

## **Three objections and an alternative to the Transatlantic Treaty (TTIP)**

By **Pierre Defraigne**, Executive Director of the Madariaga – College of Europe Centre, Honorary Director of the European Commission<sup>1</sup>

[pdefraigne@madariaga.org](mailto:pdefraigne@madariaga.org)

Three introductory remarks:

- 1) **This is not just another free-trade area**, as TTIP goes much further: its advocates have defined it as a « *transatlantic internal market* » (De Gucht) and an « *economic NATO* » (Clinton). The fact that we are integrating with a strategic ally should not be reassuring because the risk of the European project being controlled is very real, given that strategic and economic dependence go hand in hand. Remember La Fontaine's agreement between the clay pot and the iron pot: *The iron pot didn't want to do harm to the clay pot...*
- 2) **The negotiations are, in fact, asymmetrical**. For the first time, the European Union is negotiating with a (much) stronger force. The demographic superiority of the EU is nothing compared to its disunity, technological underdevelopment and strategic dependence. Therefore, let us note:
  - a. *The **extraterritorial jurisdiction of the United States** in matters concerning taxation, sanctions concerning the use of the dollar, competition policy, and the fight against corruption in third markets;*
  - b. *The **unity of the United States in comparison to the loose coalition of the 28 divided Member States**: an incomplete internal market in strategic sectors (energy, telecommunications, the digital sector, financial services, and defence industries) and eight currencies as opposed to the single dollar. Is there an exchange regulation mechanism foreseen for the euro and dollar?*
  - c. *That this **asymmetry has been aggravated by the Trans-Pacific Partnership (TPP)**, which is to be implemented **before** TTIP and the results of which will be averse to Europe. America has isolated Europe, who will become a collateral victim of America's containment of China, if nothing is done to prevent it.*
- 3) **Institutionally speaking, a commercial negotiation, which is by definition secretive, is not the correct instrument to create a single market, nor should the negotiation involve regulatory bodies. Regulation is the duty of the legislator.**

---

<sup>1</sup> Free summary of a hearing before the Belgian Federal Parliament on 26th May 2015

On this basis, the following are **three major objections** to the TTIP:

1. **Expected growth is modest** (0.5% per annum after 10 years); the impact of TTIP is uncertain on growth and even more so on employment; furthermore, the Commission's study makes no reference to the impact of the TPP on European exports to the American market. In addition, growth will be:
  - **divergent** (winner and loser countries) and will aggravate the already critical divergence between the core (Germany) and the periphery of Europe;
  - **unequal** due to restructuring/relocation following mergers and acquisitions in high-value-added oligopolistic sectors in which the EU lags behind the USA (absence of a single digital market in Europe) which will benefit shareholders in MNCs, at the expense of SMEs and employees.
2. **Clash of social models:** unequal in USA and diverse in Europe. **Competition for relocation between these models** will be arranged through arbitrage on jobs and wages by multinational companies (in certain states of the USA, salaries are half that of German or Belgian salaries) and will be problematic for the **differences between collective preferences** (environmental protection and health and food safety: the principle of precaution; preventive regulation versus class actions in compensation; private dispute resolution (ISDS). **In agriculture**, the full-on clash between the American agri-industry, based on economies of scale, and the more multifunctional and specialised European agriculture will speed up the **concentration and evolution towards agri-business in Europe**.

2

### 3. Systemic and geopolitical risks

- The *containment* (both normative – arm-twisting – and strategic ‘*The West against the rest*’) of China by the TPP<sup>2</sup> divides Asia, splitting the continent therefore between China (economic) and America (security). China may create regional counter-alliances which could result in monetary and commercial blocks; it has the resources (human, financial surplus, strategic vision) and can rely on the world's only growing internal economy.
- The TPP is a fundamental strategic error on the part of the USA, to which the EU is contributing irresponsibly through the TTIP.

---

<sup>2</sup>see Gideon Rachman, *Obama's Pacific trade deal will not tame China*, in *Financial Times*, 18<sup>th</sup> May 2015

## Conclusions

Apart from commercial issues, which carry weight when it comes to politicians deciding on TTIP, the central question that must be addressed is the equilibrium between market and political forces. Why concede sovereignty to a jurisdiction further removed from the citizen without the benefit of significant growth nor undoubtedly the creation, but probably the destruction, of jobs. Europe should not sell its birthright for a mess of pottage.

The TTIP is the result of a collective blindness which explains the disarray of European heads of state and government when confronted with the economic crisis and the strategic vacuum left over by globalisation. Europe should rally itself around a supportive and well-functioning model with a strategic capacity. These internal choices are a prerequisite.

### Therefore:

- (1) The issue goes beyond the left-right and majority-opposition divide;
- (2) This is precisely a question of the individual conscience of elected representatives before history: abandoning sovereignty in favour of *Corporate America* in an asymmetrical bilateral system. Will sovereignty be transferred:
  - a. in favour of the European Union?
  - b. or in favour of the USA, by the TTIP's Regulatory Cooperation Council who will have to give the go-ahead to any new European protection initiative?
  - c. or rather in favour of multinational corporations through the use of the dispute resolution clause (ISDS) and lobbying?<sup>3</sup>
- (3) **Belgium cannot simply say "no" to the TTIP**, from which arises the necessity for alternatives:
  - i. On the international front, commercial liberalisation should be pursued, because it is in keeping with the transformative function of trade and the demands of global value chains, but **a multilateral framework of norms should be opted for** in the area of competition, taxation (tax evasion), the prevention of currency wars (manipulation) and agricultural subsidies. To provide for this, the plurilateral route should be taken by **opening TTIP to a 'coalition of the willing' amongst the G20, including therefore China**.

---

<sup>3</sup> See Stéphane Foucart, *L'Europe perturbée par les hormones*, in *Le Monde*, 26th May 2015

- ii. On the European front (eurozone), a deal should be concluded with Germany to fully exploit the internal potential for growth with the view of having a federal budget allowing for the ***pooling/restructuring of debt*** (and the financing of a common defence system), which will be the key to growth in the eurozone. **Fiscal harmonisation on mobile factors** should be concluded (multinational companies and large real estate), as the key for a *fiscal shift*, to reduce the relative cost of labour with regard to capital and ***regulate and reduce the size of the inflated financial sector*** which affects the competitiveness of the real economy.