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# Global Trade Politics and the Transatlantic Trade and Investment Partnership

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In everyday discussion, trade policy is often seen as a highly technical domain of little relevance to daily life. When cult 1980s film protagonist Ferris Bueller famously skips school, he misses a class involving a soporific discussion of the history of US tariff policy during the Great Depression. Meanwhile, in the scholarly discipline of International Political Economy (IPE), after featuring quite prominently in the discipline's early days (e.g. in John Ruggie's [1982] seminal study of 'embedded liberalism'), trade as a topic has lost at least some of its prominence when compared to other areas of study, such as finance.

This is perhaps unsurprising if we consider that, since the mid-2000s and at least until the Bali Ministerial of December 2013, the on-going global trade talks taking place under the auspices of the World Trade Organisation (WTO) – the so-called Doha Round – had been considered moribund. Beneath the surface, however, the nature of global trade politics has been changing in ways that warrant closer attention. This is no longer simply about tariff negotiations conducted in a multilateral organisation by a very small number of countries in consultation with business leaders. Instead, trade negotiations these days are likely to affect the shape of domestic regulation, be conducted between 'preferred' partners and involve a greater number of states and civil society actors.

Although these developments have been a longer time in the making, the more recent Transatlantic Trade and Investment Partnership (TTIP), a proposed free trade agreement between the European Union (EU) and the United

States which its advocates hope will create a single ‘transatlantic marketplace’ (De Gucht 2013), has thrust them into the spotlight. Through the lens of the TTIP, this article reflects on how trade politics is really about so much more besides, and thus requires sustained public and scholarly engagement.

## The Changing Shape of Global Trade Politics

Before turning to the TTIP, it bears reflecting on just how profoundly trade politics has changed over the past two to three decades. We can identify at least three interrelated developments with wide-ranging ramifications. The first of these concerns the content of trade negotiations. These have moved away from promoting liberalisation ‘at-the-border’ by reducing tariffs and quotas to discussions over ‘behind-the-border’ issues. These include the likes of protecting intellectual property rights, the regulation of services and investment, and ‘technical barriers to trade’ (in other words, the impact on trade of regulations for goods, say a safety standard for toys). This reflects an important shift in the nature of the global trade system. The original General Agreement on Tariffs and Trade (GATT), the post-war regime for the regulation of international trade, was explicitly designed to promote trade liberalisation while incorporating ‘safeguards, exemptions, exceptions and restrictions... to protect a variety of domestic social policies’ in what came to be known as ‘embedded liberalism’ (Ruggie 1982: 396). In contrast, since the establishment of the World Trade Organisation (WTO) in 1995, formal agreements exist to regulate Trade-Related Intellectual Property Rights (the TRIPs Agreement), Trade-Related Investment Measures (the TRIMs Agreement) and trade in services (the General Agreement on Trade in Services, or GATS), to name but three of the most prominent. In the interest of promoting more open markets, at least in the areas where developed countries have offensive interests, these have constricted the autonomy (especially of developing countries) to pursue industrial and other interventionist policies, especially as these rules are now enforced by a strengthened and judicialized dispute settlement mechanism (Wade 2003). **Trade politics, thus, is no longer just about international trade; it is increasingly about how we regulate our economies domestically.**

The second related development is that just as the multilateral trade regime under the WTO has expanded its reach, so too there has been a shift away from this as a venue for the discussion of trade policy issues. Since the early 1990s, there has been a marked increase in the number of preferential trade agreements (i.e. agreements between two or more ‘preferred’ partners rather than the whole WTO membership) notified to the WTO, with the total number now in excess of 200 (Fiorentino 2011: 5). What are the reasons for this explosion in the number of such agreements? There are at least two schools of thought on this. There are those who argue that such agreements are a product of the failings of the multilateral trade system to move trade negotiations forward (e.g. Schott 1989). Indeed, the latest round of global trade, the Doha Development Round initiated in 2001, failed to make any significant headway (and was seen as moribund from at least the mid-2000s) until arguably the December 2013 Bali Ministerial Summit. But even this has been seen as a ‘rather modest’ outcome (Koopman and Wittig 2014: 3). For others, free trade agreements serve different purposes to multilateral agreements, allowing for targeted and partial liberalisation that still protects defensive sectors and allows developing countries to move beyond the difficulties of agreeing to further ‘behind-the-border’ liberalisation at the WTO (e.g. Manger 2009; Dür 2010). However, in my eyes, it is not simply a case of picking one explanation or the other. Both account for important features of the current wave of preferential agreements, which often involve discussions of ‘behind-the-border’ measures and has arisen in the context of stagnating multilateral trade liberalisation talks.

Finally, in addition to the changes in the content and venue of negotiations, so too the cast of trade policymaking has evolved over the years. There is now a far wider range of actors involved than in the earlier days of the GATT. Perhaps most obviously, there has been a shift away from the ‘duopoly’ that characterised earlier trade rounds in the 1960s and 1970s, which were largely negotiations between the EU (or EEC/EC as it was known then) and the US, to the ‘oligopoly’ we see today, where such economic powers are joined by the emerging economies (Grant 2007). This has, of course, been one of the reasons behind the stagnation of the Doha Round, as a greater number of participants has complicated negotiating dynamics (Narlikar 2010). Less visible, but still important, has been the increasing prominence of civil society actors in global trade discussions. Such groups are distinct from both governmental and ‘for-profit’ actors, such as firms, and are often referred to by the confusing term ‘Non-

Governmental Organisation' (NGO) (on definitional issues, see Scholte 2004: 213-14). They have undertaken various measures to hold trade policymakers to account, including the assessment of trade policy decisions and undertaking campaigns to redress perceived injustices in the global trading system (Williams 2011). Although their power has clearly not matched that of the other 'new kids on the trade block' (the emerging economies), the fact remains that their influence challenges much of the existing literature on sub-national actors in the trade sphere. Following Mancur Olson (1965), this has traditionally assumed that only groups with a common economic interest can effectively overcome the 'problems of collective action' and mobilise sufficient resources to shape policy (see, for example, Grossman and Helpman 1994). Instead, we have recently seen civil society groups (under the banner of the STOP EPA campaign, amongst others) contribute to the effective blocking of the negotiation of a series of Economic Partnership Agreements between the EU and African and Pacific states (Trommer 2014). This is, of course, not to say that such interests trump those of business, which are often still preeminent, but that they are emerging onto the scene as potentially significant actors.

What all these developments point to is that trade politics is not only alive and well despite the stagnation of Doha, with countries pursuing free trade agreements with aplomb, but also that its effects are far-reaching and go beyond the simple regulation of exchange between countries. **Rather, trade negotiations, which during the 'embedded liberal' era could be said to be conducted at 'one remove' from the regulation of the domestic economy by focusing mostly on tariffs and quotas, are now increasingly intrusive. This, in turn, can go some way towards explaining the increasing involvement of civil society actors, who have often sought to resist the extension of (neo)liberal economic policymaking through the trade regime, albeit not always successfully. The TTIP, in many ways, brings together all of these trends and the increasing politicisation of trade policymaking they imply.**

### **The Transatlantic Trade and Investment Partnership**

Although a transatlantic trade pact was first seriously mooted in mid-1990s (Steffenson 2005: 36), the current TTIP negotiations can trace their origins to the November 2011 EU-US summit. Here, EU and US leaders gave the green-light to the establishment of a High Level Working Group (HLWG) on 'Jobs and Growth', which was tasked with evaluating the feasibility of an EU-US trade agreement. The HLWG published its findings in February 2013, and emphatically recommended that both sides start negotiations on a 'comprehensive agreement' (HLWG 2013: 5). These began in July 2013.

The timing of these negotiations suggests that both parties are increasingly frustrated with the slim pickings in the WTO. However, to many the TTIP is a mechanism not just to bypass the WTO as a venue for global trade regulation, but, rather, also the increasingly active and influential emerging economies, and especially China (Venhaus 2013). In this vein, its negotiators have emphasised that their goal is to 'ensur[e] joint transatlantic leadership in the development of global norms and standards' (De Gucht 2013). However, rather than seeing these 'standards', and the agreement more broadly, in a mainly geostrategic light as a means of reaffirming the transatlantic relationship, my argument here is that this is representative of the broader shift in trade politics towards negotiating 'behind-the-border' issues in a preferential format. Indeed, 'at the border' measures are a very small impediment to transatlantic trade: average tariffs on the others' goods are only 3.5 per cent and 5.2 per cent for the US and the EU, respectively (European Commission 2013a: 12).

While we can of course not know the outcome of what are ultimately very secretive negotiations, at this point it is worth reflecting on how EU and US negotiators plan to address such barriers. If we dissect the European Commission's leaked negotiating mandate from June 2013, we get a sense of the wide-ranging subject matter(s) of these 'trade' talks. Although in Table 1 we see that the issues are sub-divided into three distinct negotiating areas, they are united by a common aim – to 'realis[e] the untapped potential of a truly transatlantic marketplace' (Council of the EU 2013: 4) – and largely pertain (with the notable exception of the negotiations on 'trade in goods') to addressing 'behind-the-border' measures that potentially restrict trade and investment flows. Indeed, a Commission-sponsored study that found the agreement would yield up to €119bn in welfare gains for the EU (and

€95bn for the US) attributed 59 per cent of the gains to addressing such non-tariff barriers (NTBs) to trade (and 74 per cent of the gains for the US) (De Ville and Siles-Brügge 2014: 14).

Negotiating areas according to mandate	Content (reproduces heading titles from mandate)
<b>Market access</b>	<ol style="list-style-type: none"> <li>1. Trade in goods (includes tariffs, rules of origin, anti-dumping and countervailing measures and safeguards).</li> <li>2. Services, establishment and investment protection (including potentially provisions on investor-state dispute settlement [ISDS])</li> <li>3. Public procurement</li> </ol>
<b>Regulatory issues and non-tariff barriers (NTBs)</b>	<ol style="list-style-type: none"> <li>1. Sanitary and Phytosanitary (SPS) measures.</li> <li>2. Technical barriers to trade (TBT)</li> <li>3. Regulatory coherence</li> <li>4. Sectoral provisions (explicitly mentions automobiles, chemicals, pharmaceuticals and other health industries, information and communication technologies, financial services)</li> <li>5. 'Living agreement'</li> </ol>
<b>Rules</b>	<ol style="list-style-type: none"> <li>1. Intellectual Property Rights</li> <li>2. Trade and sustainable development</li> <li>3. Customs and trade facilitation</li> <li>4. Trade and competition</li> <li>5. Trade-related energy and raw materials</li> <li>6. Small- and Medium-Sized Enterprises</li> <li>7. Capital Movements and Payments</li> <li>8. Transparency (in the establishment and application of rules affecting international trade and investment)</li> </ol>

Source: Council of the EU (2013).

Such measures are the crux of criticism that has been directed at the agreement. They have galvanised a coalition of civil society actors in Europe (as well as the European Greens, a pan-European federation of political parties) – and to a lesser extent in the US – opposed to the potential dilution of social and environmental standards that regulatory convergence might entail (Donnan 2013). In this vein, a critical study of the TTIP commissioned by the European Greens argued that the Commission’s impact assessments of the gains from regulatory convergence neglected to capture the ‘social costs of regulatory change’ which ‘might be substantial’ (Raza *et al.* 2014: iv). **One particularly controversial area concerns genetically modified organisms (GMOs), which are quite freely available in the US but heavily restricted in the EU due to differences in SPS procedures: in the US, the safety of food and medicines is assessed on the basis of ‘science-based’ procedures (i.e. whether there is scientific evidence of risk), while the EU makes extensive use of the ‘precautionary principle’ (taking action even in the absence of scientific proof). The fear voiced by civil society groups and the Greens is that TTIP could undermine this principle (Bergkamp and Kogan 2013) as well as other legitimate public policy restrictions on the free exchange of goods and services.** Another big area of concern relates to the

possible inclusion of investor-state dispute settlement (ISDS) procedures in the TTIP, which (if implemented) might allow investors to seek redress in private tribunals for perceived violations of the agreement; the anxiety here is that this would further entrench any erosion of economic sovereignty agreed to as part of the TTIP (Jarman 2014).

This coalition is already having some influence. In response to their criticisms, the European Commission has assiduously sought to 'reassure critics who claim TTIP will water down Europe's current set of rules and regulations' (De Gucht 2013). Perhaps more tangibly, it halted negotiations on ISDS in January 2014, pending a public consultation which began in March 2014. The German government, in turn, has stated that it is opposed to the inclusion of ISDS provisions in the agreement (Donnan 2014). That being said, and despite the visible influence of such groups, the fact remains that trade policy decisions in the EU are still largely taken as predicted by the literature on pressure groups in trade policy: by policymakers in concert with organised economic interests (Siles-Brügge 2014).

## Conclusion

Trade politics 'ain't what it used to be'. The content of trade negotiations has moved inwards from the 'border' to consider the domestic regulation of the economy; the WTO is no longer the main setting for the negotiation of new trade rules, and a greater number of actors than before participate in trade discussions. The TTIP being currently negotiated between the EU and the US embodies all of these trends. It reflects the increasing intrusiveness of the trade regime, a desire to bypass the increasing power of the emerging powers in the global trading system by negotiating bilaterally, and the increasing prominence of civil society groups in trade discussions.

What this all suggests, in my eyes, is the importance of trade politics as an object of scholarly inquiry, especially if we hope to democratise it. **The increasing constraints that global trade negotiations place on the economic sovereignty of states suggest the need for the public and civil society to be part and parcel of trade negotiations.** Unfortunately, these days such talks are still dominated by experts and other insiders. Aside from the obvious procedural reasons for this state of affairs (i.e. that trade policy negotiations are conducted in secret with little input from outsiders), an important reason that trade policy remains such a closed policy domain is that many (if not most) people are generally 'put off' talking about such things as 'regulatory harmonisation', 'sanitary and phytosanitary standards' and 'trade-related investment measures'. Meanwhile the academy, and especially critical academics, is more likely to focus on issues of finance these days. Much like Ferris Bueller skipping his economics class, **we are in danger of avoiding the healthy public debate and engagement that needs to emerge around trade issues and that might force policymakers to be more open and transparent.** The TTIP negotiations give us some ground for hope. But despite its growing politicisation, the jury is still out on whether trade policymaking will be democratised. A lot will depend on whether we keep up the momentum.

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