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TTIP in the Bigger Picture

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*The proposed EU-US trade agreement (TTIP) is the product of the dynamics of the global trade regime and the evolution of the transatlantic relationship, argues **Chad Damro**. He suggests that a successful deal would both increase EU-US interdependence and encourage competition between them, with significant implications for the global political economy.*

The importance of the transatlantic economic relationship for the global economy can hardly be overstated. The most recent and dramatic development in this relationship – the decision to launch negotiations over a Transatlantic Trade and Investment Partnership (TTIP) – raises important questions about the potential implications of this relationship for the global political economy. While in-depth scrutiny of the ongoing TTIP negotiations is warranted, their launch is not simply a single data point that emerged from and can be viewed in isolation. Rather, they fit into and hold considerable potential to shape the broader global political economy and the transatlantic relationship itself.

Largely in response to the decade-long stalemate in the World Trade Organisation's Doha Round negotiations, the European Union and United States now prioritise and *compete* in the pursuit of bilateral trade agreements with third countries. These agreements reflect EU and US regulatory objectives, as they typically contain efforts to address non-tariff barriers to trade. But the transatlantic relationship also has a firm basis for [interdependence](#) and cooperation, especially in the sense that it is managed through an existing series of framework agreements that encourage – but do not require – bilateral regulatory cooperation.

While these prominent dynamics may seem counter-purpose, the negotiation of this agreement highlights a number of factors related to Alberta Sbragia's notion of '[competitive interdependence](#)'. The negotiations tend to reflect and bolster the interdependent side of the bilateral relationship by increasing the large size and interdependence of these markets individually and combined, as well as increasing the focus on regulatory issues and the potential gains to be achieved by bilateral policy adjustment. However, the TTIP negotiations also draw on the primary tool (a bilateral trade agreement) employed in the competitive side of the relationship and provide a crucial case in which two great trade powers compete directly for leverage in a bilateral bargaining game between their respective trade and regulatory objectives.

Given previous liberalisation of their sizable markets and the progress made under their bilateral framework agreements, the EU and US are increasingly focusing on

behind-the-border regulatory barriers to trade. While different regulations and approaches to regulation exist in the bilateral relationship, the goal of increasing dialogue and cooperation is to overcome problems and to reduce the costs of engaging in commerce under different regulatory standards. Therefore, the potential costs of these different regulatory approaches and standards, coupled with deep interdependence, encourage the EU and US to seek regulatory cooperation that can reduce these costs.

Of course, despite the potential gains promised, these processes of policy adjustment are not simple matters. Indeed, such potential policy adjustments may be pursued through a number of negotiated processes – for example, convergence, harmonisation, mutual recognition, equivalence and approximation – that vary in complexity, duration and success across sectors.

In effect, the EU and US may have shifted their drive to address behind-the-border issues away from directly influencing the multilateral trade negotiating agenda. Instead they are now pushing their regulatory standards in bilateral trade deals with other markets. They are also negotiating the pursuit of bilateral regulatory cooperation via TTIP, which may, due to the relative size of their combined markets, allow them indirectly to set global regulatory standards. If so, then TTIP can be viewed as the culmination of an increasingly interdependent (and, therefore, increasingly focusing on behind-the-border regulatory issues) bilateral economic relationship. At the same time, TTIP can be viewed as the best way to address EU and US multilateral aspirations in the face of the Doha stalemate.

But what does TTIP mean, in the context of competitive interdependence, for the global political economy? If the TTIP is concluded, and, indeed, if it helps to promote transatlantic regulatory cooperation and to set global standards in the long run, then it should be easier for the EU and US to include those new TTIP-generated global standards in future bilateral agreements that each chooses to pursue with third markets. The process of transatlantic regulatory cooperation will not be a simple matter. But if successful, the potential to set global standards follows largely from the market size and institutionalised nature of the transatlantic marketplace.

If third markets currently feel pressure to agree EU or US standards in their respective bilateral agreements with the two partners in order to ensure access to the lucrative European and American markets, then pressure will increase substantially if those standards in question apply in the future to an even larger transatlantic marketplace. And if those standards are becoming global standards, then third markets will have little option but to agree them in their future bilaterals with the EU and US, which should make it easier for the two partners to negotiate them into the bilaterals.

In short, a TTIP would increase the interdependent side of the transatlantic marketplace at the same time that it may create further incentives for the EU and US to continue competing in the pursuit of evermore bilaterals with third markets. Such bigger picture insights and their implications for the global political economy should not be overlooked as the negotiations continue.

This article is based on a working paper written for the [FP7 TRANSWORLD](#) Research Consortium. The [original paper](#) is available on its website.

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