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FREE TRADE AS A WEAPON IN THE GLOBAL POWER STRUGGLE

BEYOND CHLORINE CHICKENS AND ARBITRATION COURTS: THE POLITICAL GOALS UNDERPINNING THE TRANSATLANTIC FREE TRADE AGREEMENT TTIP

Without doubt, the Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU is a gigantic project. Whilst many point to the agreement's risks and dangers, the competent institutions continue to drive the project on. This raises the question: Why do the EU and the US want TTIP at all? Put differently: Why do they willingly accept the agreement's potential risks? The estimated impact on economic growth and job creation is small. Rather, cooperation between the EU, EU member states and the US is designed to strengthen their relative position in the global competition – not only economically but also in terms of political power. This, however, means that as a cooperation agreement between competitors, the project is also full of contradictions.¹

Since the summer of 2013, the EU Commission has been negotiating the TTIP agreement – a comprehensive set of measures to reduce impediments to trade – with the US government. Only to a lesser degree do these measures concern tariffs (basically non-existent in EU-US trade), and instead mainly deal with “non-tariff barriers to trade”. This also includes the harmonisation or mutual recognition of regional and/or national product norms, approval processes and standards. These are defined as trade barriers because such rules create compliance costs for companies, who have to adapt their products or services to pass additional approval processes or to comply with additional standards. Total standardisation would save companies a substantial amount of money. Furthermore, TTIP would create a gigantic economic bloc. Together, EU member states and the US account for nearly 50 % of global GDP and 30 % of the global trade in goods (40 % for services). Even today, the EU and the US are both the other's most important trade partner.

BACKGROUND

There have been many attempts towards renewing transatlantic economic cooperation. So far, these have always failed. To understand the new dynamic and the sense of urgency to conclude TTIP we must look at the context that puts additional pressure on the EU and the US to bolster their cooperation.

1. The relative loss of power of the “West”²: For some years now, Europe and the US have been facing new, potent com-

petitors. Most importantly among these figure the BRICS group of states, and in particular China.³

Following the rise of these countries (Brazil, Russia, India, China and South Africa), the old “Western” powers have seen their global market share decrease.⁴ With their greater economic power, the BRICS states have also increased their political and military clout. Once partners, they are increasingly becoming competitors of the “West”, for example in international institutions such as the International Monetary Fund, the World Bank or the World Trade Organisation.

2. The dwindling importance of the WTO: Over the last two decades, the WTO more or less served to resolve international trade issues. The organisation was “a system based on consensus and governed *de facto* by the US and the European Communities.”⁵ For the US and the ECs the WTO was a rule-setting instrument that imposed their trade interests in a legally binding manner on all other states. In particular, the WTO was to “open” the Chinese market. Yet, with the increasing power of emerging and developing nations, it was no longer possible to streamline the contradicting interests. Thus, the current trade negotiating round (Doha Development Round) has come to a dead end. “The ‘club’ that had governed world trade and economy for 50 years [...] is apparently no longer able to impose its views on other parties.”⁶

Because EU and US interests could no longer be effectively enforced via the WTO, the EU and the US began developing separate agreements with individual states or groups of states.

3. The crisis: Faced with the recent global financial and economic crisis, the US and the EU announced their intention to now use the global market to a greater extent to further their own economic growth. In his 2010 state of the union address, Barack Obama announced he would double US exports over the next five years and cut the chronic foreign trade deficit. To this end, the US would have to “seek new markets aggressively, just as our competitors”.⁷

It is for this reason that the US pursues not only the free trade TTIP agreement with Europe, but also the Trans Pacific Partnership (TPP) with South American and Asian countries, albeit excluding China. The EU and in particular the nations of the Eurozone are also increasingly focusing on foreign trade. Due to austerity measures and salary cuts, internal demand cannot drive growth. To boost the economy, therefore, the only remaining option is to increase exports to promote growth and reduce the public debt burden. As part of its Europe 2020 strategy for growth, the EU aims to become the world’s most competitive economic area. This strategy has an explicitly power-political dimension, as chancellor Merkel openly declared in a government statement on 25 March 2012: “Only a competitive Europe can have weight in the world”.

TTIP AND TPP GOALS

In spite of the EU Commission attempting to legitimise TTIP by alleging the agreement’s positive impact on economic growth and job creation, the relevant studies – even those funded by the Commission – show figures in this field to be negligible⁸. In reality, the “West” pursues a varied set of goals with this trade agreement. First, we will look into the goals shared by both the EU and US government, and then look closer at where the two sides collide.

Redirection of trade: First, reducing trade barriers would directly cut costs for EU and US companies and create a single “internal market” for them. Competitiveness – their relative competitive position vis-à-vis companies outside areas covered by TTIP and TPP – would increase; they could therefore offer their products at a cheaper price. One expected outcome would be an increase in their global market share, plus a re-direction of global trade into the TTIP area. Gains for TTIP members would contrast with losses for those countries not part of the agreement. Yet even the protagonists in the negotiations admit that the extent of this re-direction of trade will most likely be limited.

Setting global standards: The pull-effect created by TTIP will probably be far more important. The new bloc would be so large it would pull other countries in, i.e. force them to submit to its rules, thereby causing them additional costs. TTIP would enable the US and the EU to achieve what is no longer possible via the WTO with its consensus principle: to determine the rules of international competition based on their own interests. This they even openly admit: “TTIP is maybe the last chance to impose global standards,” Germany’s economy minister, Sigmar Gabriel, recently declared.⁹ Gabriel’s description makes an inherently offensive strategy sound defensive. Hans Peter Friedrich (CSU) made this clear when, during a German parliamentary debate, he promoted TTIP by saying: “The core of this free trade agreement lies in the opportunity for Europe and the US to set norms for future technologies [...]. Technical norms are passports for products and goods. We, the Europeans and the Americans, can become those who issue such passports and that is a huge advantage”.¹⁰

China – submission through exclusion: The “West’s” chief competitor is China. Economically, this competition manifests itself in lost global market shares; in political and military terms, the effects are only slowly becoming visible. Hence, it is no coincidence that China is neither part of TTIP nor of TPP. “Another way to describe it is EBC: Everyone But China,” says Timothy Garton Ash¹¹. It is unlikely, though, that the purpose of the agreement is to exclude China. The country is economically too important and potentially too lucrative for Western companies. Both TTIP and TPP therefore probably aim to force China to submit to a set of rules codified by the US and the EU by threatening to exclude China from the free trade agreement should the Chinese government not comply. Until now, China has failed to fulfil many of the “West’s” demands to open the Chinese market. Frequent complaints concern the lack of protection of intellectual property rights, which sees income to US and European companies forfeited¹², the closing of Chinese markets to foreign competition and the compulsory cooperation between Western and Chinese companies and, more generally, the political favouring of Chinese companies over their Western competitors.

An important means of walling off the Chinese market and subsidies are the large Chinese State Owned Enterprises (SOEs). “It should therefore not be seen as a mere coincidence that an important principle of TAFTA/TTIP is the ‘level playing field’ and the full transparency of state support and market intervention.” This would present a means to “limit the [Chinese] support to SOEs”¹³. Marjut Hannonen, who worked for the former EU Trade Commissioner Karel de Gucht, emphasizes that China is welcome to become part of TPP or a separate encompassing agreement with Europe, provided that China is willing to make the necessary concessions first.¹⁴ Under TTIP or TPP, the rules of the “West” would be enforceable by supra-national arbitration courts. Even today such courts are a means to enforce the Global North’s interests and impose them on the Global South: Three quarters of the 600 cases of arbitration to date were filed against developing and emerging nations.

Geopolitics – TTIP as an “economic NATO”: The goals of TTIP stretch far beyond the economic sphere. TTIP could function as a kind of “economic NATO”, a phrase coined by Hillary Clinton, the former US Secretary of State. This reference to the military alliance shows the far-reaching effects some politicians hope (or fear) TTIP could have. Its goal is nothing less than a (not only economic) renewal of the “West”¹⁵. “Geopolitics is the logic behind TTIP,” says security policy expert Peter van Ham. The former EU Trade Commissioner Karel de Gucht also believes that TTIP is about “the weight of the Western, free world in world economic and political affairs”.¹⁶ Yet, how do the economic and the military aspects relate here?

First, a successful and sufficiently large economy generates the revenue required to maintain a powerful military. In this sense the “expected economic profits could revitalise the partners in the agreement”, to “create an alliance against China (TPP) or bolster Western cohesion against Russia (TTIP)”¹⁷. Secondly, TTIP could provide an umbrella under which those states sharing the same “values and interests” could gather¹⁸. In so doing, the trade agreement could act as a filter for NATO to decide which countries to cooperate with militarily. Moreover, “TTIP could re-install a hierarchy within NATO and create a core group of likeminded states”.¹⁹

For some time already the US has put its geostrategic focus on the Pacific region so as to limit China's militarily grounded claims in the region. With TPP, the US could create a network of partner nations as an alternative to the Chinese bloc. The EU, on the other hand, aims to use TTIP to re-orientate the US's focus back to the union with Europe. This is because, to be a global player, the EU needs the US. This is evidenced in the case of Ukraine (see below).

THE PROJECT'S CONTRADICTIONS

What really characterises the free trade agreement is its contradictions. Not everybody will profit, and it is still not in the least clear who eventually will. If the liberal creed were right that free trade always benefits all, then negotiations and the frequently quoted "tough struggle" over the conditions of the agreement would not be necessary. Without doubt, there will be winners and losers: as much at the level of individual companies and states as at the level of the two blocs – the EU and the US. It is not clear at all who will eventually gain in power. This question arises because the EU and the US, as well as the other partners, have, to a certain degree, diverging interests. They are competitors united by a greater goal: On their own, neither of the two is strong enough to achieve the set goal. This common interest, though, does not resolve their differences; it merely sets a framework for them. Through cooperation, both sides try to functionalise the other to achieve their own goal. This creates friction.

The US initiated TTIP to strengthen its hegemony through a strategy encompassing both the Atlantic and Pacific regions. Through TTIP and TPP, the US "probably intends to play the two trading blocs [Asia and Europe] against one another with a view of securing maximum concessions from both negotiating parties".²⁰ This way, Washington creates separate "coalitions of the willing" and confronts the EU, China and the rest of the world with this agenda.

The EU, on the other hand, is trying to use the power of the US to expand its own power, because particularly in Asia, the EU cannot compete on an equal footing with either the US or China. The question for European politics is: Will the EU profit or is it simply a tool for US policy? "TTIP enthusiasts strongly believe that the deal would thus constitute an important step forward in renewing the West's political vitality [...]. The question here is whether one could replace the word 'West' with the US." Roberto Bendini, an advisor to the European Parliament Committee on International Trade rightly asks. He believes there can be little doubt that TTIP will serve US strategic goals rather "than the more confused and restricted goals of the EU."²¹ As a global player, the EU needs this agreement with the US; it is of "supreme importance for Europe's capacity to act".²² On the other hand, the Europeans have "no real interest in becoming the 'junior partner' in a future transatlantic partnership".²³

This contradiction arises out of the fundamental asymmetry of power between the two sides: "The US is still, by far and large, the greatest military power in the world. [...] The EU is far from establishing a common defence regime, and cuts to Member State defence budgets are further widening the gap between the US and the EU in this regard."²⁴ Put more clearly: Economically, the EU is on an equal level with the US. Militarily, however, EU member states are no match for US capabilities and are also bound into the US-dominated NATO structure. To secure the global economic order, the EU therefore depends on the US. Alone, neither the EU as a whole

nor its individual member states are in a position to militarily secure their global interests. This is what they have experienced in a recent situation. "In this context [TAFTA/TTIP], the crisis in Ukraine gains a new dimension."²⁵

UKRAINE

It was the planned association agreement between Ukraine and the EU within the framework of the EU's eastern enlargement that kicked off the internal Ukrainian conflict. The EU had hoped to (not only) economically bind Ukraine into the European economic sphere and enforce EU rules. At a certain point this project met with Russian government-backed armed resistance. The US and the EU responded by imposing economic sanctions on Russia – as a substitute for or supplement to possible military action. Then, in July 2014, an international arbitration court ruled Russia's breaking up of Yukos illegal and ordered Russia to pay a 50-billion USD fine. Both cases raised the question for the EU as to the extent to which it is capable of not only agreeing rules, but also enforcing the EU's interpretation of these rules against powerful opponents. In other words: Should the Russian government decide not to bow to the arbitration court's decision and not to pay the fine, would the EU be prepared to impound the state property of the world's second largest nuclear power?

Ultimately, therefore, the EU remains dependant on US military capabilities, which the EU wants to and must rely upon in the conflict with Russia. The US, however, seems to be pursuing a different goal in the case of Ukraine: Whilst the EU – backed by the US – is clearly aiming to curtail Russian power even more, it nonetheless remains dependant on Russia being prepared to cooperate. The US, in contrast, and in line with Zbigniew Brzezinski's dictum that losing Ukraine would relegate Russia to the position of a mere regional power, aims to subdue Moscow. This is the same as saying that whereas the EU continues to remind Moscow of the mutual benefit of economic ties²⁶, the US seems to be willing to sacrifice these ties to achieve its goals.

Using economic ties and dependencies to move towards open conflict also characterises the TTIP project: "TTIP (and the US) may draw the EU into a strategic arena where it is not – at least not yet – comfortable."²⁷ Within this "strategic arena" the question for other states, and in particular for the BRICS nations, remains whether they wish to become part of this joint EU and US project or whether they prefer to create their own counter structures. The latter seems to be the case. By creating their own development bank and a separate monetary fund, the BRICS nations are creating an alternative structure to the World Bank and the IMF. To assist Russia in the conflict with the EU and the US (and by exploiting Russia's distress to negotiate cheaper prices), Beijing agreed upon a 30-year gas supply deal worth 400 billion USD. Moreover, by means of a Ruble Renminbi swap agreement, China granted Russia access to financial liquidity.

All of this undermines the effectiveness of "Western" sanctions. Equally, though, the "West" has shown that it is willing to use the global economic and financial system as a weapon. This is definitely a threat, but also a risk: "At present there is the risk that the EU and the United States will end up with the worst of all worlds: sanctions that are not strong enough to change Moscow's behavior or to deter China from further military assertiveness in its own neighborhood, yet just potent enough to push Russia into a closer relationship

with China, and to persuade Beijing that it needs to immunize itself against exposure to the Western financial system.”²⁸

Indeed, it is still unclear how China will react to Western actions against Russia and the planned free trade TTIP and TPP agreements. So far, Beijing has been pursuing its “Regional Comprehensive Economic Partnership” with further Asian countries as a kind of counterweight. Furthermore, China is attempting to break the EU out of the TTIP block. During his visit to Europe in early April 2014, China’s president, Xi Jinping, advocated talks on a Sino-European free trade zone. “Washington is well aware that China has a strong interest in strengthening its strategic relations with the EU in order to counterbalance US hegemony.”²⁹ Therefore, the EU, for its part, must decide with whom it wishes to cooperate, not least because TTIP could threaten its fragile unity. “In a manner similar to how NATO has overshadowed the European Security and Defence Policy, the TTIP may well represent an alternative, rather than a complement, to the Single Market.”³⁰

WHAT IS AT STAKE

This, then, is the greatest risk of such transatlantic trade projects and the stance taken towards Russia: By enhancing intra-Western cooperation, the “West” attempts to forcibly subject the rest of the world to its rules. This also gives momentum to the segmentation of the global market, undermines the universality of the existing global (trade) system and risks breaking this system altogether.

Currently, the EU and the US seem willing to accept this risk in exchange for the opportunity to strengthen, regain or expand their global power. Hence, power is the essential criterion in TTIP negotiations – not GDP or improvements in standard of living. Nonetheless, German President Gauck also promoted TTIP: “The aspired transatlantic trade and investment partnership could increase wealth on both sides of the Atlantic.” This additional “wealth”, though, is always only mentioned as a side-benefit of TTIP, rather than as its

goal. If it were the goal, then it would be unclear why the EU and US elite are pursuing the agreement with such a sense of “urgency”³¹. Yet, as their own statements confirm, it offers them a “last chance” to increase their power and therefore also bears a great risk: “The problem is that if TTIP fails, it will fail publicly, exposing the transatlantic West as a vacuous myth.”³²

Stephan Kaufmann is a Berlin-based journalist specialising in economics.

1 This text repeatedly uses phrases such as “the US wants” or the “EU demands” that cover up antagonisms such as those between competing companies, between employees and capital or between the different EU governments. If we nonetheless speak of the EU and the US (or China) as basically units, then because at the level of world trade, states – or actually the governments of these states – are the active subjects. In spite of all internal contradictions, they attempt to impose an overarching perspective. These interests must not be confounded with the interests of the people living in these countries. **2** The “West” is put in quotation marks because the unity between the EU and the US that the concept implies exists only to a limited degree. **3** For the quantitative aspects of the rise of the BRICS, see: Neelsen, John P.: Das Empire schlägt zurück: TTIP vs. BRICS, in: Sozialismus, December 2014, forthcoming. **4** Deutsch, Klaus Günter: Atlantische Einheit im weltweiten Wettbewerb. TTIP in Perspektive, Deutsche Bank Research, Frankfurt a. M. 2013. **5** Bendini, Roberto: EU and US trade policy and its global implications, Brussels 2014, p. 11, [www.europarl.europa.eu/RegData/etudes/briefing_note/join/2014/522349/EXPO-INTA_SP\(2014\)522349_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/briefing_note/join/2014/522349/EXPO-INTA_SP(2014)522349_EN.pdf). **6** Ibid, p. 13. **7** Quoted in Ibid, p. 5. **8** See: <http://library.fes.de/pdf-files/wiso/10969.pdf>. **9** See: www.vor-waerts.de/artikel/gabriel-ttip-entmystifizieren. **10** Deutscher Bundestag: Stenografischer Bericht der 54. Sitzung, Plenarprotokoll 18/54, Berlin 2014, p. 4926. **11** Quoted in Ham, Peter van: The Geopolitics of TTIP. Clingendael Policy Brief, Den Haag 2013, p. 5. **12** Together the US and the EU hold 40% of global patents. **13** Trigkas, Vasilis: The Strategic Implications of TAFTA/TTIP: Will it Engage or Contain China? in: The Transatlantic Colossus, February 2014. **14** <http://chinatradeextra.com/China-Weekly-Update/China-Weekly-Update-9/6/2013/eu-official-signals-china-is-wary-of-ttip-tpp-due-to-potential-market-impact/menu-id-1085.html> **15** See: <http://english.peopledaily.com.cn/90777/8294139.html> **16** Ham: The Geopolitics of TTIP, p. 1. **17** Perthes, Volker: TTIP: Die strategischen Prioritäten der Anderen, Stiftung Wissenschaft und Politik, Berlin 2012, p. 1. **18** Ham: The Geopolitics of TTIP, p. 4. **19** Ibid. **20** Bendini: EU and US trade policy, p. 15. **21** Ibid, p. 17. **22** Deutsch: Atlantische Einheit, p. 61. **23** Bendini: EU and US trade policy, p. 20. **24** Ibid, p. 16. **25** Neelsen: Das Empire, forthcoming. **26** Sanctions must not aim to “economically wrestle down Russia”, said German foreign minister Frank-Walter Steinmeier. Quoted in: www.spiegel.de/politik/ausland/ukraine-steinmeier-warnt-vor-zu-scharfen-sanktionen-gegen-russland-a-1005327.html. **27** Ham: The Geopolitics of TTIP, p. 7. **28** Small, Andrew: Ukraine, Russia and the China Option. The German Marshall Fund of the United States, Washington D.C. 2014, p. 1. **29** See: www.realinstitutoelcano.org/wps/portal/web/riecano_en/contentido?WCM_GLOBAL_CONTEXT=/elcano_in/zonas_in/commentary-otoriglesias-geopolitics-ttip-seen-from-beijing **30** Bendini: EU and US trade policy, p. 17. **31** Ham: The Geopolitics of TTIP, p. 2. **32** Ibid, p. 6

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