

TTIP's Strategic Challenge

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Not long after it was launched in July 2013, the Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the United States began to generate opposition on both sides of the Atlantic that has as much to do with hostility to globalization, a latent anti-Americanism, and a distrust of transatlantic elites as with a sober examination of the proposals emanating from Washington and Brussels. The negotiators need time to develop their positions and to arrive at compromises, so that the debate about TTIP is based on what it is actually in the agreement, not on fears or misinformation.

As regards the specific trade policies that will emerge from TTIP, not much will be known before the conclusion of the talks – most likely the end of 2015 or the middle of 2016 at the earliest. Whether it is the reduction of tariffs, the mutual recognition of standards and regulations, or the removal of barriers in services markets, even within the longstanding relationship between Americans and Europeans it will take time to establish confidence – especially as one of the main objectives of TTIP is to blaze new trails of economic integration beyond anything achieved by previous trade negotiations. Notwithstanding the demands for transparency that can be heard on either side of the Atlantic, neither in an official negotiation nor in a game of poker should the participants be expected to reveal their hands in the middle of the action.

While a certain dose of uncertainty will of necessity continue to surround the more technical, trade-policy aspects of TTIP for some time, its strategic importance is already quite clear. Here the goal is to ensure that it is Western principles that will determine the rules of the road for the global economy in its next phase, one where emerging economies are going to play a larger role owing to their higher rate of growth compared to the United States and the European Union. But the two transatlantic economies, which still account for half the global economy, have enough weight between them to create new economic structures that other economic powers will have difficulty ignoring. This is an overarching geoeconomic objective of TTIP.

The fact is that there are fundamental differences between the vision of global economic governance in Washington and Brussels (or for that matter in Tokyo, Mexico City, Bogota, and Seoul) and the one found in Beijing or Moscow. In the first case, there are shared values based on the primacy of the individual and private enterprise; in the second, a system where the state and companies tied to it dominate. Let's be clear: those who are already welcoming TTIP's failure will sooner or later have to accept that rules inspired by a statist approach to the economy will govern international trade rather than those based on Western values and norms.

The current debate about Investor-State Dispute Settlement (ISDS) is a harbinger of this schism. The purpose of ISDS is to guarantee a level playing field for foreign investors vis-à-vis their domestic counterparts. There is no question that ISDS – which is a key element of Western commercial principles based on the rule of law – can be reformed to prevent frivolous law suits, provide more access to civil society, and guarantee governments the right to legislate in the public interest. But if the transatlantic partners abandon a procedure that is anchored in more than 3000 investment treaties and free-trade agreements, how will they be able to convince China and other countries where the independence of the judiciary is uncertain to adopt ISDS in their future agreements?

Americans and Europeans need to focus on the essential: nothing less than the renewal of the post-war international economic system for the world of today. This overarching imperative should not, of course, be a pretext for suffocating public debate. On the contrary, the diversity of opinion within the Western family of nations on the range of trade and regulatory policy issues is a welcome sign of its vitality and tolerance. On the condition that these nuances do not become the tree that blinds observers to the forest of their fundamental values and strategic interests.

At the same time, it should not be forgotten that international trade is not a zero sum game, but rather a competition – as long as it takes place within a framework governed by fair rules such as the ones that have governed the global economy for the last 70 years. In their mutual interest, Americans and Europeans, before and after TTIP, will be engaged in international trade with countries with a statist approach. But they need to be clear about this competition between two divergent conceptions of globalization that is at stake in TTIP's success or failure.