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The Transatlantic Trade and Investment Partnership (TTIP): From Global to Regional Multilateralism

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Since World War II, world economic order has followed the concept of global multilateralism. Universality (“one world, one law”), uniformity (“one size has to fit all”), and equal treatment of states (“one country, one vote”) were the guidelines of multinational treaties. The aspiration was to invite all (or at least most) countries to join and to implement common generalized principles of conduct for all trade relevant issues. And the aim was to break the power of large, strong economies in bilateral relations and to strengthen the smaller and weaker countries. That is why the multilateral concept was and is attractive for small(er) countries: multilateralism makes them big(ger).

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The United Nations, International Court of Justice, the Bretton Woods institutions i.e. the IMF and the World Bank, the General Agreement on Tariffs and Trade (GATT), and later the WTO were the most important political offspring of the concept of multilateralism. They reflected more or less the Western understanding of universalism and of internationally respected and protected rule of law, human rights, and individual responsibility and liability. Open markets, specialization, and a division of work according to comparative advantages combined with free trade and international competition were the fundamental ingredients of the world economic order that led to more and more globalizing national economies.

In the postwar era the industrialized countries, led by the United States and Europe, were the centers of gravity in the global economy, not only economically but also politically. Consequently, the West defined the rules of the multilateral game. The “Washington Consensus” set the tone to secure and increase economic growth according to Western principles. The Global South had to accept the concept of multilateralism (based on the Western understanding of universalism) and to play by Western rules. However, the situation has changed dramatically in recent years. Emerging economies have grown up. And they are challenging the existing economic order.

As a consequence of this power shift from the West to the other areas of the world, the speed and further development of global multilateralism threatens to lead in a direction that does not necessarily correspond to the goals of the United States and the European Union. Therefore, the West should search for alternatives to global multilateralism and move toward a transatlantic regional agreement.

Globalization and Multilateralism Under Pressure

What has been labeled as “era of new globalization” is “a combination of breakthrough technologies and changes in geopolitics (that) has created a far more intensive set of economic interconnections than ever before.” It has led to a tremendous increase of cross-border activities, especially trade in goods and services. A growing share of production is now being sold on world markets. In the mid-1980s, only 18 percent of world production (goods and services) were traded internationally. In 2012, it grew to 32 percent. And emerging markets, especially in Southeast Asia but also in Latin America and the Near East, have gained substantially greater shares in world trade flows. Migration flows and foreign direct investments have also increased strongly.

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43 World Trade Organization (WTO), World Trade Report 2013, Geneva (WTO) 2013, pp. 23.
All in all, the pace of globalization has slowed down in the wake of the financial crisis. Neither the share of internationally traded goods and services relative to total world production nor foreign direct investment has reached pre-crisis levels. This is especially true for the global capital flows that have collapsed from $11 trillion in 2007 to barely one-third of that figure in 2012. Similarly, the current volume of world trade lies well below the long-term trend from 1990 to 2008. The world economy is now less globally connected than in 2007. “Governments increasingly pick and choose whom they trade with, what sort of capital they welcome and how much freedom they allow for doing business abroad,” The Economist wrote in an October 2013 report. The consequence of the return of protectionism is simple: the pressure on globalization leads to pressure on multilateralism.

The GATT and later the WTO have followed the principle of global trade multilateralism. They dealt mainly with reductions in tariffs that had been erected at national borders (border measures). In the Kennedy Round of trade negotiations (1963-1967), non-tariff trade barriers such as anti-dumping measures advanced to the agenda. In the Tokyo Round (1973-1979), domestic economic measures (behind-the-border measures) that strongly affect international trade became more prominent. The development of “positive regulation” — what governments should do (for example, reduce subsidies) — was in the focus of the Uruguay Round (1986-1994), which also included negotiations about the service sector and the protection of intellectual property rights.

The latest round of trade negotiations among the WTO membership was officially launched at the WTO’s Fourth Ministerial Conference in Doha, Qatar, in November 2001. Its aim was to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade rules. In Doha, ministers also approved a decision on how to address the specific problems developing countries face in implementing the current WTO agreements.

The agenda of the Doha Round focused on competition policy, foreign direct investment, transparency in public procurement, and facilitation of trade execution. But from the very beginning, it was dominated by negotiations in the agricultural and the service sectors. It turned out national interests had become so diverse that a compromise was impossible to find. As a consequence, the Doha Round has been blocked for years. Only the Ninth Ministerial Conference of the WTO in Bali, Indonesia in December 2013 has brought some small movement.

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When, after years of negotiations, the trade ministers of about 160 countries settled on an agreement in Bali, they just demonstrated how small the common understanding for the liberal postwar economic order has become. They just adopted some general goals and intentions without making clear how and when to reach them precisely. How far the promises will in fact be implemented remains open. The timeline for specification, implementation, and ratification of the Bali Agreement has wide margins.

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47 World Trade Organization (WTO), World Trade Report 2013, pp. 23.
50 They adopted a) trade facilitation for all through a reduction of bureaucratic barriers to imports, b) additional trade benefits for developing countries in the agricultural sector through the elimination of export subsidies, and c) an additional financial (trade) promotion in favor of the least developed countries, thanks to a better access to the markets of developed and emerging countries. For further information on the Bali declaration and decisions see World Trade Organization (WTO) 2014: The Doha Round. http://www.wto.org/english/tratop_e/dda_e/dda_e.htm.
The Bali declaration and decisions show that the concept of unanimity has no future. If the only options for negotiations are “all or nothing,” a stepwise procedure is hardly feasible. In the WTO negotiations, every individual sector or theme is treated separately, but all the files are decided in a large final vote en bloc. Thus, a single country can stop everything, even if all the others have agreed. The mechanism of the “single undertaking” as well as the principle of consensus makes negotiations difficult. It is time to limit excessive vetoes by individual countries. Decisions should be allowed with qualified majorities. However, because a transition to a majority decision process requires unanimity, such reform is unlikely.51

Exceptions (“peace clauses”), such as have been made for India, gain — as a consequence of the unanimity principle — almost eternal character. If India does not agree, the temporary becomes a kind of permanent solution, which cannot be the rule for other countries or themes.

The world has changed dramatically in the last 20 years — but not the structures of the WTO. Bali has made clear that the global multilateral path of the postwar area has come under pressure. A fast de-blocking is not probable. Some suggest “that with the multinational trade negotiations leg practically broken, damage to the other two legs — rule making and dispute settlement — (should) be avoided” by concentrating on these two issues.52 Others are looking for a “bespoke multilateralism” — a pragmatic way of tailoring special and differential treatment for developing countries to national circumstances.53

However, the more fundamental problem for the multilateral approach of the WTO is that the world economy and its players have become much more heterogeneous since many more countries and many more economic activities have become more globalized. Furthermore, the emerging economies have gained economic power and therefore political influence. They are not willing to accept the rules of the game that have been set by others (i.e. the “West”). They want more participation and less (Western) paternalism. They want to (re)shape the world economic order actively according to their interests, socio-economic conditions, social norms, preferences, and cultural views.

All this makes it clear that a further extension of the postwar global multilateral path will be possible only with great difficulty and little progress.

For a faster process of further liberalization of international trade in goods and services, foreign direct investment, and mobility of business activities, more than just a gradual modernization of the global multilateral order is required. A new approach is needed.

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Regional Multilateralism as a New Approach

Both of the liberal twins of the postwar era — globalization (with a commonly shared understanding of opening up national goods, labor and capital markets) and global multilateralism (with the worldwide acceptance of commonly agreed rules of the game) — are under pressure. A pragmatic approach to adapt the concepts of a liberal economic order to the new political, economic, and demographic realities of the 21st century is to downsize the universal, uniform, and
equal framework of multilateralism to a regional scale. Search for similarities within a group of countries but accept differences between them — this should be the new strategy. Countries that share common ground, principles, values, rules, and interests should integrate more closely with one another, searching for different modes of cross-regional cooperation with other groups of countries. This is the basic idea of the well-established concept of “regionalism,” and the advice the United States and the EU should follow in finding a new transatlantic order.

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Regional trading agreements have become more popular since the mid-1980s. Richard E. Baldwin and Patrick Low estimate that about 350 regional trading agreements exist, “some of them involving several countries, many of them bilateral. Some have been local, within regions, others have stretched across regions. Some have involved deep integration, going beyond the WTO, while others have been quite light and superficial.” Paul Krugman indicates four forces for the emerging regionalism: 1) The sheer number of participants in multilateral trade negotiations reduces the costs of non-cooperation and fosters greater rigidity in negotiations; 2) the changing character of trade barriers makes multilateral bargaining harder and renders monitoring increasingly difficult; 3) the decline in the relative economic dominance of the United States makes the world trade system harder to run, as suggested by the theory of hegemonic stability; and 4) institutional, social, political, and economic differences between the Atlantic economies and Asia makes it much harder to find multilateral solutions acceptable for both sides. Regional trading arrangements offer an opportunity to overcome the weaknesses of the multilateral bargaining process because they involve smaller groups of countries, they are much more similar in their institutional settings, and the problem of finding a hegemon is eliminated.

The consequences of regionalism are well researched and many references could be given. Basically the analysis focuses on “trade diversion,” “trade creation,” and “trade expansion.” According to the trade diversion school, regional agreements divert trade from non-members to members. Too much inefficient intra-bloc trade, inter-bloc trade war, and greater dominance by hegemonic powers might lower the welfare of both non-members and members. The proponents of regionalism argue that some liberalization within the bloc is better than no liberalization at all. Furthermore they expect that trade creation and trade expansion exceed trade diversion, and not only regional but also global dynamic growth effects are stimulated. As argued...
above, with far fewer negotiating partners, regional arrangements can be negotiated both more easily and more extensively than global arrangements.

Whether “regional multilateralism” harms or stimulates “global multilateralism” and whether it increases or decreases welfare remains an open question that cannot be answered theoretically. At best, empirical evidence can be given for specific cases and for certain periods. In his survey, Baldwin comes to a very clear summary: “Almost all empirical studies of European and North American arrangements find positive impacts on members’ living standards and inconsequential impacts on non-members’ living standards. Empirical work on smaller arrangements is scarce, but there is little evidence that bona fide regional liberalisation has significantly lowered the living standard of any nation.”59 In other words: “regionalism may be a powerful force for multilateral liberalisation … regional deals are not building blocks or stumbling blocks. Regionalism is half of the trade liberalisation ‘wheel’ that has been rolling toward global free trade since 1958.”60

TTIP as a Nucleus for a New Liberal Economic Order

The United States and Europe have been the forerunners of the postwar liberal world economic order. They have believed in the iron laws of international trade, by which the opening up of national markets allows for welfare enhancing specialization, international division of labor, and an efficient reallocation of production factors. Consequently, both the United States and the EU have pioneered establishing a global multilateral system (i.e. firstly the GATT and later the WTO) with a universal, uniform, and equal treatment of countries (and people).

However, in the wake of Bali, an alternative is needed and can be found in a regional agreement between the United States and the EU. The Transatlantic Trade and Investment Partnership (TTIP) might become the starting point for the new strategy of regional multilateralism.

As the title indicates, TTIP is a trade and investment agreement under negotiation between the United States and the EU in order to remove trade barriers — both tariffs and non-tariff trade barriers (NTBs) like differences in technical regulations, approval procedures and recognition of technical standards, and product admission — in a wide range of economic sectors in order to facilitate the buying and selling of goods and services between the United States and the EU.61

TTIP would amalgamate the world’s two largest economies and would help alleviate European welfare issues.

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59 R. E. Baldwin, “The Causes of Regionalism,” The World Economy 20:7 (1997), pp. 865. Baldwin’s insight corresponds with the conclusion of F.C. Bergsten, “Open Regionalism.” The World Economy 20:7 (1997), pp. 545–565, esp. pp. 550: “Most analyses of most FTAs, including most importantly by far the European Union, conclude that trade creation has dominated trade diversion. … Most renditions of the recent history agree that regional and global liberalization have proceeded together, that they have tended to reinforce each other, and that … the balance of evidence suggests that the interactions have been largely positive throughout the postwar period.”


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concerns about a Trans-Pacific Partnership (TPP).\textsuperscript{62} Measured in purchasing power parity, the United States and the EU together are responsible for almost 40 percent of global GDP and for almost 60 percent of worldwide foreign direct investment.\textsuperscript{63} Additionally, one-third of worldwide trade in goods and services is processed by the United States and the EU.\textsuperscript{64}

TTIP’s goal is to eliminate all impediments in bilateral trade in goods and investments based on origin. For trade in services, the aim is to obtain improved market access and to address the operation of any designated monopolies and state-owned enterprises. Of course, there will be disputes between the United States and the EU about several issues, including agriculture,\textsuperscript{65} media,\textsuperscript{66} health, the environment, government procurement, and privacy.\textsuperscript{67}

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The expected economic effects of TTIP are well analyzed in theory.\textsuperscript{68} They can be summarized as: a) trade creation, b) trade expansion, and c) trade diversion effects. While the first two impacts are clearly positive, the third one is negative. Trade diversion leads to discrimination against third countries. As a result, there might arise a feeling of unfair treatment in third countries, culminating in anti-liberal tendencies or even an aversion to the Western economic order.

In contrast to other bilateral agreements, the economic impacts of TTIP for the United States and Europe would be tremendously positive.\textsuperscript{69} The optimistic expectations are caused by the fact

\textsuperscript{62} The TPP could become a free trade agreement that is currently negotiated between 12 countries (the United States, Canada, Mexico, Peru, Chile, New Zealand, Australia, Singapore, Malaysia, Brunei, Vietnam, and Japan). The threat to the EU is that TPP could generate serious trade diversion effects for the EU economies.


\textsuperscript{64} See World Trade Organization (WTO), World Trade Report 2013.


\textsuperscript{66} Europeans want to protect their cultural heritage against an unwanted and unbeknown “Americanization.” Americans see this goal as a (poorly disguised) desire for protection. See J. Kolbe, “Alice in Trade-Land: The Politics of TTIP,” Policy Brief, German Marshall Fund of the United States (February 2014).

\textsuperscript{67} The recent PRISM spying affair has kicked off a political firestorm in Europe. Concerns have been raised that unless there is a transatlantic agreement on a privacy deal, the European Parliament might not sign off on TTIP. Going forward, both sides will need to have a serious discussion about where to set the balance between security and privacy and liberty, a contentious debate that has been ongoing since September 11, 2001. A U.S.-EU working group has been set up on the issue; both sides must use this mechanism to reach some agreement, otherwise it is doubtful that the European Parliament will ratify the TTIP. See Annegret Bendiek’s discussion of a liberal order of the Internet in chapter five of this volume.


that the United States and the EU are each other’s most important trading partner. They have similar cost and production structures, similar levels of economic development, deep political relations, and strong cultural similarities. Therefore the reduction of trade frictions could help to reallocate production factors more efficiently (especially capital, i.e. firms and their production sites) and to make use of comparative advantages, economies of scale, and joint research activities to develop new technologies.

TTIP would generate significant economic gains on both sides of the Atlantic. Because the levels of tariffs between the United States and the EU are already very low, the dismantling of NTBs between them has a much bigger influence on the growth process and on the employment rate than the dismantling of tariffs. A Centre for Economic Policy Research study simulates the potential impact of a TTIP in a couple of liberalization scenarios.\(^{70}\) In one “limited” scenario, where only tariffs are eliminated (98 percent of all tariffs), a growth stimulus of 0.1 percent per year for the EU ($31.7 billion) is anticipated, whereas the expected growth stimulus for the United States amounts to 0.04 percent per year ($12.5 billion). However, in a second “comprehensive/ambitious” scenario, where 98 percent of all tariffs and 25 percent of NTBs on goods and services and 50 percent of procurements NTBs are abolished, the benefits would be much higher. Annually, EU GDP was estimated to increase by 0.48 percent ($158.5 billion), and U.S. GDP by 0.39 percent ($126.2 billion).

The general view is that 70-80 percent of TTIP benefits will come through aligning U.S. and EU approaches to regulation. The goal will be an agreement stating that while domestic rules and regulations across many sectors may be different in the United States and European Union, there is no need for harmonization. Rather, both sides can identify sectors in which they recognize the essential equivalence of each other’s regulatory systems. This would be a cost-saving measure and help avoid duplications or contradictions across the Atlantic. To do this successfully, however, equal treatment independent of nationality will be crucial. Domestic and foreign certifications have to be treated the same way.

However, and for the long run even more importantly, TTIP would also allow the United States and EU to define basic standards for open flows of investment, which could have a major effect on opening growth markets elsewhere in the world. This is of special importance because investment will drive the dynamics of transatlantic activities, just as trade drives the transpacific relationships. TTIP would allow U.S. and European firms to more efficiently construct their value chains, to better profit from economies of scale and scope on a larger scale, and to be able to more easily exchange ideas, skills, and firm-specific knowledge across the Atlantic. This would not only bring some static costs savings, as in the case of trade, it would also allow for new forms of production and processing that stimulate growth rates and not just cost levels.

The United States and the EU together are already by far the most important players in the world’s financial markets. “Achieving convergence or common regulatory standards could leave in its wake an explosion of growth in these markets,”\(^{71}\)

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\(^{70}\) CEPR and ifo both base their economic assessments on a simulation of a computable general equilibrium (CGE) model. To obtain a detailed explanation of the model used by the CEPR and the ifo Institute see Francois, et al. (2011) 3: 21-25 and 105-112 and Felbermayr, et al. (2013); 57-63 and 140-147.


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Jim Kolbe wrote in a recent German Marshall Fund of the United States policy brief on TTIP. If successfully done, TTIP could become the rule setter for new global standards — with a first-mover advantage for the United States and the EU.

While the effects of TTIP might become tremendously positive for the United States and the EU, the consequences for the rest of the world would be rather negative in the short run. Especially those countries that are geographically close to the United States or to the EU, countries that already maintain free trade agreements with the United States and/or the EU, and countries that have a high trade volume with either one or both of the transatlantic giants must expect to lose trade flows through the trade diverting effects of a TTIP in the short run.

The simulation studies confirm the intuitive expectation that trade diversion would have a strong impact on neighbors and major trading partners. TTIP would lead to strong trade-diverting effects within the North American Free Trade Agreement (NAFTA) area. U.S. trade with Canada and Mexico would fall substantially and, consequently, per capita income in these countries would fall dramatically (in the worst case by about a total of 7 percent for Mexico and 9.5 percent for Canada in the long run). Turkey, a close EU neighbor, would lose about 2.5 percent (real per capita income). This would be a $20 billion loss of income based on Turkey’s GDP in 2012, an amount roughly equivalent to the current Turkish trade with the United States.72 But the highest declines in the trade flows would be seen between the United States and China. According to an Ifo Institute study, U.S.-China trade flows in both directions would be expected to decline by about one-third.73

TTIP should serve as an open club, whereby those who want to join would be able to do so. If TTIP establishes common standards, reduces regulatory divergences, and invites other countries to join, the likelihood is high that third countries might profit and will experience a decline in trade costs and an increase in their GDP as well. Therefore, TTIP has the chance to promote economic growth worldwide.

This is important and should be clearly communicated to partners beyond the transatlantic area, particularly those in the TPP, who might be concerned that TTIP is designed to be an exclusive arrangement. The only precondition for joining TTIP would be the acceptance of a “TTIP Acquis Atlantique” by the date of accession. This means that joining would be an all or nothing decision for new members. They would have to accept all TTIP norms and requirements in order to join, without any ability to negotiate changes to the TTIP Acquis.

Conclusion: Be Realistic Not Nostalgic!

The era of new globalization is fundamentally changing the world economy and global politics. Many more players with many more different

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Liberal Order in a Post-Western World

interests have joined the game of international exchange. Homogeneity has gone. Heterogeneity is in. And this challenges the global multilateral approach that has regulated international economic activities since World War II. Universality, uniformity, and equal treatment of states cannot be reached anymore. A more tailor-made approach is needed. This is especially true for the transatlantic area. The United States and the EU have been the parents of the global multilateral order in the postwar era. Now they see this period of Western dominance in setting the rules of the game coming to an end. Liberalization and globalization are challenged by new powers outside the transatlantic rim.

The only viable way for the United States and EU to further develop a liberal economic order is to start small rather than big and to go regional rather than global. Further steps to liberalize international economic activities have to be negotiated among a few rather homogeneous partners with a broad range of common goals and not among heterogeneous actors with widely different interests. Regional not global multilateralism is the answer to the changes in the world economy, politics, and social (non-)acceptance of the outcome of the new globalization.

While global multilateralism would generate the greatest economic benefits (at least theoretically), regional multilateralism has a higher likelihood to get the benefits faster in practice. It follows the pragmatic judgment that some liberalization is better than no liberalization, independent of whether it is regional or global.

TTIP is the pragmatic answer of the United States and the EU to the shift from global to regional multilateralism.

TTIP is the pragmatic answer of the United States and the EU to the shift from global to regional multilateralism. It is an effort to find common ground among transatlantic partners with a long common history. They are relatively close in the shared understanding of fundamental values like individualism, liberalism, constitutionalism, human rights, liberty, rule of law, and democracy. Therefore win-win agreements, compromises, and further steps toward liberalization and an opening up of national goods, labor, and capital markets might be reached easier than on a global level where national interests differ much more.

TTIP could spur growth, translate into millions of new jobs in the United States and Europe, and improve both earnings and competitiveness for many companies, particularly small and medium-sized enterprises on both sides of the Atlantic. The ambition and eagerness among current U.S. and European leaders to make TTIP a success represent a window of opportunity that should not be wasted.

In the short run, TTIP will be beneficial for the United States and the EU but it might harm the outsiders. Neighborhood countries that have strong trade connections with the United States and the EU would suffer especially from rather strong trade diversion effects.

However, in the long(er) run, the higher growth, additional jobs, and increase in the standard of living in the United States and the EU will lead to benefits in the rest of the world. Empirical evidence from existing regional trade arrangements shows that in the past, regional and global liberalization have proceeded together and have tended to reinforce each other in a largely positive fashion throughout the postwar period.

To lower concerns in the rest of the world that TTIP might be the end of global multilateralism, it should be open for other countries to join in principle. In practice, however, not many other countries might be willing or able to accept the “Acquis Atlantique” of TTIP without having the chance to change it according to specific national preferences. But for the neighbors of the United States and the EU, accession could be realistic. Being outsiders, they would be harmed most in the short run and could
The Eurozone Crisis and Europe’s South
Yannos Papantoniou

The eurozone’s economic prospects look better than a year ago, although performance is still lagging behind global partners. The economies of the eurozone’s core have started to show signs of recovery while the financial position of the overindebted countries of the periphery is improving — partly as a result of the emerging economies’ current crisis. Even Greece is considering a return to financial markets for long-term borrowing later this year — admittedly at unsustainably high rates, reflecting the urge to get rid of the supervision of the troika (the IMF, European Commission, and European Central Bank).

However, there are other factors working underneath the surface that point to more uncertain outcomes for the ongoing processes. The recession may be hitting bottom in the peripheral economies, but output and employment losses incurred during the crisis in these countries have been huge. Aggregate per capita income for the euro area as a whole in 2013 reached the level obtained in 2007, but in Greece, it hovers around the level of 2000 while in Italy it remains at the level of 1997. Unemployment is about 12 percent on average. In Spain, more than one-quarter of the labor force is jobless, while in Italy, youth unemployment stands at 42 percent. In Greece, unemployment is 28 percent and, among young people, it exceeds 60 percent.

Recovering from such losses requires a speedy return to sustainable high rates of growth. Large amounts of capital need to be invested, but this is unlikely to be forthcoming:

Public investment is continuously falling, as a result of fiscal austerity, and represents historically low levels as a share of GDP. The eurozone authorities, having already committed substantial rescue funds, do not seem disposed to inject fresh investment capital.

Private domestic capital resources are also limited by the recession itself, the related weakness of balance sheets, the fall of asset prices including real estate, and the rise of taxation, particularly on high incomes and on capital.

Bank lending has been reduced as a result of the weakness of the banks’ capital position, which is further threatened by low levels of deposits and the recession-related rise of non-performing loans. Currently, enterprises in the periphery of the eurozone borrow at substantially higher rates than the enterprises in the core economies. In bank loans, the relation is close to two to one while in long-term financing it may reach ten to one.

Trust among investors will not be restored until debt sustainability is secured. However, moves to mutualize debt and strengthen fiscal unification are consistently blocked by Germany and the other countries of eurozone’s core. Eurobonds, a single European Finance Ministry, and adequate capitalization of the common rescue fund (the European Stability Mechanism) are not yet contemplated. The same non-integrationist approach applies to the recently instituted “banking union.” The Single Bank Resolution Fund is under-capitalized so that part of the cost of returning banks to solvency in the event of a new financial crash will continue to be borne by governments. The link between banking and state indebtedness, which lies at the heart of the eurozone’s vulnerability to crises, has not been broken.

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Besides the lack of capital, there will also be a shortage of demand as austerity policies continue to be universally applied. If these policies are not relaxed or compensated by more expansionary policies in the stronger economies of the eurozone’s core, demand will remain depressed, discouraging investment initiatives.

Lastly, on the reform front, precious time has been lost. The reform effort in the over-indebted countries of Europe’s South has been weak over the last several years. Governments have been reluctant to confront the special interests — protected businesses, public-sector trade unions, and influential lobbies — that block reforms. Liberalizing the labor market, privatizing state-run enterprises, opening up the services’ sector, and abolishing restrictive practices are measures that have proceeded at a slow and hesitant pace, without exerting much effect on productivity and growth prospects.

Under present policies, peripheral economies are unlikely to restore conditions for strong growth. Social rifts risk spreading instability and creating political strains that may soon reach critical levels. With European Parliament elections just around the corner, the prospect of populist anti-austerity parties prevailing in peripheral countries, alongside anti-euro/anti-bailout parties prevailing in the core, is very real. Financial turbulence could return, setting the scene for a new eurozone crisis threatening the monetary union’s cohesion. Greece and Italy, in particular, face serious risks of political instability that may provide the spark for renewed turmoil.

Structural reforms, less austerity, more demand stimulus, investment support, and fiscal union could continue to underwrite a prosperous and cohesive monetary union. It remains uncertain whether, or when, European politicians will feel confident enough to adopt them.

So the expectation is that TTIP is a good strategy not only for the transatlantic area but for the world economy as a whole.

In spring 2014, it looks like the negotiations about TTIP are stuck for several reasons. The disputes about agriculture (genetically modified organisms), media (“cultural exception”), government procurement, and privacy (NSA/PRISM) have delayed progress. The elections for the European Parliament in May 2014 and the Congress’s reluctance to grant “fast track” authority to President Obama make the negotiations even more complex. However, there is no doubt that it would be worthwhile to overcome the difficulties and to avoid further delays. It would go a long way to strengthening the Western anchor of the emerging international order.

The United States and the EU should move quickly or there will be no liberal order anymore. They should not wait for a common global understanding of what should be done. Such global agreement will not happen soon, and even if it did, it would be a compromise that might contradict the economic interests and liberal values of the “West.”

TTIP is a very pragmatic strategy to adapt the transatlantic economic order to the reality of the 21st century. Liberalism is no longer seen as a universal recipe. Instead it is seen as a further step on a long road to more open markets and lower transaction costs for doing international business. It follows the empirical evidence of the past that more liberalization is better than less and that regional multilateralism is better than no multilateralism.