

## Interview

### Comments on transatlantic trade

#### An interview with Dr Christian Ehler

Geert Asselbergs

**Official negotiations for a U.S.-EU free trade agreement (the Transatlantic Trade and Investment Partnership, TTIP) have started in mid-July and they were described as “very productive” by the EU’s chief negotiator Ignacio Garcia-Bercero. In an interview in the previous issue of *Atlantisch Perspectief*, Marietje Schaake (European Parliament) and Ben Beachy (American consumer advocacy group Public Citizen) debated the pros and cons of TTIP. Below is an insider’s response to their debate: in a conversation with *Atlantisch Perspectief*, Dr Christian Ehler, a German member of the European Parliament and chairman of the Delegation for Relations with the United States, commented on some of the previous statements and other issues regarding TTIP.**

Some say that a trade agreement could send a strong signal to the rest of the world about economic policy based on shared values and principles. João Vale de Almeida, EU ambassador to the U.S., suggested that TTIP could promote these common values and principles, and thus the interests of the West as a whole.

What do you think of this idea of TTIP benefitting the EU’s and U.S.’ possibilities to deal with problems in other parts of the world?

In terms of talks within the World Trade Organization (WTO) we are in somewhat of a deadlock. In principle because, other than in the past, it is not necessary for the majority of the rest of the world to share the principle common ground between the U.S. and the EU: the idea that trade is a private sector issue and that the public sector only provides a regulatory framework. This separation between the public and private sector is not necessarily shared by the rest of the world now that there are more and more state-driven economies. We are no longer dealing with a conflict between communism and capitalism. Instead we have a rivalry between state-driven capitalistic systems and the more or less socially balanced capitalism in the West. The question is which system will prevail. I think the joint European-U.S. forces are not just meant to create a bilateral trade agreement. From my point of view, it aims at setting a global ‘golden standard’. In this way it could also be a way out of the deadlock of the WTO.

Critics of TTIP have cited the process of deregulation resulting from such an agreement as a potential danger to consumers and the environment. Regarding this argument, Ben Beachy (American consumer advocacy group Public Citizen), stated the following:

“A lot of things pass for integration that are actually deregulation. We don’t necessarily have anything against the integration of economies. What we do have a problem with is deregulation of really important consumer and environmental safeguards. And mind you: we don’t worry about this from some hypothetical standpoint, but it is based on what American and European corporations have

already said they hope to see in this deal. Deregulation is what they have in mind, not just integration.”

Proponents of TTIP on the other hand have pointed at the EU’s relatively high standards. Marietje Schaake, member of the European Parliament, said that a trade agreement “could even break open the American debate because we are going to be pointing at flaws in their system.”

Where do you stand in this debate, and what do you think about Ben Beachy’s fear for ‘a race to the bottom’ of regulatory standards?

I think there is a certain tendency in Europe to overdramatize the outcome of a trade agreement. It’s interesting to see that for the first time in history AFL-CIO<sup>1</sup>, the umbrella organization of the American labor unions, is not opposing a trade agreement because to some extent they see it as a possibility to move to the European level of consumer and worker rights. I think we shouldn’t exaggerate both the worries and the hopes. A trade agreement doesn’t mean that we will take over minimum regulatory standards from the U.S. Neither will it mean that the U.S. will take over all the European standards on consumer rights, safety and other issues. A big portion of all that will be based on mutual agreement and in the context of “a roadmap in the direction of harmonization of standards”. Therefore it is not likely that we will see an immediate dramatic shift in either direction as the result of a trade agreement.

We should also be a bit careful with for example the idea that consumer rights are much more protected here than in the United States. For instance, in terms of the liability question, consumers in Europe are in a much more problematic situation than their counterparts in the U.S. So you have to differentiate between issues. I think that in the end the prevailing aspect will be the growth aspect. Even though there is a lot of talk about the regulatory aspect and consumer rights, I believe that the predominant result of TTIP will be economic growth.

On June 14, 2013 the EU trade ministers mandated the European Commission to open negotiations. They also agreed that audiovisual services would not be covered in the mandate. Ben Beachy described this ‘cultural exception’ as “a great example of why things will fall apart pretty quickly”. Marietje Schaake said that she feared that such an exception would open the door to more of such exceptions, perhaps also from the American side.

What is your opinion about the ‘cultural exception’?

I think that if you start negotiations by creating hurdles from the very beginning you put yourself in a quite defensive position. I would have preferred to put more emphasis on the areas where it is most likely that we will achieve something. Specifically because the public discussions on for instance the cultural aspects were basically driven by examples that are not even covered by the treaty. The mandate doesn’t give the right to the European Commission nor the EU Member States to question public broadcasting or the way that is set up. The majority of the examples are in a way worrisome, but without consequences because they are not covered by our mandate and neither by the Treaties of the European Union.

We have to differentiate to some extent between the public discussion and what is actually excluded, or could be included by our mandate. It is very likely that the decision to exclude audiovisual services put us in a defensive position in the negotiations. However, the most important point that can be taken from all this is that these negotiations have to be undertaken in a transparent way. I think it is important to embed the national parliaments in the process. We also need to have a transparency policy that aims to step-by-step inform the public about the state of play. If we proceed like that, I am quite sure that there will be a wide majority backing a trade agreement. Especially since this is a continent that is primarily looking for economic growth. If the outcome of a trade agreement would just be in the interest of industry, the European Parliament will most likely reject it. On the other hand, if an agreement substantially boosts economic growth in Europe, I think it will be broadly supported by the public as well as in the European Parliament.

Speaking about growth: Marietje Schaake called TTIP “a real win-win situation”. However, a recent econometric study by the German economic think tank IFO has shown that the gains of an agreement are much larger for the United States than for Europe. The same study also showed that these gains will not be evenly distributed throughout Europe. Germany would benefit less from an agreement, mainly because of shrinking trade with France, the United Kingdom and Italy.

What are your thoughts on these conclusions, and what do you think the effect of unevenly distributed gains will be on the process of European integration?

I think the principal question is whether we believe that we have a common market or not. In an integrated European market Germany cannot lose if the common market is going to win. Or the other way around: if the majority of the member states are going to lose, the common market cannot win. The idea behind the common market is the fact that we have a European economy. Therefore, as a German, I am not really worried by figures like that. Even more so because these figures only relate to the existing trade flows. I think the results of a trade agreement for Europe and the U.S. will be lower consumer prices and an embedded, to some extent even harmonized common market. The prospects of a trade agreement are much more far-reaching than the short-sighted interpretation of the existing flows of goods related to tariffs and non-tariff barriers which are then being translated into advantages or disadvantages for Germany and other individual member states. I don't think that interpreting economic figures in the old 19<sup>th</sup> and 20<sup>th</sup> century terms of nationalistic economic policy makes much sense. The European economy doesn't work like that.

So what do you think will be the most important issues or challenges with TTIP in the future, particularly regarding security issues and industry?

We have to be slightly careful when we talk about security issues because they can be seen from multiple perspectives. Cyber security for instance could be a joint transatlantic effort in order to secure the interests of European consumers, the privacy of European citizens and the protection of intellectual property rights and overall interest of the European economy. This issue could also be interpreted as a classical non-tariff barrier. I think there will always be a trade-off between the economic interest and the security interest. Therefore we should be cautious and try to find the right balance between security and economy. If we look at it as a possible obstacle in the negotiations I think we have to keep in mind that the objective –

and we have to keep repeating that – is economic growth. If you look at the automotive sector for instance, we make about as much money from tariffs as the Americans. So in practical terms it is the consumer who ends up paying more, which is not even to the economic interest of the E.U. and the U.S. Regarding both the economic blocs, there are no winners or losers. The only loser is the consumer on both sides of the Atlantic. The benefit of a trade agreement in this example would be a benefit for the consumer, and that gives a boost to economic growth. With all these issues I think we should really focus on the opportunities and not so much on the obstacles.

Geerts Asselbergs works as a trainee at the European Parliament.

Would you like to react? Mail the editor: [redactie@atlcom.nl](mailto:redactie@atlcom.nl).

1. The American Federation of Labor and Congress of Industrial Organizations is the largest federation of labor unions in the U.S.