average (higher than the for both national parliaments and governments), this figure is still significantly lower than pre-eurocrisis levels. Unsurprisingly, in some of the places hit the hardest by the eurocrisis, such as Greece and Cyprus, the figures are considerably lower.²² By

20 At the same time, some research shows that other non-economic factors may often be more decisive for the rise of right-wing populism. See, for instance, Lochocki, Timo, “The Unstoppable Far Right?,” *Europe Policy Paper 4*, 2014, German Marshall Fund, <http://www.gmfus.org/publications/unstoppable-far-right>.

21 Eurostat website, “Unemployment statistics,” http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics.

22 European Commission, “Standard Eurobarometer 83 Spring 2015,” July 2015, http://ec.europa.eu/public_opinion/archives/eb/eb83/eb83_first_en.pdf.

generating economic opportunity across the continent, including in those European countries hit the hardest by the eurocrisis,²³ TTIP could thus foster political cohesion within the eurozone. Furthermore, by proving that the EU is capable of negotiating a trade deal with the United States and by pushing the EU toward common positions on a host of other complex economical issues, TTIP might even encourage further deepened European integration, such as the completion of the Single Market.

Of course, this is not to say that the political impact of TTIP would necessarily be one-sided. As the plethora of well-attended anti-TTIP protests held across European cities illustrate, this is a polarizing issue in the European debate. But despite a vocal and seemingly well-organized anti-TTIP lobby in Europe, broader public opinion appears to be somewhat more nuanced on the issue. For example, a Pew study from 2014 found that 55 percent of Germans (compared to 53 percent of Americans) thought TTIP was a good idea.²⁴ European leaders will surely have to do more to convince their publics of the importance of TTIP (even after an agreement is signed), or else risk negative spillover on EU public opinion. At the same time, if the economic benefits of an agreement become more apparent and if some of the critics' worst warnings are proven misguided, the potential short-term political costs could still pay off in the long run for the EU. That said, we should not be surprised if TTIP ends up boosting skepticism of national governments and the EU in some corners of Europe, at least in the short to medium term.

23 Greece, for instance, is expected to see a 0.37 percent increase of its GDP as a result of TTIP, among the highest numbers in the EU. See Felbermayr, Gabriel et al., "Transatlantic Trade and Investment Partnership (TTIP): Who Benefits from a Free Trade Deal?," Bertelsmann Stiftung, 2014.

24 "Support in Principle for U.S.-EU Trade Pact," Pew Research Center, April 9, 2014, <http://www.pewglobal.org/2014/04/09/support-in-principle-for-u-s-eu-trade-pact/>.

Another relevant factor to consider here is the potential for TTIP to play a role in the U.K. debate on its future status in the EU. If the U.K. were to vote to leave the EU, this would spell uncertainty for TTIP. Even if TTIP is agreed upon without the U.K., the economic impact of such an agreement would clearly be less than if U.K. were part of it. Of course, even in the event of a "Brexit," Britain could still theoretically join TTIP as a non-EU member like Switzerland or Turkey, assuming third party states will eventually be allowed to ratify an agreement once completed. If an agreement is reached before the Brexit-referendum, TTIP could also make a contribution to the effort of keeping Britain in the EU, proving to the British electorate that Europe indeed stands for openness and a liberal agenda. This would undermine the argument that Britain would somehow be better off negotiating its own bilateral FTA with the United States. Conversely, a collapse of TTIP would only serve to encourage British euroskeptists by proving that the EU does not stand for free and open trade, thereby increasing the risk of Brexit.

Boosting Resilience on Europe's Eastern Flank

One place where TTIP holds considerable geopolitical relevance is Central and Eastern Europe. This region is currently confronting internal political challenges in the form of democratic backsliding in countries like Hungary and growing encroachment from Russia in the aftermath of the Ukraine crisis. TTIP would promote economic liberalization, attract more U.S. FDI, and assist some of the less developed regional economies with their global economic integration. That could help undermine political populism in the region by proving that globalization and liberalism really works. Case in point: Hungarian Prime Minister Viktor Orban has specifically cited the lack of competitiveness as a justification

If an agreement is reached before the Brexit-referendum, TTIP could also make a contribution to the effort of keeping Britain in the EU, proving to the British electorate that Europe indeed stands for openness and a liberal agenda.

TTIP can serve as an umbrella for linking economic, security, and democracy issues to weaken Russian influence.

for advancing his own version of “illiberal democracy.”²⁵

Importantly, the economic model that TTIP stands for — embracing free and open trade and Western norms and rules — is in stark contrast to the authoritarian, kleptocratic, and natural resource-driven “Putin model.”²⁶ The West should seize on the current weakness of the Russian economy to present a viable and attractive alternative for transition countries in Eastern Europe as part of the overall strategy for curbing Putin’s influence in the region. Here, TTIP can serve as an umbrella for linking economic, security, and democracy issues to weaken Russian influence.

Finally, TTIP could boost local resilience to withstand political and economic pressure from Russia by promoting of jobs and growth, strengthening energy security, and assisting those regional states hit the hardest by Western sanctions against Russia. It therefore seems entirely appropriate to view TTIP as one essential ingredient of the transatlantic community’s wider response to Putin’s activities in the region. It may accordingly not be surprising that the Kremlin does not view TTIP in the best light.²⁷ There are even suspicions that Moscow is attempting to sabotage TTIP through, for instance, support for anti-TTIP groups across Europe, although such claims are

25 Simon, Zoltan, “Orban Says He Seeks to End Liberal Democracy in Hungary,” Bloomberg News, July 28, 2014, <http://www.bloomberg.com/news/articles/2014-07-28/orban-says-he-seeks-to-end-liberal-democracy-in-hungary>.

26 For a good discussion on this topic, see Novák, Tamás, “TTIP’s Implications for the Global Economic Integration of Central and Eastern Europe,” in Hamilton, Dan S., *The Geopolitics of TTIP: Repositioning the Transatlantic Relationship for a Changing World*, Center for Transatlantic Relations, Washington, DC, 2014, http://transatlanticrelations.org/sites/default/files/TTIP_chapter6.pdf.

27 Stavridis, James, “Vladimir Putin Hates the TTIP,” *Foreign Policy*, November 19, 2014, <http://foreignpolicy.com/2014/11/19/vladimir-putin-hates-the-ttip/>.

extremely hard to validate.²⁸ If TTIP were to fail, the Kremlin might interpret this as a victory and possibly see it as an opportunity to increase its pressure on parts of Europe.²⁹

Projecting Stability in the Neighborhood

Even though EU member states are exclusively subject to the TTIP negotiations in Europe, a completed agreement would inevitably bring both direct and indirect effects beyond the EU’s own borders in the neighborhood. This would be most obviously so if third party countries are eventually able to join the deal, thereby gaining better access to the entire transatlantic market. While these countries may not be able to align their regulatory framework with the new EU and the U.S. standard overnight, they would immediately be affected by greater market access to the transatlantic economy. From a geopolitical perspective, Turkey is crucial in this regard. A study conducted by the Bertelsmann Stiftung suggests that Turkey stands to lose from TTIP due to trade diversion.³⁰ It is no surprise, therefore, that Turkey has pushed hard to be included in TTIP.³¹ At a time when Turkey is confronting serious political challenges at home and in its neighborhood, ensuring that the country remains firmly anchored within the transatlantic community is a key geopolitical objective. Unlocking TTIP to Turkey would

28 Korteweg, Rem, “It’s the geopolitics, stupid: Why TTIP matters,” Centre for European Reform, London, April 2, 2015, <http://www.cer.org.uk/insights/it%E2%80%99s-geopolitics-stupid-why-ttip-matters>.

29 Bildt, Carl and Javier Solana, “A Comeback Strategy for Europe,” Project Syndicate, January 6, 2015.

30 Felbermayr, Gabriel et al., “Transatlantic Trade and Investment Partnership (TTIP): Who Benefits from a Free Trade Deal?,” Bertelsmann Stiftung, 2014; “U.S., Japan, and 10 Countries Strike Pacific Trade Deal,” *Financial Times*, October 5, 2015.

31 Turkey is an especially strong advocate of TTIP inclusion, arguing that it would otherwise be in an unfair market position, where the country would be able to import but would not have the tax advantages.

benefit the Turkish economy while both making a strong political statement and contributing to regional stability. TTIP can also be a way for the transatlantic partners to engage with Turkey short of EU membership.

Furthermore, if transition states such as Georgia, Moldova, and Ukraine or non-EU countries in the Western Balkans also join, it would enhance the transatlantic partners ability to project stability in those countries through expanding prosperity, deepening trade relations, exporting high standards, and encouraging good behavior — in clear contradiction of the corruption-laden and natural resource-intensive “Putin model.” That said, neither TTIP nor bilateral trade agreements with the EU are necessarily incompatible with overlapping free trade agreements with Russia or its Eurasian Economic Union (EEU), as long as commitment to the Western liberal economic order is not compromised.

Another more indirect impact of TTIP is to reinforce the EU’s “magnetic pull” within its wider region by making the EU more economically vibrant and, consequently, attractive. With Europe’s own economic model appearing to be in disarray, the EU’s “normative power” called into question, the enlargement instrument facing an uncertain future, and instability on Europe’s southern and eastern flanks is on the rise, such a development would prove valuable when it comes to reinforcing regional states’ commitment to the core values of the Western liberal order and Euroatlantic integration. That said, a TTIP that is too exclusive also poses risks when it comes to dealing with third states. Efforts to include key non-EU states in the negotiations process would be useful, as this would promote TTIP eventually becoming a multilateral

platform pulling others in rather than excluding them.³²

Energizing Energy Security

The importance of energy security has been further underpinned by Russia’s recent aggression on Ukraine and the deterioration in the West’s relationship with Moscow. Imports currently account for the lion’s share of the continent’s overall energy consumption. Russia is by far the single largest supplier, currently accounting for around 30 percent of gas imports and 35 percent of oil imports. In several Central and Eastern European countries, this figure is considerably larger, with a few countries receiving all or nearly all of its gas consumed nationally from Russia.³³

Although some progress on reducing energy dependence has been made in recent years, especially since the 2006 and 2009 gas crises in Ukraine, the issue of dependence on Russian energy remains a challenge in Europe, especially as its makes European countries potentially more exposed to political and economic pressure from

32 See Ülgen, Sinan, “Locked In Or Left Out? Transatlantic Trade Beyond Brussels And Washington,” Carnegie Europe, Brussels, June 2014, http://carnegieendowment.org/files/locked_in_left_out_ttip.pdf; Kirişci, Kemal, “Turkey and the Transatlantic Trade and Investment Partnership Boosting the Model Partnership with the United States,” *Turkey Project Policy Paper*, No.2, Brooking Institution, Washington, DC, September 2013, <http://www.brookings.edu/~media/research/files/papers/2013/09/turkey-transatlantic-trade-investment-partnership-kirisci/turkey-and-the-transatlantic-trade-and-investment-partnership.pdf>.

33 Dickel, Ralf et al., “Reducing European Dependence on Russian Gas: Distinguishing Natural Gas Security from Geopolitics,” The Oxford Institute for Energy Studies, Oxford, October 2014, <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/10/NG-92.pdf>; “How Much Europe Depends on Russian Energy,” *The New York Times*, September 2, 2014, http://www.nytimes.com/interactive/2014/03/21/world/europe/how-much-europe-depends-on-russian-energy.html?_r=0; Eurostat website “Energy production and imports,” http://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_production_and_imports.

Another more indirect impact of TTIP is to reinforce the EU’s “magnetic pull” within its wider region by making the EU more economically vibrant and, consequently, attractive.

TTIP would help in accomplishing the goal of facilitating U.S. gas exports to Europe virtually overnight.

Moscow when Russian foreign policy in the neighborhood is becoming more aggressive.

Fortunately, transatlantic leaders now recognize the strategic imperative for enhancing Europe's energy security as a core part of an overall strategy to address Russia. The European Commission has made major strides toward dealing with the negative aspects of Gazprom in Europe. As a result, dependence on Russian energy has diminished at least for some of the northern and western European EU member states. One notable example in this regard is Lithuania whose recent completion of a liquid natural gas (LNG) terminal has already managed to reduce the country's gas dependence on Russia.³⁴ Furthermore, talk of an "energy union"³⁵ bringing Europe's disjointed energy markets together is now high on the political agenda in Brussels. Efforts to construct gas interconnectors and address bottlenecks have already yielded some positive results, but much more is clearly needed in order to curb Gazprom's still dominant position on the European gas market.³⁶

Enter TTIP. The U.S. energy revolution has already received a great deal of attention in Europe, and there is substantial untapped potential for an influx of North American oil and gas into Europe to serve as a "quick fix" to Europe's energy

security woes.³⁷ While European domestic energy production is declining, the advent of the shale gas technological revolution and the possibility for the United States becoming a net exporter of LNG by 2016 and natural gas by 2018 has already created a new momentum for Europe that must now be captured. TTIP could make a real contribution toward promoting energy security in Europe. Since the early 1970s, U.S. gas suppliers have faced cumbersome legislative hurdles when it comes to exporting to a country lacking a free trade agreement with the United States. Although regulatory changes to ease U.S. Department of Energy (DOE) licensing requirements are reportedly in the making,³⁸ TTIP would help in accomplishing the goal of facilitating U.S. gas exports to Europe virtually overnight.

Currently demand for LNG imports is high, as the current European LNG import capacity is not fully met. With newly constructed LNG terminals in Lithuania and Croatia and with others underway, the need for LNG exports to Europe will only increase. Of course, U.S. LNG exports to Europe will not replace Russian energy exports, but it would improve Europe's bargaining position vis-à-vis Gazprom. An influx of U.S. energy into Europe would help not only with reducing dependence on Russia but also with addressing Gazprom's unfair market position, thus improving overall energy market competition. Forcing Gazprom to reduce

34 Brattberg, Erik and Oreskovic, Luka, "European LNG: political wish but economic pipedream," *Financial Times* beyondbrics blog, June 16, 2015, <http://blogs.ft.com/beyondbrics/2015/06/16/european-lng-political-wish-but-economic-pipedream/>.

35 Crisp, James, "Leaders broadly endorse 'Energy Union' plans, leave details to later," *EurActiv*, March 20, 2015, <http://www.euractiv.com/sections/energy/eu-leaders-back-commissions-energy-union-plans-313093>.

36 Pedersen, Jesper, "Bolstering European Energy Security," *Policy Paper*, German Marshall Fund, June 2014, <http://www.gmfus.org/publications/bolstering-european-energy-security>.

37 Rostowska, Maya "Energising TTIP: A Step toward Better EU Energy Security," *PISM Bulletin No. 57* (652), Polish Institute of International Affairs, April 30, 2014, http://www.pism.pl/files/?id_plik=17133; Benes, Keith, K. "Considerations for the Treatment of Energy in the U.S.-EU Transatlantic Trade And Investment Partnership," Columbia University, German Marshall Fund, September 2015, http://energypolicy.columbia.edu/sites/default/files/energy/Considerations%20for%20the%20Treatment%20of%20Energy%20in%20TTIP_September%202015.pdf.

38 Snow, Nick, "DOE finalizes LNG export national interest review reforms," *Oil & Gas Journal*, August 15, 2014, <http://www.ogj.com/articles/2014/08/doe-finalizes-lng-export-national-interest-review-reforms.html>.

its prices could also significantly affect Russian revenues, thus potentially prompting a change in Moscow's foreign policy.³⁹

Still, this is not to say that Europe would cease its imports of Russian energy overnight. Far from it. Europe will remain dependent on Russian for energy for decades. There is still insufficient energy infrastructure, such as LNG terminals and pipelines, to allow for a massive influx of U.S. gas in Europe. Building new, commercially viable infrastructure takes time. Moreover, the fact that spot prices are higher in Asia than in Europe means that the former will be a more attractive export destination for U.S. energy producers.⁴⁰ Finally, there are also domestic concerns from the U.S. manufacturing industry and from environmental groups that energy exports would raise domestic energy costs in the United States.⁴¹ Although U.S. oil and gas is accordingly not the "magic bullet" to Europe's energy security dilemma, it is nevertheless a critical part of the solution, alongside the creation of a single integrated European energy market.

Given the importance of energy security in Europe, it is not surprising that European negotiators

39 See Bordoff, Jason and Trevor Houser, "American Gas to the Rescue? The Impact of U.S. LNG Exports on European Security and Russian Foreign Policy," Columbia University Center on Global Energy Policy, September 2014, http://energypolicy.columbia.edu/sites/default/files/energy/CGEP_American%20Gas%20to%20the%20Rescue%3F.pdf.

40 "Asian spot LNG prices oust Europe as world's No.1," Reuters, March 2, 2015, <http://www.reuters.com/article/2015/03/02/us-europe-asia-lng-idUSKBN0LY22V20150302>.

41 See Ebinger, Charles K. and Govinda Avasarala, "The Case for U.S. Liquefied Natural Gas Exports," Brookings Institution, Washington, DC, February 2013, <http://www.brookings.edu/research/articles/2013/02/us-lng-exports-ebinger-avasarala>; Bordoff, Jason and Trevor Houser, "Navigating the U.S. Oil Export Debate," Columbia University Center on Global Energy Policy, January 2015, http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf; Natali, Paolo "Energising the TTIP: Political Economy of the Trade Policy Rationale," Paper No. 9 in *CEPS Special Report No. 113*, Center for European Policy Studies, Brussels, July 2015.

have pushed hard for including a specific energy chapter in the TTIP text.⁴² U.S. officials remain hesitant, however, arguing that the mere signing of an FTA on its own allows for energy exports to Europe. Regardless, including specific energy provisions in TTIP would have positive effects on transatlantic energy cooperation more broadly. For instance, it could lead to more transatlantic policy coordination on energy efficiency, clean tech barriers, and energy innovation,⁴³ which could eventually serve as a template for other bilateral and multilateral agreements as well.

Finally, an energy chapter would be a highly symbolic gesture. As the 2015 U.S. National Security Strategy makes clear, the United States has a "significant stake" in European energy security.⁴⁴ Including a specific energy chapter in TTIP providing the national treatment of U.S. gas exports and labeling exports to Europe as being in the U.S. "strategic interest," would send a clear message to Europe about Washington's commitment to European energy security. Perhaps equally pertinent, it would also send a strong message from both Europe and the United States together to Russia and countries in the Middle East and Asia about the importance of the openness of energy markets and the rejection of resource nationalism. Ultimately, an energy chapter in TTIP could also help lay the foundation for stronger transatlantic energy cooperation that could eventually help

42 Donnan, Shawn, "Europeans urge U.S. to push power button on trade deal," *Financial Times*, July 27, 2014; "EU pushes for urgent energy deal in U.S. trade pact," Reuters, September 9, 2014, <http://www.reuters.com/article/2014/09/09/us-usa-eu-trade-idUSKBN0H428Y20140909>.

43 Simonyi, Andras, "Testimony to the United States Senate Committee on Foreign Relations," July 8, 2014, http://www.foreign.senate.gov/imo/media/doc/Simonyi_Testimony1.pdf.

44 White House, National Security Strategy, February 2015, https://www.whitehouse.gov/sites/default/files/docs/2015_national_security_strategy.pdf.

Including a specific energy chapter in TTIP providing the national treatment of U.S. gas exports and labeling exports to Europe as being in the U.S. "strategic interest," would send a clear message to Europe about Washington's commitment to European energy security.

TTIP presents a rare chance to enhance the EU's ability to think strategically about its own economic interests around the world, including how to more forcefully defend these.

reinforce the role of the wider “Atlantic Basin” as a rising energy hub.⁴⁵

Promoting “Global Europe”

Over the past two decades, Europe has taken some noticeable steps toward developing a more coherent common foreign policy. The seminal 2003 European Security Strategy — outlining for the first time ever the EU’s collective foreign policy goals — the adoption of the Lisbon Treaty in late 2009, and the subsequent establishment of the European External Action Services (EEAS) and the position of high representative for foreign policy are all notable milestones in this process. Despite these policy and institutional developments, achieving unity, coherence, and consistency between 28 EU member states still remains difficult in practice. If anything, Europe’s response to several recent crises in its neighborhood suggests that its foreign policy is largely driven by Paris, London, and Berlin coupled with several “mini-lateral” (or “plurilateral”) initiatives, rather than by a common EU platform.⁴⁶ The aspiration for a “single European voice” on foreign policy remains merely a lofty goal. Added to this is the fact that Europe has arguably become more insular and less outward oriented in the aftermath of the financial crisis.⁴⁷ As a result, it is not hard to see that the confidence

45 See Isbell, Paul, *Energy and the Atlantic: The Shifting Energy Landscape of the Atlantic Basin*, German Marshall Fund, Washington, DC, November 2012, <http://www.gmfus.org/publications/energy-and-atlantic-shifting-energy-landscape-atlantic-basin>; Koranyi, David “Toward a Transatlantic Energy Alliance? Liberalization of Energy Trade in the Transatlantic Trade and Investment Partnership,” *Huffington Post*, February 5, 2014, http://www.huffingtonpost.com/david-koranyi/toward-a-transatlantic-energy-alliance_b_4730227.html?utm_hp_ref=tw.

46 Balfour, Rosa, “Europe’s Patchwork Foreign Policy Needs More Than a Few New Stitches,” German Marshall Fund, Washington, DC, July 2015, <http://www.gmfus.org/publications/europes-patchwork-foreign-policy>.

47 Patrick, Stewart M., “A Divided and Insular EU,” Council on Foreign Relations, October 11, 2010, <http://www.cfr.org/eu/divided-insular-eu/p23117>.

in Europe’s ability to serve as a global actor has been severely shaken in recent years, including in Washington.

TTIP would have some far-reaching consequences for the EU’s strategic outreach. As the world’s single largest economic bloc, trade constitutes a core component of the EU’s global identity. TTIP would lead to more confidence in Brussels’ ability to negotiate complex trade agreements, encouraging the completion of additional bilateral and multilateral FTAs with other countries and trade blocs.⁴⁸ Moreover, TTIP presents a rare chance to enhance the EU’s ability to think strategically about its own economic interests around the world, including how to more forcefully defend these.⁴⁹ Of course, the EU has already attempted to forge trade agreements with geopolitically crucial partners such as Ukraine, Japan, and Pakistan.⁵⁰ It has also recently effectively wielded economic sanctions as a geopolitical tool against countries such as Iran and Russia. But TTIP is in a category of its own both in terms of scope and size of previous trade deals. Completing this deal would signal a new sense of strategic awareness in a fast-changing world, infusing Brussels with a renewed sense of political purpose, demonstrating to both Europe and to the outside world that the EU is seeking to actively assert itself on the international arena.

48 The EU has currently 34 FTAs, including with countries in the Middle East and North Africa, Europe, South America, Asia, and Africa. The EU is currently negotiating or is considering entering into negotiations with over dozen countries (e.g. Ukraine, Canada, Singapore, India, Japan) and regional groupings (e.g. CARIFORUM, ASEAN, GCC, MERCOSUR).

49 Van Ham, Peter, “The Geopolitics of TTIP,” *Clingendael Policy Brief No. 23*, October 2013, <http://www.clingendael.nl/sites/default/files/The%20Geopolitics%20of%20TTIP%20-%20Clingendael%20Policy%20Brief.pdf>.

50 Studdart, Amy, “Europe’s Trade Strategy at a TTIP-Ing Point,” *Global Economics Monthly*, Volume 3, issue 7, Center for Strategic and International Studies, Washington, DC, July 2014, http://csis.org/files/publication/140731_Global_Economics_Monthly_Vol_3.pdf.

Indeed, as global geo-economic competition is on the rise,⁵¹ Europe needs to reconsider how it can more efficiently utilize its economic instruments as part of its wider foreign policy toolbox. The crisis with Russia in Ukraine, which originally erupted when Russia opposed a free trade agreement between Kyiv and Brussels, illustrates this point well. Although trade is one of the few foreign policy areas where the EU retains full competency, this is not the same as saying that the EU is always using this instrument in the most strategic fashion. Traditionally comfortable with using soft power instruments, Brussels typically has a much harder time leveraging its wider toolbox in a strategic way for regional and global political influence. TTIP could help alter this, strengthening the EU's trading role in the world and bringing a valuable geopolitical and geo-economic lens to the EU's diplomatic capacity. However, a failure to complete TTIP would equally undermine the EU's potential for economic statecraft in the world at a crucial time.

51 "Geo-Economics Seven Challenges to Globalization," World Economic Forum, January 2015, http://www3.weforum.org/docs/WEF_Geo-economics_7_Challenges_Globalization_2015_report.pdf.

Finally, since Europe has frequently been accused of lacking an effective pro-growth agenda⁵² and of resorting to protectionism in areas such as technology,⁵³ TTIP would send a clear signal to global investors that Europe is not some kind of economic backwater doomed to perpetual decline and stagnation. With TTIP, the message from Europe would instead be that of a vibrant, modern economy upholding strong principles of free and open trade and fully embracing globalization. Such a narrative would go a long way toward restoring investors' confidence in the European economy.

52 Padoan, Pier Carlo and Wolfgang Schäuble, "A Pro-Business, Pro-Growth Agenda for Europe," *Wall Street Journal*, June 26, 2014.

53 "Obama attacks Europe over technology protectionism," *Financial Times*, February 16, 2015; "Fortress Europe? The Risk of Rising Protectionism in Europe," CMS and Oxford Analytica, September 2008; "The next decade of EU trade policy: confronting global challenges?," <http://www.cms-dsb.com/Hubbard.FileSystem/files/Publication/2a1036ba-f63c-4a5c-b4dc-42c2afd10ae2/Presentation/PublicationAttachment/5416e216-426c-4cef-a2b8-4515e4d8c817/enbin%5b1%5d.pdf>; "Trade, Growth and Development: Tailoring Trade and Investment Policy for those Countries Most in Need," Overseas Development Institute, July 2012, <http://www.odi.org/publications/6693-eu-trade-policy-international-development-global-challenges>.

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5 TTIP AND THE TRANSATLANTIC PARTNERSHIP 2.0

At a fundamental level, TTIP would help to bring the transatlantic partnership back to the center of the foreign policy agendas in both Washington and the European capitals.

While the deepening of transatlantic commercial ties as a result of TTIP could benefit both sides of the Atlantic economically, we should also expect some positive spillover effects on the broader transatlantic partnership as such. At a fundamental level, TTIP would help to bring the transatlantic partnership back to the center of the foreign policy agendas in both Washington and the European capitals. This is particularly pertinent at a time when the transatlantic relationship is confronting numerous challenges — ranging from the negative fallout after the National Security Administration (NSA) scandal to unprecedented security threats in Eastern Europe and the Mediterranean to the eurocrisis and the Obama administration’s “strategic rebalancing” toward the Asia-Pacific. Such a “transatlantic pivot to each other” would thus serve to reinforce positive views around the importance of “Atlanticism” in the 21st century and help consolidate the bond between Europe and the United States at a crucial time.

Upgrading the EU-U.S. Strategic Partnership

A successful completion of an ambitious and comprehensive TTIP would reinforce mutual commitment to the transatlantic partnership. In Europe, it would serve as a bulwark against the dangerous narrative of U.S. “abandonment” — an issue reinforced by the Obama administration’s “pivot” to Asia-Pacific region. European capitals have generally viewed the Asian pivot in zero-sum terms, fearing that it is synonymous with U.S. disengagement from their continent.⁵⁴ Regardless of whether such concerns are valid or not, the need for U.S. engagement in Europe has recently been underscored by the need for a more robust U.S. defense commitment in the aftermath of the Ukraine crisis and the overall deterioration in the West’s relationship with Russia. Coupled

⁵⁴ See, for instance, Swieboda, Pawel, “Who’s Afraid of the Big Bad Pivot?,” *Foreign Affairs*, December 4, 2012.

with on-going U.S. efforts to reassure vulnerable eastern NATO allies against a revanchist Russia TTIP would be a deeply symbolical effort, signaling to European capitals that Washington remains firmly invested in the transatlantic partnership. It would also send a clear message to Moscow about transatlantic unity, reaffirming that “Europe and the United States stand together in all dimensions — values, politics, security, and trade,” in the words of former NATO Supreme Allied Commander Europe James Stavridis.⁵⁵ The remark by U.S. Defense Secretary Ashton Carter that a completion of TPP would be “as important as another aircraft carrier” in Asia⁵⁶ could easily be applied to TTIP in Europe as well. If the United States is seen as tying its economic future to Europe, Europeans should have less reason to doubt long-term U.S. commitment to their continent.

As to the question of whether TTIP can also help restore European trust in Washington in the aftermath of the NSA scandal,⁵⁷ the likely answer is less straightforward. Although TTIP is widely supported by European leaders, it is concurrently a major source of anti-U.S. discourse throughout the continent. This is especially the case in Germany, where the NSA scandal has severely damaged public perception of the United States.⁵⁸ According

⁵⁵ Stavridis, James, “Vladimir Putin Hates the TTIP,” *Foreign Policy*, November 19, 2014, <http://foreignpolicy.com/2014/11/19/vladimir-putin-hates-the-ttip/>.

⁵⁶ “U.S. Defense Secretary Supports Trade Deal with Asia,” *The New York Times*, April 6, 2015.

⁵⁷ “Spying Fallout: German Trust in United States Plummet,” *Spiegel International*, November 8, 2013, <http://www.spiegel.de/international/germany/nsa-spying-fallout-majority-of-germans-mistrust-united-states-a-932492.html>; Sparding, Peter, “Germany’s Pivotal Role on the Way to TTIP,” *Europe Policy Paper*, German Marshall Fund, Washington, DC, November 2014, <http://www.gmfus.org/publications/germanys-pivotal-role-way-ttip>.

⁵⁸ “Support in Principle for U.S.-EU Trade Pact but Some Americans and Germans Wary of TTIP Details,” Pew Research Center, April 9, 2014, <http://www.pewglobal.org/2014/04/09/support-in-principle-for-u-s-eu-trade-pact/>.

to the last Transatlantic Trends report, favorability of the United States in Europe as a whole declined somewhat in 2014 while in Germany the drop was much sharper, from 68 percent in 2013 to 58 percent.⁵⁹ So while TTIP certainly holds the potential to eventually deepen trust and reinforce mutual commitment to shared Atlanticist values — especially as the lives of citizens improve while free trade with the United States promotes long-term growth across Europe — its positive impact on strengthening transatlantic trust should by no means be expected to come about automatically.

Conversely, by completing a complex trade and investment agreement the size of TTIP — the first ever congressionally ratified agreement between the United States and EU — Europe would gain standing in Washington. Recurrent complaints that Europe lacks serious foreign policy ambition, that the EU-U.S. partnership remains far from strategic, and that EU-U.S. summits are devoid of real substance is nothing new.⁶⁰ If anything, the inability of EU capitals to forcefully resolve the protracted eurocrisis, promote economic growth, and address the spiraling migrations crisis and its foreign policy shortcomings have all contributed to reinforce the dominant view within the U.S. foreign policy community of the EU as a relatively weak strategic actor.⁶¹ A successful TTIP deal would help prove that Europe is not an economic backwater or a passive bystander in international affairs, but indeed a dynamic economy and serious strategic partner with whom Washington should invest in strengthening its partnership. It is important to

59 “Transatlantic Trends: Key Findings 2014,” German Marshall Fund, Washington, DC, 2014, http://trends.gmfus.org/files/2012/09/Trends_2014_complete.pdf.

60 “Snub for EU as Barack Obama Ducks Out of Summit,” *The Guardian*, February 2, 2010, <http://www.theguardian.com/world/2010/feb/03/snub-eu-barack-obama-summit>.

61 Neuger, James G., “Europe to Face Washington Disbelief with Economic Claims,” *Bloomberg*, April 15, 2013, <http://www.bloomberg.com/news/2013-04-14/europe-to-face-washington-disbelief-with-economic-progress-claim.html>.

note that from a U.S. foreign policy perspective, TTIP’s relevance extends far beyond the North Atlantic Basin. Along with the Trans-Pacific Partnership in the Asia-Pacific region, it is part of a broader bipartisan U.S. effort to reconfigure its economic statecraft in order to buttress up the international rules-based order in response to ongoing global power shifts.⁶² The 2010 U.S. National Security Strategy recognizes the centrality of U.S. global economic leadership, noting “America’s growing economic strength is the foundation of our national security and a critical source of our influence abroad.”⁶³ Trade is clearly a core component here. U.S. Trade Representative Michael Froman has argued that trade “has emerged as one of America’s most important foreign policy tools — both for increasing our strength at home and for exercising it abroad.”⁶⁴ To Washington, TTIP thus serves larger U.S. foreign policy objectives far beyond Europe itself.

As we can see, TTIP and TPP are deeply interconnected, as both would help boost the West’s economic leadership role, reinvigorate global trade liberalization, and advance international commitment to Western values and norms. However, the relative importance of either of these agreements is significantly diminished if the

62 See Froman, Michael B., “The Strategic Logic of Trade: New Rules of the Road for the Global Market,” *Foreign Affairs*, November/December 2014; Froman, Michael B., “The Geopolitical Stakes of America’s Trade Policy,” *Foreign Policy*, February 17, 2015, <http://foreignpolicy.com/2015/02/17/the-geopolitical-stakes-of-americas-trade-policy-tpp-ttip/>; Kerry, John, “Remarks at the Atlantic Council’s Conference on Trade and National Security: Renewing U.S. Leadership Through Economic Strength,” Washington, DC, April 23, 2015, <http://www.state.gov/secretary/remarks/2015/04/241019.htm>.

63 White House, National Security Strategy, May 2010, https://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.

64 Froman, Michael B., “The Geopolitical Stakes of America’s Trade Policy,” *Foreign Policy*, February 17, 2015, <http://foreignpolicy.com/2015/02/17/the-geopolitical-stakes-of-americas-trade-policy-tpp-ttip/>;

To Washington, TTIP thus serves larger U.S. foreign policy objectives far beyond Europe itself.

TTIP would serve as a catalyst for deeper transatlantic cooperation across many other issue areas, potentially even laying the foundation for an eventual EU-U.S. economic alliance in the future.

other one fails. A collapse of either TTIP or TPP would severely hamper broader U.S.-led efforts to strengthen the international rules-based order. Moreover, a failure by Europe and the United States to agree on a win-win trade deal would be detrimental to the transatlantic relationship, and could even complicate cooperation on other issues. In a scenario where TPP passes but TTIP fails and Europe gets the blame, Washington may easily draw the conclusion the future indeed lies in Asia and that Europe is a diminishing global actor. Without TTIP, the “pivot to Asia” may therefore eventually turn out to diminish Europe’s strategic relevance to Washington after all — a possibility that all European capitals should strongly caution against, especially at a time when the need for U.S. reassurance against Russia is greater than it has been in decades. TTIP is accordingly an essential part of ensuring continued U.S. focus on Europe in an age of global power shifts.

What’s more: the positive effects would not just be a one off. TTIP would serve as a catalyst for deeper transatlantic cooperation across many other issue areas, potentially even laying the foundation for an eventual EU-U.S. economic alliance in the future.⁶⁵ Yet no matter how ambitious and comprehensive, TTIP cannot cover everything. There will still be a need for the EU and the United States to discuss common standards and regulations in other areas than those included in the agreement, either as a part of a “living agreement” that can subsequently be amended with additional elements along the way or outside of the TTIP framework entirely. Regardless, TTIP holds great potential to serve as the framework for gradually building a more deeply integrated single transatlantic market, along with

⁶⁵ For some notable proposals of how to make the EU-U.S. relationship more strategic, see Hamilton, Daniel, S. and Frances Burwell, “Shoulder to Shoulder: Forging a Strategic U.S.-EU Partnership,” Center for Transatlantic Relations, Washington, DC, 2009, December 2009.

the necessary joint political institutions to support such a market.

Finally, we must consider whether an upgrade of the EU’s status in Washington as a result of TTIP could eventually translate into a higher willingness on behalf of the United States to deal with the Brussels institutions more directly. If anything, the EU’s perceived weakness has only reinforced Washington’s preference for dealing with Berlin, Paris, and London directly rather than its Brussels-based focal points. For a more strategic EU-U.S. partnership to take shape, revisiting the leadership and institutional structures underpinning this partnership is a must. Such a new “transatlantic compact” could promote EU-U.S. strategic coherence and policy coordination in areas beyond trade and economics as well. But whether TTIP can promote a broadening and deepening of EU-U.S. bilateral ties remains to be seen. If the process of European integration is seen as stalling or, worse, even stagnating, making the case for the United States to invest more in deepening its institutional relationship with the EU will be a tough sell. That said, given the 20-year anniversary of the “New Transatlantic Agenda” in 2015, and taking into account post-Lisbon Treaty institutional developments, beginning to think about such initiatives seems appropriate. As the first major “post-post-Cold War” transatlantic initiative, TTIP would, at the very least, provide the EU-U.S. relationship with new direction and purpose in the 21st century.

TTIP, NATO, and Transatlantic Security

Complementing the transatlantic link with a more robust economic dimension, TTIP would also have crucial positive spillover effects on broader transatlantic security and defense affairs. At a fundamental level, security in both Europe and the United States ultimately depends on having healthy and vibrant economies at home. Or in the

words of Gen. Jim Jones, “without greater growth across the Atlantic, the NATO alliance — the most successful partnership for security, prosperity, and humanitarianism in history — will fall into inevitable decline.”⁶⁶ These fears have aggregated in recent years following the financial crisis and the ensuing economic austerity, giving rise to deep cuts in many national defense budgets. While both sides of the Atlantic have seen their defense budgets drop in recent years, the situation in Europe is arguably the most alarming,⁶⁷ adding to a long-standing U.S. criticism about a widening transatlantic capabilities gap.⁶⁸ And while the Ukraine crisis has forced many European countries to reprioritize and reinvest in defense after years of decline, only a handful of states still fulfill the pledge made at the Wales NATO summit to devote at least 2 percent of their GDP to defense.⁶⁹ Even if per-capita spending on defense remains constant, overall European defense spending would still increase as a result of the added GDP growth that TTIP is expected to generate. Indeed, while the 2 percent defense spending goal is a useful target, few European countries are expected to live up to

66 Gen. Jones, James L. and Thomas J. Donahue, “NATO Needs Strength of Robust European and U.S. Economies,” *Investor’s Business Daily*, November 8, 2012, <http://news.investors.com/ibd-editorials-viewpoint/110812-632769-strong-american-and-european-economies-ensure-security.htm?p=full>.

67 Wolf, Katherina, “Defence Spending 2014: The EU Picture,” *Issue Alert No. 25*, European Union Institute for Security Studies, Paris, April 2015.

68 See for example, “Gates Rebukes European Allies in Farewell Speech,” *The Washington Post*, June 10, 2010, https://www.washingtonpost.com/world/gates-rebukes-european-allies-in-farewell-speech/2011/06/10/AG9tKeOH_story.html.

69 Quintana, Elizabeth et al., “Rising European Defence Budgets?,” *RUSI Analysis*, May 1, 2015, Royal United Services Institute, London, <https://www.rusi.org/analysis/commentary/ref:C5543813269A41/#.VeIjgNNViko>; de France, Oliver, “Defence Budgets in Europe: Downturn or U-turn?,” *Issue Alert No. 12*, European Union Institute for Security Studies, Paris, May 2015; “Just Five of 28 NATO Members Meet Defense Spending Goal, Report Says,” *Wall Street Journal*, June 22, 2015.

it anytime soon. What arguably matters more in the short to medium term is whether European states can at least avoid further cuts and invest more in capabilities. Given the recent deterioration in European security following Russia’s aggression against Ukraine and the growing need for stronger U.S. security guarantees on the continent, the symbolic significance of such a reaffirmation of transatlantic burden-sharing must not be underestimated. In this regard, a successful TTIP agreement could perhaps even lay the foundation for a new “transatlantic bargain” adjusted to 21st century realities where the United States remains committed to European security in return for more robust European burden-sharing.

Another way TTIP can promote stronger transatlantic defense is through encouraging deeper transatlantic defense industrial cooperation.⁷⁰ Of course, the defense sector is not part of the TTIP negotiations. The reason for this was that “defense procurement” was viewed as too sensitive and subject to unique national and special interests. Many large European defense industries believed that including “defense” in the TTIP negotiations would force them to open up their domestic market to U.S. defense contractors without ensuring the same level of access to the U.S. market for European suppliers. However, the exclusion of “defense” from the TTIP agenda does not mean that the sector will remain unaffected by a potential trade agreement. On the contrary, a number of defense and security industry products will be affected. In today’s defense market, dual use products are increasingly blurring the lines between the defense and civilian sectors.⁷¹ A large number of finished defense

70 This part is derived from Erik Brattberg and Michael Mohr, “U.S.-Nordic Defense Industry Cooperation: Adding Value to the Transatlantic Partnership,” chapter in “Advancing U.S.-Nordic Security Cooperation,” Center for Transatlantic Relations, Washington DC, 2014.

71 Fiott, Daniel, “No TTIP-ing Point for European Defense?,” European Union Institute for Security Studies, March 2014.

Even if per-capita spending on defense remains constant, overall European defense spending would still increase as a result of the added GDP growth that TTIP is expected to generate.

The tendency amongst some in the foreign policy community to refer to the deal as “an economic NATO” is somewhat misleading and, in some cases, even counter-productive.

products involve essential civilian components and technology. However, even if TTIP would succeed in removing tariffs on these products, other non-tariff barriers would still remain in place including the “Buy American Act” and the International Traffic in Arms Regulations (ITAR), which restricts many foreign companies’ access to the U.S. defense market.

A note of caution, however: while TTIP indisputably matters to transatlantic security, the tendency amongst some in the foreign policy community to refer to the deal as “an economic NATO”⁷² is somewhat misleading and, in some cases, even counter-productive, for instance when it comes to non-NATO EU states such as Finland and Sweden. While experts such as Charles Kupchan are certainly correct in saying that TTIP can help turn the “world’s premier security alliance into the world’s premier economic pact,”⁷³ this is not quite the same thing as saying that a direct comparison to NATO is always a useful one, especially not in a European context. While the United States clearly remains the dominant actor in the security arena, the EU and the United States are far more equal players on economics and trade. It is essential not

⁷² Ignatius, David, “A Free-Trade Agreement With Europe?,” *The Washington Post*, December 5, 2012; Gray, Boyden C., “An Economic NATO: A New Alliance for a New Global Order,” *Issue Brief*, Atlantic Council, Washington, DC, February 2013, <http://www.atlanticcouncil.org/publications/issue-briefs/an-economic-nato-a-new-alliance-for-a-new-global-order>; Speech by NATO Secretary General Anders Fogh Rasmussen at the Conference “A New Era for EU-U.S. Trade” Confederation of Danish Industry, Copenhagen, October 7, 2013, http://www.nato.int/cps/en/natolive/opinions_103863.htm.

⁷³ Dassu, Marta and Charles A. Kupchan, “Pivot to the Transatlantic Market,” *The New York Times*, June 13, 2013.

to reinforce the already widespread stereotype among some of TTIP’s European critics that this is an all-U.S. invention designed to benefit large U.S. multinational companies. Avoiding making direct comparisons to NATO is one way to help ensure this.

Finally, despite what some scholars have suggested,⁷⁴ it is extremely unlikely that commercial relations will ever replace the military alliance as the core part of the transatlantic relationship. If anything, recent events in Ukraine have only further underscored the centrality of transatlantic cooperation on defense and security matters. There is no question NATO will continue to serve as the core binding glue across the Atlantic and for which there can be no substitute. While TTIP is certainly important, the transatlantic partners must ensure that this issue does not distract them from other crucial security matters by focusing them too heavily on economic issues, thus undermining the strength and vitality of NATO. But given the renewed importance of the security dimension, this risk must still be seen as extremely low in the near term.

⁷⁴ See Flockhart, Trine, “Can TTIP Be an ‘Economic NATO’?,” German Marshall Fund, blogpost, October 14, 2013, <http://blog.gmfus.org/2013/10/14/can-ttip-be-an-economic-nato/>.

6 REINVENTING THE INTERNATIONAL LIBERAL ORDER

The international rules-based order that has guided the world since the end of World War II faces a highly uncertain future. Despite the predictions of many Western analysts,⁷⁵ rising powers are not seamlessly buying into the liberal rules-based order. While the global economic center of gravity is undergoing a shift from the West to the East, the current economic system is simultaneously under tremendous pressure — and along with it the values and principles underpinning this order. The BRICS are actively seeking to assert their own values and principles, which tend to be far less supportive of open and free trade and the protection of intellectual property and labor laws. Recent examples of the BRICS' efforts include the new BRIC Development Bank and China's Asian Infrastructure Investment Bank. Meanwhile, efforts to make progress on multinational trade liberalization have floundered as the Doha round has stalled and the WTO appears to be growing in irrelevance.⁷⁶ The Bretton Woods institutions are still in dire need of reforms. With rising fears over protectionism, state-capitalism, and the decline of Western norms and values, revitalizing the global economic system is a top priority for the West going forward. Here, TTIP can make vital contributions.

Entering TTIP: Setting Global Norms and Rules

Given the enormous size of the combined U.S. and EU economies, a TTIP agreement setting shared transatlantic standards and regulations would advance a rules-based system of global economic

governance reflecting transatlantic values and norms. It would also make it more difficult for China and other emerging economies to adopt their own — lower — safety and environmental standards. The stronger the bond is between the EU and the United States, the better for the liberal international order since it creates incentives for other rising powers to integrate into this order rather than establishing their own parallel and competing structures — or else risk falling behind. In other words, it strongly behooves Europeans and Americans to quickly become “standard-setters” rather than risk becoming “standard-takers” in an economic order increasingly controlled by China and other emerging powers.⁷⁷ But this also necessitates a willingness on behalf of Europe and the United States to actively assert Western rules and norms in a quickly changing world.

A comprehensive and ambitious TTIP deal means Beijing and other emerging powers can no longer remain outside of global trade negotiations. It could encourage China to become a more responsible stakeholder and take a more active part in shaping key global economic governance issues. There are even early signs that China is already reacting to TTIP and TPP by becoming more actively engaged on global trade issues.⁷⁸ While clearly neither the United States nor the EU has enough economic and political clout to dictate to China alone anymore, a joint transatlantic approach in the form of TTIP is the best approach for Washington and Brussels

A TTIP agreement setting shared transatlantic standards and regulations would advance a rules-based system of global economic governance reflecting transatlantic values and norms.

⁷⁵ See, for instance, Ikenberry, John G., *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*, Princeton University Press, Princeton, 2011; Ikenberry, John G., “The Future of the Liberal World Order,” *Foreign Affairs*, May/June 2011.

⁷⁶ For a useful discussion on the fate of the Doha Round, see Bhagwati, Jagdish et al., “Where is the world trade system heading?” in Baru, Sanjaya and Suvi Dogra, *Power Shifts and New Blocs in the Global Trading System*, Routledge, New York, 2015, pp.27-30.

⁷⁷ “A Transatlantic Tipping Point,” *The Economist*, April 27, 2013.

⁷⁸ Otero-Iglesias, Miguel, “The Geopolitics of the TTIP seen from Beijing,” *EUSA Review*, volume 23, No. 3, Fall 2013, https://eustudies.org/assets/files/eusa_review/Fall%2013final2.pdf.

By representing an entirely new generation of trade deals, TTIP could promote trade liberalization and help serve as a model for other “mega-regional” negotiations elsewhere in the world.

to assert themselves against Beijing.⁷⁹ TTIP is, accordingly, an essential part of rescuing the international liberal order from decay. At the same time, Washington and Brussels need to strike a fine balance between reasserting themselves without trying to contain China and other rising powers, as this could increase the risk for greater geopolitical tension.⁸⁰

Kick-Starting Global Trade Liberalization

Along with its Asian-Pacific cousin, the TPP, TTIP can help spur a new wave of global trade liberalization. While it is true that TTIP and TPP⁸¹ represent an entirely new generation of trade negotiations, they are not necessarily in opposition to the existing multilateral framework. On the contrary, TTIP may actually bring a well-needed dose of fresh energy and confidence back into a stagnating global trading regime. If so, this would not be unprecedented; it is precisely what happened to the Uruguay Round following the completion of NAFTA in the 1990s. TTIP could install confidence in complex trade negotiations and encourage the major stakeholders to return to the multilateral negotiation table with a renewed sense of purpose. As a result of completing TTIP, Europe and the United States would also be able to push harder for progress on multilateral trade rounds and

79 For an excellent discussion about the impact of TTIP and TPP as a tool to cope with China, see Subramanian, Arvind, “Ideas and Power in Contemporary Trade Development,” in Baru, Sanjaya and Suvi Dogra, *Power Shifts and New Blocs in the Global Trading System*, Routledge, New York, 2015, pp. 49-51; Tellis, Ashley, J. “The Geopolitics of the TTIP and the TPP,” in Baru, Sanjaya and Suvi Dogra, *Power Shifts and New Blocs in the Global Trading System*, Routledge, New York, 2015.

80 Kupchan, Charles A., “The Geopolitical Implications of the Transatlantic Trade and Investment Partnership,” *Analysis*, Transatlantic Academy, Washington, DC, June 2014, http://www.transatlanticacademy.org/sites/default/files/publications/Kupchan_TTIPsGeopoliticalImplications_Jun14.pdf.

81 Although a mega-FTA involving a dozen nations in the Asia-Pacific region, TPP resembles more a traditional free trade agreement in scope with its focus being primarily on lowering tariffs and other trade barriers.

for reforms of the current economic system. In this sense, “plurilateral” trade rounds like TTIP might be seen as one possible way of rescuing the multilateral trade regime from a complete standstill or even collapse.

Moreover, the exceptionally ambitious scope of TTIP, going far beyond the WTO to also include issues such as intellectual property, services, discriminatory industrial trade policies, and state-owned enterprises, can help fortify the normative underpinnings of the multilateral system, thus providing critical benchmarks for future WTO multilateral liberalization. Crucially, TTIP would help set global standards for international norms in areas such as human rights, labor, environmental, and consumer standards.⁸² The impact of such a development would extend far beyond the North Atlantic area, including the Asia-Pacific region.

That said, TTIP (and TPP) do signal the emergence of “mega-regional” trading blocs. Given the current impasse in multilateral trade negotiations, bilateral and regional trade agreements taking place outside of the existing WTO framework are perhaps the best bet for moving global trade liberalization forward. By representing an entirely new generation of trade deals, TTIP could promote trade liberalization and help serve as a model for other “mega-regional” negotiations elsewhere in the world.⁸³ This could include both current and potential agreements that both the EU and the United States are pursuing separately as well

82 Hamilton, Daniel S., “TTIP’s Geostrategic Implications,” in *The Geopolitics of TTIP: Repositioning the Transatlantic Relationship for a Changing World*, Center for Transatlantic Relations, Washington, DC, 2014 p. xxi.

83 Schott, Jeffrey J., “Why Transatlantic Trade Winds Are Blowing,” Council on Foreign Relations, February 25, 2013, <http://www.cfr.org/trade/why-transatlantic-trade-winds-blowing/p30066>; Kupchan, Charles A., “The Geopolitical Implications of the Transatlantic Trade and Investment Partnership,” *Analysis*, Transatlantic Academy, Washington, DC, June 2014, http://www.transatlanticacademy.org/sites/default/files/publications/Kupchan_TTIPsGeopoliticalImplications_Jun14.pdf.

as other regional trade rounds like the Pacific Alliance. Ultimately, such a development might serve to enable other countries and regional groupings to complete additional regional mega-trade deals, separate from the WTO multilateral framework but still adhering to strict international norms and principles.⁸⁴ At the same time, since economics does not exist in a global geopolitical vacuum, a possible surge in regional trade talks could also give rise to competing regional trade blocs — with negative geopolitical repercussions.

Though some scholars suggest the prospect of regional trade agreements (RTAs) equals “Balkanization” of the multilateral system, both Europe and the United States have a vested interest in ensuring the continued success of the existing global economic system, while adopting it to new realities. Europe, a strong advocate of “effective multilateralism,”⁸⁵ would find a turn toward regionalism at the expense of multilateralism simply unacceptable. Another reason why TTIP is more likely to strengthen rather than detract from multilateralism is that the scope of TTIP goes beyond traditional free trade agreements. By setting a transatlantic baseline for investments and standards, TTIP thus provides incentive for other rising powers to either buy into the current system or be left outside alone. TTIP is thus compatible with multilateralism in that it actually helps determine the terms of rising powers’ integration into the current system. The alternative to regional

84 For an interesting discussion of regionalism in global trade, see Lamy, Pascal, “Is trade multilateralism being threatened by regionalism?” in Baru, Sanjaya and Suvi Dogra, *Power Shifts and New Blocs in the Global Trading System*, Routledge, New York, 2015; “Mega-Regional Trade Agreements Game-Changers or Costly Distractions for the World Trading System?,” World Economic Forum, July 2014, http://www3.weforum.org/docs/GAC/2014/WEF_GAC_TradeFDI_MegaRegionalTradeAgreements_Report_2014.pdf.

85 European Council, “A Secure Europe in a Better World: A European Security Strategy,” December 12, 2003, Brussels, <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

trade agreements is not multilateralism but stalled multilateralism and growing protectionism, EU-U.S. rivalry abroad, and lowest-common-denominator standards across the globe.⁸⁶

The Western Model, Not “Fortress Atlantic”

To successfully set a global template for trade, TTIP must not be seen as an exclusive EU-U.S. agreement, but as an open platform for others to eventually join. In this regard, it is essential to ensure that TTIP is not viewed as a “Fortress Atlantic,” an exclusive Western club of sorts, since that would only make it less likely for rising powers to buy into Western rules. While TTIP is exclusively negotiated by Washington and Brussels, the role of third states must be taken into account — including whether TTIP ought to be open for others to eventually accede once the agreement is signed, or even if they should have input into the negotiation process itself. A living and open TTIP document should be the ultimate goal. Similar to TPP, which is currently open to qualifying Asia-Pacific Economic Cooperation members, a realistic option for TTIP is to be open for other OSCE members as well. In particular, TTIP should let neighboring states such as Turkey, Georgia, and Ukraine accede once an agreement is reached. Such an “open architecture” would enable TTIP to spread crucial transatlantic values and principles in Europe’s wider neighborhood, at a time when commitment to those values is increasingly under fire in many places.⁸⁷ Some observers have even called for TTIP to be open to countries in the wider

86 Hamilton, Daniel S., “The Transatlantic Pivot,” *Current History*, Vol. No. 113, Issue No. 761.

87 See, for example, Walker, Joshua W., “Reinvigorating Turkey’s Transatlantic Enthusiasm Through TTIP,” German Marshall Fund, Washington, DC, April 1, 2015, <http://www.gmfus.org/publications/reinvigorating-turkeys-transatlantic-enthusiasm-through-ttip>; Kirişci, Kemal, “TTIP’s Enlargement and the Case of Turkey,” *Turkey Papers*, Istanbul Policy Center and Wilson Center, January 2015, https://www.wilsoncenter.org/sites/default/files/FINAL_IPC-WWICSTurkeyPaper_TTIP.pdf.

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TTIP can help improve the attractiveness of the Western model while fighting back against the popular narrative of Western decline in the aftermath of the global financial crisis.

“Atlantic Basin.”⁸⁸ Regardless, it seems reasonable to assume that countries where both the United States and the EU have free trade agreements — such as Mexico and Canada⁸⁹ — will eventually become part of an integrated wider transatlantic free trade zone.⁹⁰

Even though TTIP together with TPP would place the United States at the apex of a free trade zone encompassing nearly two-thirds of the global economy, it is a mistake to think that Europe would be worse off. It is, of course, true that the United States has been the custodian of the liberal order since the post-war era and that U.S. global leadership is still unparalleled. Without such U.S. leadership, the international liberal order would quickly crumble. But when it comes to trading issues, Europe and the United States should be considered equal players, something that is far less true in other areas of their relationship. If anything, TTIP puts Brussels at the helm of the multilateral trading system next to Washington. Moreover, Europe benefits as much as the United States does from ensuring the maintenance of the current international rules-based order. Finally, TTIP can

88 See Palacio, Ana, “Winning the Transatlantic Trade Challenge,” Project Syndicate, 2013, <http://www.project-syndicate.org/commentary/new-hope-for-a-us-eu-trade-and-investment-agreement-by-ana-palacio>.

89 The EU and Canada are currently working to complete the CETA free trade agreement.

90 Sparding, Peter, “Trade in the Wider Atlantic and the Transatlantic Trade and Investment Partnership,” *Wider Atlantic Policy Paper*, German Marshall Fund, Washington, DC, 2014, <http://www.gmfus.org/publications/trade-wider-atlantic-and-transatlantic-trade-and-investment-partnership>.

spur EU economic leadership by giving rise to new EU trade and investment agreements in other parts of the world. Europe should accordingly embrace the prospect of more closely tying its shared economic future to the United States. Only a united and deeply integrated transatlantic community can resist the growing pressures against the Western-led order that we are likely to see in coming decades.

Finally, TTIP can help improve the attractiveness of the Western model while fighting back against the popular narrative of Western decline in the aftermath of the global financial crisis.⁹¹ This is at a time when rising powers seem less interested in pursuing further trade liberalization and adopting Western principles over international trade. State capitalism is an increasingly attractive model for generating economic success in many developing nations. TTIP accordingly serves as an expression of Western values in a growingly multipolar world. The importance of this should not be underestimated, especially in light of the negative impact of the financial crisis and political dysfunction in many Western countries.

91 Kupchan, Charles A., *No One's World: The West, the Rising Rest, and the Coming Global Turn*, Oxford University Press, Oxford, 2012.

7 TTIP: TOO IMPORTANT TO FAIL

The Transatlantic Trade and Investment Partnership (TTIP) currently being negotiated between the United States and the European Union faces an uncertain future. The stated goal of completing the agreement during the Obama administration now seems unrealistic. What is needed to bring negotiations to the finish line is more political leadership on both sides of the Atlantic. But as EU and U.S. leaders are discussing how to move forward on TTIP, it is essential that they not lose sight of the bigger picture.

And the bigger picture is this: TTIP would be one of the most significant transatlantic initiatives in decades. It would help drive economic growth and job creation on both sides of the Atlantic, making the West more competitive at the global level. But TTIP is also about much more than dollars and euros. Fundamentally, it is about the West getting its own house in order to deal with rising geopolitical and geo-economic challenges and defending an international liberal order under pressure in a unified fashion. In short, TTIP is an essential ingredient for bringing about a “transatlantic renaissance” between Europe and the United States in the 21st century.

This report argues that TTIP could have a considerable geopolitical impact on three levels. First, it can help put Europe back on the right track to effectively deal with its own internal economic and political challenges. TTIP should also be seen as part of a Western strategy for rolling back Russia’s influence in Eastern Europe, particularly when it comes to shoring up transatlantic unity and promoting energy security, and for drawing third countries in the wider neighborhood closer to the European sphere of values. It will also promote a more dynamic and outward-looking Europe.

Second, TTIP can pave the way for a deeper and more strategic transatlantic relationship to emerge. At a time when the West accounts for a declining

share of world GDP, maintaining transatlantic unity is even more crucial. While NATO stands to gain from more vibrant European economies that are better able to devote significant resources on defense, TTIP could also lay the foundations for a more strategic EU-U.S. relationship and a more integrated transatlantic market to evolve over time.

Third, and perhaps most importantly, TTIP can underpin the international liberal order at a time of global power shifts. If the EU and the United States can agree on critical standards and regulations with each other, they will significantly enhance their ability to make these the global standards, thus forcing China and other emerging powers to buy into the Western norms and principles or else risk falling behind. TTIP, along with the Trans-Pacific Partnership (TPP) in the Asia-Pacific, is therefore an essential part of retaining Western primacy in a more multipolar world.

Recommendations

- **Reinforce commitment to conclude negotiations of an ambitious and comprehensive TTIP under the Obama administration.** TTIP negotiations have already taken longer than originally expected. While an agreement the size of TTIP is inherently complex, negotiations cannot drag on or momentum will be lost. Completing TTIP before the next U.S. administration assumes office in early 2017 will help ensure that the issue does not get pushed aside, and that it does not interfere with a busy election cycle in several European countries. EU and U.S. leaders should therefore jointly declare their intention to conclude negotiations by the end of 2016.
- **Transatlantic leaders should defend TTIP more forcefully.** While there is certainly legitimate criticism of a complex trade deal like TTIP, the deal’s advocates are currently at

[TTIP] is about the West getting its own house in order to deal with rising geopolitical and geo-economic challenges and defending an international liberal order under pressure in a unified fashion.

[Washington and European capitals should] reassure China and other emerging powers that TTIP (and TPP) is not directed against them.

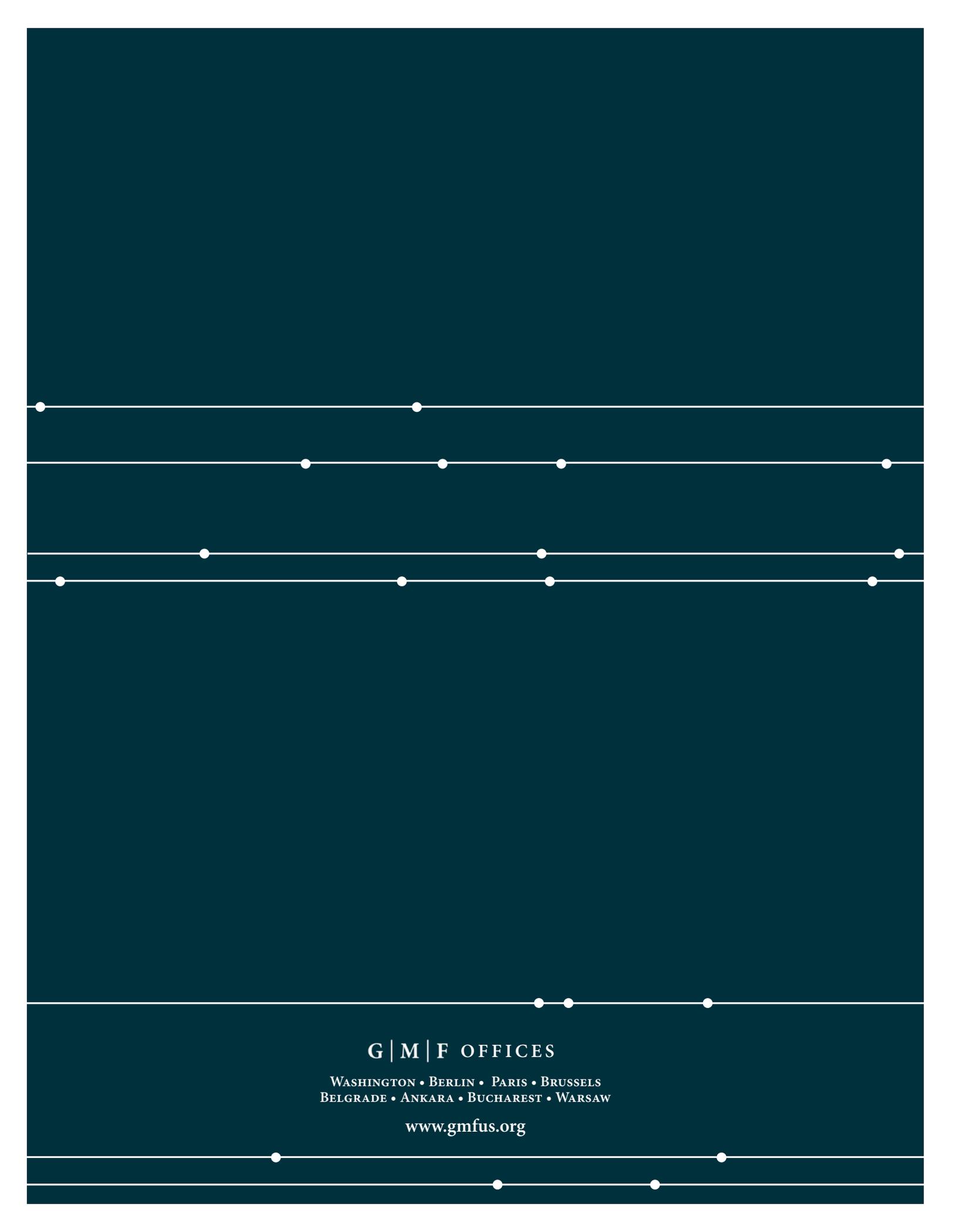
risk of losing the debate, especially in Europe. There is a strong need, therefore, for bold leadership to do more to convince the publics around the importance of TTIP.

- **Include a specific “energy chapter” in TTIP.** Even though U.S. energy exports would still be made possible through the mere existence of an FTA with the EU, incorporating a specific energy chapter in TTIP would still be a highly symbolic measure, assisting in paving the way for a more closely integrated transatlantic energy alliance to eventually be built, including stronger cooperation on renewable energy and energy innovation.
- **Grant TTIP an “open door” policy for third states to join.** While TTIP is exclusively negotiated between Brussels and Washington, allowing neighboring third states to join the agreement once it is finalized would expand the transatlantic free trade area and help advance Western values in places like Eastern Europe and the Mediterranean. Efforts to frequently consult with these third states and to take into account their interests should also be made during the negotiation phase itself.
- **Make TTIP a “living document.”** While the goal should be to make TTIP as ambitious and comprehensive as possible, not every single issue will fit into the agreement. Therefore, the aim should be for TTIP to provide the basis for further trade liberalization between the EU and the United States in other issue areas, as a way to advance a more integrated transatlantic market. One example of a strategically important area excluded from TTIP where there is significant potential for deeper transatlantic integration is the defense market.
- **Europe should seek to capitalize on TTIP to advance its own global economic statecraft.**

While the EU is already the world’s largest trading bloc and a leading player on trade, TTIP can serve as a template for completing further additional trade agreements with other countries and trade blocs, and help the EU wield this instrument in a more strategic fashion applying a geopolitical lens to its economic activities.

- **Use TTIP as a springboard for advancing a stronger EU-U.S. strategic partnership.** In order for a more integrated transatlantic market to eventually become a reality, there will also be a need to think through the institutional framework underpinning the EU-U.S. relationship, including how to make it more strategic in nature. Doing so would also complement the military dimension of the transatlantic relationship through NATO with a stronger political and economic link.
- **Reassure China and other emerging powers that TTIP (and TPP) is not directed against them.** The risk for a backlash from emerging powers must also be addressed through engagement on issues pertaining to the international economic system more broadly, including on the need for reform of key international institutions such as the WTO, the IMF, and the World Bank. Europe can play a key role here in pushing such reforms.

Ultimately, the choice is in the transatlantic partners’ hands. They can either choose to sort out their differences and reach agreement on a historical trade deal that would significantly boost the West’s ability to influence the future orientation of the rules-based system in the 21st century, or they can allow protectionism, special interests, and petty arguments to have the final word. As this report argues, the latter option would be a grave mistake. TTIP is simply far too important to be allowed to fail.

The background is a solid dark teal color. It features several horizontal white lines. Some of these lines have small white dots placed at various intervals. The dots are arranged in a way that suggests a grid or a series of data points, though they are not connected by lines. The overall aesthetic is clean and modern.

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