

# 11 Transatlantic Trade and Investment Partnership – geoeconomic and geopolitical implications

## Introduction

When one analyzes the contemporary trading policies of some states, it may be noted that there is a growing interest in liberalization of trade, realization of which is based on bilateral or multilateral agreements. The above comes at a cost of decreased interest regarding the negotiations carried out within the forum of the World Trade Organization (WTO). The proliferation process related to bilateral and plurilateral<sup>1</sup> trade agreements, beside the discrepancies within the main areas of negotiations on the North-South axis additionally deepens the WTO crisis and translates into lack of effect of the negotiations carried out within the framework of the Doha Round. A significant threat for the future of the global trade system is posed by the fact that the main economies which – so far – constituted the driving force of multilateral liberalization – the USA and the EU – now put greater emphasis on bilateral or plurilateral, preferential trade agreements, instead of focusing on global solutions which may be developed by the WTO forum. When one tries to answer the question, as to what driven the two main cornerstones of the GATT/WTO<sup>2</sup> system towards the changed preferences within the scope of the actions reshaping the trading policy from a global dimension towards the preferential trade memorandums constituting an exception from the MFN clause

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<sup>1</sup> Plurilateral negotiations is a term which is used to differentiate the negotiations driven by a group of the WTO members, from the negotiations involving all of the WTO members, referred to as multilateral.

<sup>2</sup> GATT – *General Agreement on Tariffs and Trade*.

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(Most Favoured Nation) present within the multilateral system, besides the problems related to development of a compromise in the Doha Round negotiations, one should take into account the consequences of the FTAs negotiated and concluded by the EU and the US, especially those that established free trade conditions for the third countries, particularly for the main competitors in the international trade. The development of the trading policy of the two subjects above is well illustrated by the negotiations regarding the *Transatlantic Trade and Investment Partnership*, TTIP.

The aim of the present study is to analyze the process of institutionalization of the transatlantic economic cooperation and in particular the effects of the ongoing negotiations TTIP. Shown are the consequences of the EU-US negotiations not only for the participating parties but also the multilateral trading system of the WTO, including the Doha Round negotiations and third countries.

### **1. Institutionalization process related to the transatlantic economic cooperation**

Since the end of the World War 2, the Western Europe has been an important economic partner for the United States. Initially, the cooperation had an asymmetrical profile, due to the problems faced by the European economies, which were very much affected by the war. Thanks to the US assistance, along with autonomous European initiatives, Europe managed to reconstruct its economic capacity quite quickly, becoming an equal partner for the United States of America. As a result, after the war, not only did the EU and the US become the mightiest subjects in the global economy, they also acted as the mutual trading partners. Strong economic ties and relationships between the two economies constituted a premise for the actions undertaken by the US Administration and by the EU organs, the aim of which was to create the most beneficial framework for cooperation. Within the scope of constructing the transatlantic economic partnership, both Parties are willing to perfect the internal cooperation structures, by creating new organs and undertaking new initiatives, the aim of which is to tighten the economic relations. Activities, the aim of which is to perfect the procedures used in settlement of disputes,

are also being undertaken. Both parties also cooperate in order to improve the status of the global economy and in order to properly face the global economic challenges.<sup>3</sup>

The trading exchange between the European Union and the US is being executed in line with the WTO rules, in line with the MFN clause. This situation may be changed however, due to the negotiations related to an Agreement, forming the Transatlantic Trade and Investment Partnership. However, this is not the first proposal, the aim of which is to develop preferential trade conditions between the two parties. One of the initiatives took a form of a proposal, the aim of which was to create the Transatlantic Free Trade Agreement (TAFTA). Funding TAFTA was to enhance the freedom of operations for the entrepreneurs. One of the goals of the initiative was to intensify the mutual trade exchange. Due to lack of memorandum between the partners, the initiative was not started. Additionally, the initiative, the aim of which was to create a free trade agreement between the EU and the US, was also worrying the third states. Creating an economic organism, which would be this big and this strong, could be dangerous for the states remaining outside the framework of the prospective agreement.<sup>4</sup>

TAFTA concept, as well as the next proposal contained in the New Transatlantic Agenda, created in 1995, remained unimplemented. The document assumed creation of a Transatlantic Marketplace.<sup>5</sup> Emergence of the above marketplace would contribute to reduction of barriers in the flow of goods, services and capital which – as a final effect – would enhance and intensify the mutual trade and investment relationships.

After these two failures, creating the Transatlantic Economic Partnership (TEP), during the EU–USA summit in London, back in 1998, could be considered to be a positive result of the transatlantic cooperation. The initiative assumed that more open and accessible global trade

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<sup>3</sup> A. Jarczewska-Romaniuk, *Stosunki Transatlantckie*, in: *Dyplomacja czy siła? Unia Europejska w stosunkach międzynarodowych*, ed. S. Parzymies, Wydawnictwo Naukowe Scholar, Warszawa 2009, pp. 202–203.

<sup>4</sup> *Ibidem*, p. 204.

<sup>5</sup> *New Transatlantic Agenda*, [http://eeas.europa.eu/us/docs/new\\_transatlantic\\_agenda\\_en.pdf](http://eeas.europa.eu/us/docs/new_transatlantic_agenda_en.pdf) (accessed 30.06.2015).

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system would be created. Secondly, it was expected that the economic cooperation between the EU and the United States of America would be greatly enhanced. The effects of the TEP initiative include the agreements that made the mutual trading more effective. One of the important results of the initiative above is visible in tightened cooperation within the scope of the so called transatlantic dialogues of a economic profile.<sup>6</sup>

Another initiative undertaken within the scope of institutionalizing the transatlantic economic relations is visible in a form of the Positive Economic Agenda which has been pursued as a result of the USA–EU Summit in London, organized back in 2002. Back in 2007, Framework for Advancing Transatlantic Economic Integration between European Union and the United States of America document was adopted. Its purpose was to tighten the cooperation within that field.<sup>7</sup> The goals defined by the above-mentioned document are realized by the Transatlantic Economic Council. The Council coordinates the works undertaken by the parties, the goal of which is to deepen the economic integration.<sup>8</sup>

Another indisputable breakthrough which happened to the mutual trading relations between the European Union and the United States is the fact that negotiations were started, the aim of which is to conclude a trading agreement which is known as the Transatlantic Trade and Investment Partnership. Back in November 2011, during the EU–USA summit, a high level workgroup was created, in order to cover the issues of employment and growth, under the leadership of USA trading representative, Ron Kirk and the EU Trade Commissioner, Karel de Gucht. The goal pursued by the group was to determine the political strategies and measures, implementation of which would result in increased trading exchange and investments between the EU and the US, in order to support creation of jobs, economic growth and international competitiveness, all of which are beneficial for both parties. The final report

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<sup>6</sup> A. Wróbel, *Wspólna polityka handlowa Unii Europejskiej*, Rambler, Warszawa 2014, p. 171.

<sup>7</sup> C.f. *Framework for Advancing Transatlantic Economic Integration between European Union and United States of America*, [www.eeas.europa.eu/us/docs/framework\\_trans\\_economic\\_integration07\\_en.pdf](http://www.eeas.europa.eu/us/docs/framework_trans_economic_integration07_en.pdf) (accessed 30.06.2015).

<sup>8</sup> A. Jarczewska-Romaniuk, *op.cit.*, p. 205.

created by the group, which was published on Feb. 13th 2013, contains recommendation, according to which the negotiations should be started. On Jun. 14. 2013, the Council authorized the commission to begin the trading and investment negotiations with the United States. Officially, the beginning of negotiations was announced during the G8 summit, on June 17th 2013. The first stage of negotiations took place in Washington (Jul. 8th–Jul. 12th, 2013).<sup>9</sup> According to the declarations, the negotiations are to come to an end until the end of 2015.

The TTIP negotiations are going to result in, *inter alia*: liberalization of the mutual trade turnover by eliminating the customs fees and by reducing the scope of the non-tariff barriers; limiting the investment barriers through implementation of better regulations; significant reduction of costs resulting from the differences in the legal regulations and standards, through promotion of greater degree of compliance, cooperation, transparency, with simultaneous care taken of health, safety and environment. According to the initial declaration, TTIP is also willing to develop new forms of cooperation when it comes to the matters of global significance.<sup>10</sup>

Due to the fact that the negotiation mandate of the EU has been made public, it is easy to predict the scope of the TTIP negotiations and to determine the goals and expectations tied to this memorandum. Particularly – it is the EU goal to come close to abolition of all of the customs fees within the framework of the transatlantic trade exchange when it comes to the industrial and agricultural products, with a special care and attention given to the most problematic goods. The future memorandum shall also lead to introduction of a proper balance between the EU and US attitude towards the rules of origin, which would make it possible to make trading easier, with simultaneous consideration given to the interest of the EU-based manufacturers. Moreover, the European Union expresses its will of starting a regular dialogue with the United States of

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<sup>9</sup> A. Wróbel, *op.cit.*, p. 172.

<sup>10</sup> K. Starzyk, *Transatlantyckie partnerstwo handlowe i inwestycyjne (TTIP) założenia i potencjalne korzyści*, in: *Tradycyjne i nowe kierunki rozwoju handlu międzynarodowego*, eds. S. Wydymus, M. Maciejewski, CeDeWu, Warszawa 2014, pp. 228–229.

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America, regarding the anti-dumping and balancing measures, without any impact on the right of using such measures on the basis of the respective rules maintained by the WTO. When it comes to the service turnover, the agreements shall lead to opening of own service sectors within the extent at least as expansive, as in case of the one which was realized in relation to the remaining trading agreements. Additionally, the EU indicates a need of creating conditions which would be required in order to accept the EU professional qualifications in the US. The agreement shall also lead to in-depth liberalization and protection of investment. It is also being postulated that access to the public procurement markets shall be provided at every level related to the government and self-government institutions. Secondly, limitations for the European companies shall also be abolished. Another aim pursued by the European Union in the TTIP negotiations is to reduce the non-tariff barriers and increase the compliance of the legal backgrounds which would result in reduction of the unnecessary transaction costs resulting from the different sanitary, veterinary regulations or technological norms. At the same time, even in the light of the above, the initiative is to provide high level of healthcare, safety and protection of the customers and of the environment. The EU also defined its negotiation goals within the following areas: protection of the intellectual property; trade and sustainable development; customs and trading facilitation, sector memorandums, trade and competition, trade-aspect of the energy and resources sector, small and medium enterprises, capital flow and cash flow, transparency.<sup>11</sup> The elements of the US negotiating mandate are presented in the special report of the United States Trade Representative (USTR). Besides the areas indicated by the referenced EU mandate, according to the US, the negotiations shall also cover the e-commerce, transnational data transfer, issues related to employment, transparency of the banking system and anti-corruption initiatives.<sup>12</sup>

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<sup>11</sup> European Commission, *Member States endorse EU–US trade and investment negotiations*, Brussels, Jun. 14th 2013, [http://europa.eu/rapid/press-release\\_MEMO-13-564\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-564_en.htm) (accessed 30.06.2015).

<sup>12</sup> K. Starzyk, *op.cit.*, p. 230; *U.S. Objectives, U.S. Benefits In the Transatlantic Trade and Investment Partnership: A Detailed View*, <https://ustr.gov/about-us/>

## **2. PTAs in the US and EU trade policies – implications for the TTIP negotiations**

When one analyzes the reasons for which the EU and the US started the negotiations pertaining the establishment of the Transatlantic Trade and Investment Partnership, one should, besides the close US-Western Europe economic relationship, also take into account the process of proliferation of the preferential trade agreements, which is related to the WTO negotiations crisis.<sup>13</sup> Within the context above, TTIP constitutes a reflection of the general global trend, visible in creation of regional and interregional trading blocks.

The relationship between multilateralism (globalism) – regionalism/bilateralism is evolving, depending on the internal and external factors which are shaping the national trading policies. Generally, regionalism may be treated as a complementary or competitive solution, when placed against the world trading system maintained by GATT/WTO. In the former case, regionalism is treated as an endogenous element of the global system, constituting a complementary measure for the WTO-forum-adopted commitments. In the latter case, regionalism is perceived

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policy-offices/press-office/press-releases/2014/March/US-Objectives-US-Benefits-In-the-TTIP-a-Detailed-View (accessed 30.06.2015).

<sup>13</sup> Such statement may be justified through a comparison of the number of the preferential trade agreements concluded throughout the whole term of GATT, with the number of the memorandums negotiated after the WTO was created. Within the period between 1948 and 1994, the Parties of the General Agreement on Tariffs and Trade issued notifications about 124 various preferential trade agreements. On the other hand, within the period between 1995 and 2006, WTO received 130 more notifications about the agreements which liberalized the trade exchange between the states that were the parties of the above-mentioned agreements. Back in 2009, WTO notified 200 new preferential memorandums. In 2010, 13 agreements of this type were reported. Throughout the subsequent years, several agreements of this type were also reported. R. Baldwin, *21<sup>st</sup> Century Regionalism: Filling the Gap Between 21<sup>st</sup> Century Trade and 20<sup>th</sup> Century Trade Rules*, World Trade Organization, “Staff Working Paper” 2011, No. 8, p. 3; WTO, *World Trade Report 2011, The WTO and Preferential Trade Agreements: From Co-Existence to Coherence*, WTO, Geneva 2011, pp. 47–58.

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as a competitive option, in relation to the non-discriminatory global system.<sup>14</sup>

When one analyses the trading policy of the main economies, including the economies of the US and of the integrating members of the EU, from the very beginning of operations undertaken within the General Agreement on Tariffs and Trade, one could risk a statement that throughout many years multi-lateral negotiations constituted the most important field for realization of the trading business by the involved parties, while the preferential trading agreements constituted a complementary measure for the GATT-based strategies. This attitude is being gradually changed, which could have been observed, starting from the Uruguay Round, when – due to the dead-end of the negotiations on that forum – NAFTA (North American Free Trade Agreement) and APEC (Asia-Pacific Economic Co-operation) initiatives were created. The fact that the NAFTA agreement was signed within that period may lead to an interpretation that NAFTA constituted a competitive solution which, in the light of the prolonged negotiations within the GATT forum, would give the United States access to some relevant target markets.<sup>15</sup> At the same time, NAFTA and APEC became an important instrument which could be used to impose pressure on the remaining participants of the GATT negotiations, proving that the US is able to realize its trading interests using some alternative measures placed well beyond the multilateral system, which – as a result – made it easier to overcome the deadlock situation which hampered the GATT negotiations.<sup>16</sup>

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<sup>14</sup> B. Skulska, *Regionalizm ekonomiczny Azji Wschodniej*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław 2012, pp. 34-35. More on this issue in B. Michalski, *Międzyregionalne porozumienia handlowe. Transpacyficzny regionalizm jako alternatywa dla "wolnego handlu"?*, Difin, Warszawa 2014, pp. 46–52.

<sup>15</sup> Cf. P. Krugman, *The Move Toward Free Trade Zones*, in: *Policy Implications of Trade and Currency Zones*, ed. L.H. Summers, Federal Reserve Bank, Kansas City 1991, pp. 7–42.

<sup>16</sup> See A.G. Brown, R.M. Stern, *Free Trade Agreements and Governance of the Global Trading System*, "The World Economy" 2011, Vol. 34, pp. 331–354; Yong-Shik Lee, *Reconciling RTAs with the WTO Multilateral Trading System: Case for a New Sunset Requirement on RTAs and Development Facilitation*, "Journal of World Trade" 2011, Vol. 45 (3), pp. 629–651.

Now, due to the lack of progress in the Doha Round negotiations, the number of the preferential trade agreements negotiated by the WTO members is being increased. However, this time, PTAs did not become a factor which would make the multi-lateral negotiations more dynamic, it was just the opposite – growing number of this type of memorandums deepens the WTO crisis. PTAs are starting to play a role of an alternative (in relation to the WTO) field for developing the rules of the trade exchange.<sup>17</sup> These trends are confirmed by an attempt of creating new trading regimes within the sectors that have been already regulated by the WTO forums. Example of the above is visible in plurilateral negotiations leading to conclusion of the Trade in Services Agreement (TISA).<sup>18</sup> This type of policy may result in fragmentation of the multilateral trading system, by dividing it into the individual trading blocks.<sup>19</sup> WTO operations are threatened particularly by the agreements, in case of which the main global exporters, particularly the US and the EU, play the role of a Party. These two economies which, throughout the history of the GATT/WTO systems, have been the driving force for multilateral liberalization, are the leaders within the area of the preferential trade agreements which constitute an exception within the WTO's clause of the most favoured treatment. Considering the scope of negotiations and possibility of creating new rules of trade as a result, the observed process may result in creation of an alternative trading regime, in comparison with the WTO. One of the peculiar threats for the multilateral trade liberalization is posed by the review of the idea of creating a free trading zone between the EU

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<sup>17</sup> F.M. Abbott, *A New Dominant Trade Species Emerges: Is Bilateralism a Threat?*, "Journal of International Economic Law" 2007, Vol. 10 (3), pp. 571–583.

<sup>18</sup> See J.A. Marchetti, M. Roy, *The TISA Initiative: An Overview of Market Access Issue*, "Journal of World Trade" 2014, Vol. 48 (4), pp. 683–728.

<sup>19</sup> More on this issue in B. Jagdish, A. Panagariya, *Preferential Trading Areas and Multilateralism: Strangers, Friends or Foes?*, in: *The Economics of Preferential Trading*, eds. J. Bhagwati, A. Panagariya, AEI Press, Washington, D.C. 1996, pp. 62–64; S.W. Arndt, H. Kierzkowski, *Fragmentation and International Trade*, Oxford University Press, Oxford, New York 2000; J. Bhagwati, *Termites in the Trading System: How Preferential Agreements Undermine Free Trade*, Oxford University Press, Oxford, New York 2008; N. Limao, *Preferential Trade Agreements as Stumbling Blocks for Multilateral Trade Liberalization: Evidence for the U.S.*, "American Economic Review" 2006, Vol. 96 (3), pp. 896–914.

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and the United States. Decreased interest in the WTO playing part of an area for the trading negotiations may limit down its role to monitoring of realization of the commitments adopted in the preceding rounds of negotiations and settling the disputes arising from the sets of rules that have been developed earlier on.

It is difficult to foresee whether the similar positions reached as a result of the TTIP negotiations, within the areas being the subject of the negotiations, are going to become a factor which would raise the level of operational effectiveness of the multilateral WTO trading system, or whether the conclusions would contribute to decreased interest of both parties in the negotiations process within that forum, which would – in consequence – lead to marginalization of that organization's role of a trade negotiations forum. Despite the pessimistic opinions referring to the TTIP's impact on the multilateral negotiations, some of the analysts come to a conclusion that even in the light of the observable Doha round crisis, TTIP may ultimately have a positive impact on restoration of the WTO's functionality in the role of a negotiations forum. It seems that this positive impact could take place, should the negotiations process make it possible to achieve progress within the scope of opening the markets within the sectors which are seen as a peculiar flashpoint, when it comes to the WTO negotiations. The compromise solutions reached within the framework of TTIP could be then utilized on a multi-lateral forum. For example, TTIP could be used as an instrument which would dismantle the Common Agricultural Policy, facilitating negotiations related to a multilateral agreement, within the WTO forum, in the agricultural sector. The positive impact on the multilateral negotiations could also be possibly imposed by arrangement made by the United States of America and the European Union, within the scope of the sanitary norms, product safety, environmental protection, work safety, or in any other area of relevance. Due to the large contribution of these economies in the global economic system, the TTIP adopted solution may constitute a model for the prospective WTO regulations.

Despite the negative impact on the multilateral trading system, preferential trading agreements negotiated by the EU and the United States

of America must be interpreted as an important instrument of the economic growth, purpose of which is to maintain and improve the competitiveness of these economies, in relation to the third countries. This goal is also realized through the TTIP negotiations. According to the available analyses of the potential effect of the agreement, the most optimistic variant could mean that the EU GDP would be increased – EUR 119 billion growth is expected. Respectively, the United States of America GDP would go up by EUR 95 billion. When one would recalculate the above estimates and relate them to profit gained by a single family, the Europeans would gain 545 and the Americans would gain 655 euro of additional funds per family. Export of both of these economies, measured with the use of GDP contribution, could be growing by 2% per annum. Should a complete elimination of the customs fees be implemented, along with reduction of the own costs resulting from the non-tariff barriers by 25%, according to the estimates published by the Center for Economic Policy Research (CEPR), the EU may be facing a 0.9% increase of the GDP, while the increase in the United States would reach the value of 0.8%.<sup>20</sup> Due to the reason indicated above, the European Commission refers to the agreement above as the “the cheapest stimulus package imaginable”.<sup>21</sup> TTIP shall lead to an increase in the transatlantic trading and investment, and to a general improvement of the condition of the economies functioning at the opposite sides of the Atlantic Ocean. Due to the implementation of the agreement, the sectors in case of which the

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<sup>20</sup> J. Francois (project leader), *Reducing Transatlantic Barriers to Trade and Investment An Economic Assessment Final Project Report*, Centre for Economic Policy Research, London, March 2013, Prepared under implementing Framework, Contract TRADE10/A2/A16, [www.trade.ec.europa.eu/doclib/docs/2013/march/tradoc\\_150737.pdf](http://www.trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf) (accessed 30.06.2015).

<sup>21</sup> S. Benka, *What are the Benefits of the TTIP?*, “America’s Trade Policy”, February 3, 2014, [americatradepolicy.com/what-are-the-benefits-of-the-ttip/#.Ux3ZtT95NX4](http://americatradepolicy.com/what-are-the-benefits-of-the-ttip/#.Ux3ZtT95NX4) (accessed 30.06.2015); A. Jarczewska, *Transatlantyckie Partnerstwo Handlowo-Inwestycyjne (TTIP) – szansa na nowe otwarcie w stosunkach USA-UE*, “Rocznik Strategiczny 2013/14” 2014, Vol. 19, p. 355.

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trading barriers are significant may gain the most, including the automotive, chemical, food and pharmaceutical industries.<sup>22</sup>

When one scrutinizes the TTIP economic effects, besides the impact of the mutual liberalization of trading on the economies of the US and the EU, one should also note the effects this agreement would impose on the third countries or even on the global economy as a whole. In the eyes of numerous analysts, TTIP constitutes an alternative instrument replacing the WTO in integration of the Western states, in the light of the growing importance of the emerging markets.<sup>23</sup> This perception of the TTIP agreement results from the observed growth dynamics differences between the EU and the US on one hand, and the emerging economies on the other. Dynamic growth of the emerging markets is accompanied with the relatively slower pace of activity of the Western, developed economies. Until 2018, 75% of the global economic worth is going to be placed at hands of the developing countries, mainly India and China. Fused GDP of these two Asian economies, ca. 2025, is going to exceed the total GDP of the G7 Group member states.<sup>24</sup> For the European Union and the United States of America, not only is the relative change of their posi-

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<sup>22</sup> More on this issue in L. Fontagné, J. Gourdon, S. Jean, *Transatlantic Trade: Whither partnership, which economic consequences?*, “CEPII Policy Brief” 2013, No. 1, [www.cepii.fr/PDF\\_PUB/pb/2013/pb2013-01.pdf](http://www.cepii.fr/PDF_PUB/pb/2013/pb2013-01.pdf) (accessed 30.06.2015); J.J. Schott, C. Cimino, *Crafting a Transatlantic Trade, and Investment Partnership: What can be done*, “Policy Brief” 2013, No. PB13-8, Peterson Institute for International Economics, [www.iie.com/publications/pb/pb13-8.pdf](http://www.iie.com/publications/pb/pb13-8.pdf) (accessed 30.06.2015); R. Grubiel, *TTIP: Szanse i wyzwania dla biznesu*, Raport Amerykańskiej Izby Handlowej w Polsce, 2013, [http://amcham.pl/File/pdf/ttip\\_final1.pdf](http://amcham.pl/File/pdf/ttip_final1.pdf) (accessed 30.06.2015); European Commission, *Transatlantic Trade and Investment Partnership, The Economic Analysis Explained*, Brussels 2013, [www.trade.ec.europa.eu/doclib/docs/2013/september/tradoc\\_151787.pdf](http://www.trade.ec.europa.eu/doclib/docs/2013/september/tradoc_151787.pdf) (accessed 30.06.2015).

<sup>23</sup> See Ch.A. Kupchan, *The Geopolitical Implications of the Transatlantic Trade and Investment Partnership*, Transatlantic Academy, June 2014; A. Lejour, F. Mustilli, J. Pelkmans, J. Timini, *Economic Incentives for Indirect TTIP Spillovers*, CEPS Special Report 2014, No. 94; D. Hamilton, S. Blockmans, *The Geostrategic Implications of TTIP*, Paper No. 5 in the CEPS-CTR project “TTIP in the Balance” and CEPS Special Report 2015, No. 105.

<sup>24</sup> T. Paszewski, *Perspektywy transatlantyckiej strefy wolnego handlu*, in: *Współpraca transatlantycka. Aspekty polityczne, ekonomiczne i społeczne*, eds. J.M. Fiszer, P. Olszewski, B. Piskorska, A. Podraza, Instytut Studiów Politycznych PAN, Fundacja im. Konrada Adenauera, Warszawa 2014, p. 137.

tion within the global economy, related to the economic position of the emerging markets a problem, as another significant challenge is posed by the growing deficit of the balance of payments, resulting particularly from the increasing import rate, when it comes to the goods imported from the above-mentioned markets, particularly the markets of the Eastern Asia. Increased asymmetric distribution of the balances of payments in case of the well-developed countries and the emerging markets, with advantage possessed by the latter group, leads to a crash of the international balance of payments, leading to a state of global instability of payments. In the context above, the TTIP negotiations may be interpreted as a way which is going to be taken in order to recover the global balance of payments. Without paying any attention to the competitiveness of the EU and US economies, it is still impossible to stop the process of deepening, regarding the international payments instability.<sup>25</sup>

The analyses dealing with the TTIP's impact on the third countries, a special place is taken by China. TTIP, along with the negotiations related to the Trans-Pacific Partnership (TPP), constitutes a way which makes it possible to exclude China from the trading dialogue, the aim of which is to liberalize the international economic exchange. Secondly, the above-mentioned process may be interpreted as an attempt of rectifying the prior error – accepting China in the composition of the WTO, without imposition of any commitments related to the exchange rate policy which became an effective instrument which is used to create the trading might of the Chinese economy. China, by using – besides the exchange rate policy – a variety of mercantilist practices, breaching the rules of fair competition, systematically created its position in the global economy, raising concerns of the political leaders on both sides of the Atlantic Ocean. Thus, representatives of the European Union and of the United States of America do not try to hide the fact that one of the goals pursued by the TTIP is to promote the rules which reflect the interests of the US and of the EU. These rules, according to the representatives of the economies ago, shall be applicable in case of the global economy.<sup>26</sup> What is more,

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<sup>25</sup> K. Starzyk, *op.cit.*, p. 234.

<sup>26</sup> T. Paszewski *op.cit.*, p. 143.

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TTIP, by increasing the effectiveness of the EU and US economies, may contribute – in a long-term understanding – to increased access to the Asian markets, mitigating the above-mentioned problems resulting from the international instability of payments.

China's response to the activities to the EU and US actions takes form of the initiatives, the aim of which is to deepen the degree of economic integration of the countries of Asia or, in a wider understanding, of the Asia and Pacific region. It is worth to stress the fact that the Chinese proposals referring to the Asian-Pacific integration exclude the United States of America from the equation, in a way which is similar to exclusion of China by the United States, in case of the US-driven initiatives. A good example is visible in the initiative proposed by China during the Beijing APEC summit, back in 2014. The initiative led to beginning of the talks, the aim of which was to establish the *Free Trade Area of the Asia-Pacific* (FTAPP).<sup>27</sup> Due to the marginalization concerns raised in the process of creating the new regulations within the area of international trade, China also expressed its will to join the TISA negotiations. Beijing additionally intensifies its efforts, the aim of which is to create free trade agreements with the selected economic partners.<sup>28</sup>

Transatlantic Trade and Investment Partnership, besides its great geo-economic significance, also has a significant strategic impact. The main underlying strategic cause for the beginning of the talks on the TTIP agreement comes from the political awareness at both sides of Atlantic, as the Parties assume that the agreement is a chance for maintaining and revitalizing the Western unity, in the light of the current threats and challenges. Not only is the economic integration between the United States of America and the EU a chance when it comes to creation of job and stimulation of the economic growth, it also reinforces the system of beliefs and values, and maintains the global Western supremacy. TTIP is perceived as an attempt of creating a security sphere which would

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<sup>27</sup> *The Beijing Roadmap for APEC's Contribution to the Realization of the FTAA*, November 2015, [www.apec.org/Meeting-Papers/Leaders-Declarations/2014/2014\\_aelm/2014\\_aelm\\_annexa.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2014/2014_aelm/2014_aelm_annexa.aspx) (accessed 20.06.2015).

<sup>28</sup> Cf. G. Wang, *China's FTAs: Legal Characteristics and Implications*, "The American Journal of International Law" 2011, Vol. 105 (3), pp. 493–516.

support NATO and which would constitute another pillar of the transatlantic cooperation. In a situation in which the United States are implementing the *Asian pivot* concept, focusing, within the scope of the international relations, on Asia and the Middle East, the transatlantic relations require another bonding component, besides the cooperation in the area of security. Economy is becoming the above-mentioned adhesive element. In order to stress the strategic significance of the Agreement, TTIP is often referred to in publications as the “*economic NATO*”.

### **Conclusions**

Creating a new model for the EU–USA economic relationship would be the direct effect of the TTIP agreement. The cooperation pursued so far, in line with the WTO rules, will be replaced by treaty-based preferential relations which would make it possible to improve the mutual access to the goods and services markets and the factors of production. As an effect of liberalization of the mutual economic turnover, the Parties would gain both direct, as well as indirect benefits. Actually, most of the reports related to the effects of the TTIP agreement exposes the economic benefits of conclusion of the memorandum, nevertheless one should bear in mind the fact that should the agreement enter force, it would create costs for all of the Parties, related to the adjustment process and increased degree of competition within the markets, once the trading barriers are abolished. Within the context above, one should stress the relevance of the TTIP negotiations. For the first time in history of the transatlantic relations the Parties have noticed economic benefits that outweigh the politically tough decisions which are an indispensable element of a project which is so ambitious. Each of the parties, during the negotiations process, would be forced to sacrifice some of the solutions implemented so far, the aim of which was to protect the internal interest groups. In case of the prior initiatives, the aim of which was to realize the transatlantic economic integration, it was the lack of political will that prevented the negotiating parties from sacrificing the internal benefits, thus the previous projects, the aim of which was to create a free trade agreement between the United States of America and the European Union, never entered the phase of

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negotiations. One of the factors which, without any doubts, had an impact on the more active involvement in realization of the transatlantic economic integration, can be sought in the economic crisis of 2007/8+. When option of discovering other economic impulses is limited due to the social and political factors, TTIP becomes a tool which stimulates the economic growth on the opposite sides of the Atlantic Ocean. Thus we may say that TTIP is, on one hand, a kind of a final point made, with a reference to the long-term economic cooperation between the parties, and on the other it constitutes a response to the current challenges, including the economic crisis.

The economic integration between the EU and the USA, both of which may be considered to be the main global economies, beside the impact on the economies of the Parties of the TTIP agreement, would also influence the foreign trading exchange executed by the third parties. The transformations related to these processes would have an impact on the international trade, which – in an effect – would influence the global economy as a whole.<sup>29</sup> However, the scale of the above-mentioned impact would be dependent on the trade creation effect, and effect of a trade shift related to the TTIP agreement, power of which would stem from the conditions of the agreement and from the adopted liberalization schedule. Due to the fact that customs duties related to the transatlantic trade, beyond the agricultural trade and the sensitive industrial sectors, are relatively insignificant, reduction of the non-tariff barriers would be the most influential factor, when it comes to the trade-creation impact of the agreement. According to the initial estimates made by the Center for Economic Policy Research (CEPR), significant limitation of the non-tariff barriers is going to constitute 80% of the benefits stemming from the TTIP agreement.<sup>30</sup>

Summing everything up, it is worth to consider the negotiations level of involvement of both of the TTIP parties. It seems that the process of the transatlantic economic integration is more important for the European

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<sup>29</sup> According to the CEPR estimates, liberalization of the trading activities between the EU and the US would lead to global GDP increase – up to 0.6% per annum.

<sup>30</sup> K. Starzyk, *op.cit.*, p. 231; J. Francois *op.cit.*

Union which is still struggling to overcome the effects of the 2007/8+ crisis of the eurozone. The importance of that agreement for Europe has been proven by the EU leaders' reaction to the uncovered scandal related to the PRISM initiative, and the information related to the fact that the European politicians were wiretapped by the US Intelligence Services. Despite the fact that some speculations emerged, according to which the negotiations could have faced a fiasco, nothing like that did happen. The European politicians decided to continue the process, even at a cost of breaking the basic rules governing the diplomatic relations between (at least in theory) the closest partners.<sup>31</sup>

TTIP is a chance for the European Union. Not only does the agreement constitute an opportunity to improve the economic relations, it also is used as a tool which may play a significant role in constructing the economic supremacy of the EU economy. The above is important, since the EU has been often referred to as a superpower which is losing its influence, and which is less and less respected on the international arena. TTIP is also important for the European Union within the scope of maintaining a strategic counter-weight, in the light of the US involvement in the Asian–Pacific region, and in the light of the Transpacific Partnership negotiations, involving the United States. On the other hand, for the USA, besides its purely economic meaning, TTIP also constitutes a confirmation of readiness to maintain the tight ties with Europe which were peculiar for the period after the World War Two, in the dynamically changing conditions. In that way, United States of America gained a possibility of assuring the European Union that the US did not leave the Union alone, in the light of the *Asian Pivot* concept, and that the EU is still being regarded as a significant partner. Moreover, establishing the relations on the basis of the TTIP and TPP agreements would make it possible for the Americans to create strong economic blocks, both in the Atlantic, as well as in the Pacific economic zones.

Summing the considerations above up, one should come to a conclusion that even though the EU and the USA place a different emphasis on

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<sup>31</sup> A. Jarczewska, *op.cit.*, p. 357.

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the process of construction of the Transatlantic Trade and Investment Partnership, both of the parties, due to the geopolitical and geoeconomic factors, treat TTIP as an alternative solution replacing the WTO in the process of integrating the Western economies, especially in the light of the growing importance of the emerging markets. When one analyzes the meaning of the TTIP, it should also be stressed that the related negotiations can be treated as a test for the transatlantic relations. The result of the process is going to show whether the United States and Europe are capable of cooperating and developing joint solutions in the contemporary setting, or whether they would undertake the activities solely in order to pursue and realize their particular interests.

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