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TPP blazes a trail: how should the EU respond?

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Bonn, 13 October 2015. The European Commission will publish its new trade strategy today with the aim of repositioning European trade policy in the face of rapidly changing globalisation processes. While EU member states continue to discuss the contours of this policy in Brussels, Washington has taken decisive action and concluded the Transpacific Partnership (TPP), the world's largest trade agreement, with eleven other Pacific Rim countries. The United States' partners include economic heavyweights such as Japan, Canada and Australia, as well as up-and-coming developing countries and emerging economies such as Mexico and Vietnam. The TPP nations together account for close to 40 per cent of global GDP and one third of international trade activity.

In concluding this historic agreement, the US is stating in no uncertain terms that it is in the driving seat - a message intended first and foremost for China. President Obama wants to use TPP to prevent the Chinese from writing the trade rulebook in future. But the EU is also losing out and coming under pressure as a result of the agreement. How should Europe respond?

TPP undermines the European ambition to write the trade rules for the 21st Century as part of transatlantic negotiations with the US. While arguments continue over the details of the Transatlantic Trade and Investment Partnership (TTIP), the US has put its money where its mouth is in the Pacific region, and Washington will now be placing many of the TPP decisions on the agenda for the TTIP negotiations with Brussels. Following a long period of internal wrangling, the EU will submit a proposal to the US for a new investment court system. However, with TPP, the US has pushed through a more traditional investor-state system of arbitration. Why should Washington back away from this idea now in favour of the reform proposed by Europe? It appears as if the US has the upper hand in terms of trade policy.

This puts the EU in a tight spot. It risks losing out economically, since TPP and other ongoing negotiations in the Asia-Pacific economic region would make it more difficult for European firms to access sales markets in this region. Europe has so far failed to produce a convincing response to these challenges. After the multi-lateral negotiations within the World Trade Organization (WTO) began to stall around the middle of the last decade, Brussels has focused on negotiating bilateral agreements. But assessment of this strategy is mixed. Europe is attempting to make up lost ground by concluding bilateral free trade agreements with South Korea, Singapore, Canada and Vietnam, but negotiations

with India and Japan are proving difficult. And only the most optimistic of observers see any prospect of an agreement with the Association of Southeast Asian Nations (ASEAN).

TPP is increasing the pressure on Europe to conclude the TTIP agreement with the US, despite all the disputed points that remain. TTIP proponents are calling for the parties to get on with it, pointing out that we need the transatlantic pact now more than ever in order to create a gigantic trade zone that would surpass even TPP. Nonetheless, the mounting transatlantic pressure should not lead Europe to sign TTIP at all costs.

On the contrary, the EU must use its remaining influence to shape the future trade rules, seeking out new allies in the process. Europe needs to overcome the TTIP impasse and place its trade policy on a broader footing. For example, Brussels could respond to Beijing's urging and initiate a free trade agreement that also involves other Asian countries. And the EU should take seriously the concerns of third countries in the TTIP negotiations. Here too, TPP is setting the standard by leaving room for other nations to join it, something already being considered by South Korea and China.

This is why, instead of insisting on a bilateral agreement, the EU should call for TTIP to be opened up to other countries, for example beginning with those that are highly integrated into transatlantic value chains, such as Mexico, Canada and Switzerland. Membership requirements for developing countries should vary according to level of development. This would enable the EU to afford marginalised developing countries easier access to global production networks. Not least, this would send a key signal that the EU takes seriously the goals of the 2030 Agenda for Sustainable Development recently adopted by the United Nations. These new global goals require among other things an open and non-discriminatory trade system. The EU has an opportunity to demonstrate during the ongoing TTIP negotiations that it supports the universal applicability of these goals and is acting accordingly.

The TPP agreement has injected fresh momentum into international trade policy, momentum which could also revitalise the WTO. The EU should move to ensure that the deadlocked Doha Round is concluded, even if this is possible only on a less ambitious level. Europe and other WTO members will then be able to turn their attention at last to institutional reform aimed at making the WTO more dynamic and to key issues of the future, such as the digitisation of the global economy.