

## THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP. A CLASSICAL COMMUNITY METHOD-DRIVEN ECONOMIC INTEGRATION PROCESS

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This paper analyzes the Transatlantic Trade and Investment Partnership, a proposed free trade area between the European Union and United States. Resulting in the largest free trade area in the world and encompassing almost half of global GDP, this agreement, would have major implications. Major components of the agreement include reductions in tariffs and potential changes in (or mutual recognition of) product standards. In the following paper, the policy-making process, the policy type, and policy mode will be explored, with particular attention devoted to the Classical Community Method and the European Commission's significant role in pushing this legislation forward. As so many interests are at stake, a wide range of actors will be examined, including both the formal (European/US government institutions) and the informal (non-governmental organizations, lobby groups). Finally, overall gains and risks of the partnership, plus its potential effects on third countries, will be discussed.

Questo Paper analizza il Trattato transatlantico sul commercio e gli investimenti (TTIP), una proposta di zona di libero scambio tra l'Unione Europea e gli Stati Uniti. Tale accordo potrebbe avere importanti implicazioni, portando alla nascita della più grande zona di libero scambio al mondo, la quale comprenderà quasi la metà del PIL mondiale. I principali elementi dell'accordo riguardano la riduzione delle tariffe e alcuni potenziali cambiamenti, o il reciproco riconoscimento, di standard di prodotto. In questo Paper saranno esplorati il processo decisionale, il tipo di politica e la modalità di politica, con particolare attenzione dedicata al Metodo comunitario classico e il significativo ruolo della Commissione Europea in supporto a questa legislazione. Dati i plurimi interessi in gioco, sarà esaminata una vasta gamma di attori, sia formali (istituzioni governative europee/USA), che non (organizzazioni non governative, gruppi di pressione). Infine, saranno discussi i rischi e i benefici di questo partenariato globale, assieme ai suoi potenziali effetti sul resto delle nazioni.

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### 1. INTRODUCTION

This paper will argue that the Commission is the main driving force behind the TTIP negotiations, and will therefore analyze policy developments with the Classical Community Method as the primary policy mode. This paper will be split into four sections: the current stage of the TTIP legislation and the initial development of the policy; the key actors and their influence on the policy; the policy type and mode; and will conclude with a discussion regarding the future prospects of the TTIP and its potential impacts.

## 2. POLICY ANALYSIS AND AGENDA-SETTING IN THE TTIP

A transatlantic partnership is hardly a new concept. In the 1990s and once again in 2006, a transatlantic free trade partnership was put forward in reaction to the failed DOHA world trade negotiations (Kleimann, Guinan, Mavroidis, 2011). Although there was some support for a tighter relationship across the Atlantic, it was not until the 2008 financial crisis that the window of opportunity for the TTIP opened (Stokes, Paemen, 2009, pp. 1-3). This window of opportunity, or policy window, refers to the point in time where an issue «moves to the top of the political agenda» (Princen, 2011, p. 117). Policy windows usually involve a traumatic event or crisis that draws attention to an issue, and therefore the financial crisis was the ideal opportunity to discuss the importance of an EU-US partnership. The economic losses suffered by both the United States and the European Union made economic regrowth a central element of conversation. Through discussions, an economic and investment partnership between the EU and the US was accepted as a legitimate route for both regions to rebuild their economies.

The transatlantic partnership concept with the United States is not, however, the only partnership that is being negotiated following the financial crisis. A partnership with Canada is also at the forefront of EU economic negotiations. In a conversation with the authors in July 2014, a representative of the Green Party serving in the state legislature of Schleswig-Holstein, Germany, indicated that the EU has been working extensively with Canada since 2009 to create the Comprehensive Economic and Trade Agreement (CETA), a free trade area between the EU and Canada. The CETA legislation is remarkably similar to TTIP, and if CETA passes in the coming months, it would be very likely that TTIP would pass as well, given the fact that the content of both agreements is nearly identical.

The process of the TTIP was launched in November 2011 at the EU/US summit meeting that month. After the summit a High Level Working Group (HLWG) was set up, tasked with finding out how EU/US trade and investments could be increased in the future. The HLWG was led by the EU Commissioner on Trade Karel de Gucht and US Trade Representative Ron Kirk. The HLWG worked to frame the partnership issue so that it appealed to the targeted venue, in this case the EU and the US governments. After research and discussions, they wrote a report on their findings and submitted this to the EU and the US government in February 2013. In short, their findings were that in order to increase trade and investments between the two parties, a broad agreement on trade and investments and on necessary regulations was recommended (Seshadri, 2013).

After the findings of the Working Group were submitted to both parties, they agreed on its content in February 2013. Both the EU and the US started preparing for the start of the negotiations. So far, the EU and the US have held five negotiation rounds on TTIP. The first one in June 2013 and the last one taking place in May 2014 (Akhtar, Jones, 2014).

The US Congress was informed about the negotiations in March 2013, after which it had time to comment on the upcoming negotiations. Around the same time, the European Commission came up with a draft for the negotiation directives, which was then sent to the Council of the European Union. The following June, the Council confirmed the Commission's draft and agreed that the Commission could negotiate with the US about the TTIP (Akhtar, Jones, 2014). The European Parliament made a resolution concerning the TTIP, wherein it states that the Parliament looks forward to the final agreement, while at the same time concerns are being stated. These concerns are mainly stressing the need for dialogue with all stakeholders, which needs to be organised by the Commission. This

in order to build confidence and trust by making all actors feel included (European Parliament, 2013).

### 3. THE CONTENT OF THE AGREEMENT

The exact content of TTIP is not set in stone yet. It is continuously under discussion and only in the final agreement will it be clear what the TTIP will focus on. Though, the general outline of the agreement is already quite known. Messerlin (2014) looks at different kinds of areas the TTIP will touch upon and how those areas will be affected by TTIP. The areas are: industrial goods, farm and food, services, investment, public procurement, and new rules. Within the area of industrial goods, it is most likely that all tariffs will be removed. Negotiations on the removal of non-tariff barriers to trade are still ongoing. Regarding farm and food products, TTIP will remove tariffs, though not for all such products. This is due to the fact that these products are vital parts of the economy for both the EU and the US and the removal of all tariffs is a step too far. When looking at services, a liberalization is wanted, though exceptions are still under discussion. The investment topic has so far been quite unclear, also because it is a sensitive area for the US and more negotiations are to be expected. The same goes for the topic of public procurement, though this topic is sensitive for the EU. On the area of public procurement, what is necessary according to Messerlin (2014, p. 11) is: «expanding the coverage of the entities to be subjected to this TTIP chapter». The last topic is “new rules”, or social norms that the EU and the US agree to within their preferential trade agreements. With the decisions being reached in the TTIP, new rules in both the EU and the US will be introduced. When the EU and the US can agree on new social norms, this can affect the world as a whole; thus this is a very important component of the eventual TTIP agreement (Messerlin, 2014, pp. 11-2).

The broad agreement that the economic rewards are positive is generally accepted; however, the transition and finalizing of policy agreements are strained. Time pressure is mounting; the initial deadline for the completion of TTIP was set for November 2014 during the term of the Barroso Commission (Kantchev, 2014).

The credibility of TTIP has not had sufficient time to be tested because the treaty has been speedily developing. Recently, numerous non-governmental organizations have raised concerns amongst the public regarding the environmental and health issues, among others, that would arise if such a treaty were finalized (Corporate Europe Observatory, 2014).

### 4. FORMAL AND INFORMAL ACTORS

The TTIP is supported by a large network of both formal and informal actors who each have an influential impact on the agenda-setting dynamics and policy shaping process. The formal actors are composed of the EU institutions which either participate in the negotiation or ratification processes. The institutions and their actions are interdependent and compose an integrated decision-making system. The non-formal actors also have a major influence on the negotiation process. Lobbyists, NGOs, and interest groups from the EU and the United States are putting pressure on the terms of the agreement in order to assure the protection or promotion of their cause. Each actor has a voice in the policy

shaping process, regardless of their size or authority, and the TTIP will adapt and grow with these different influences.

## 5. FORMAL ACTORS

On 14 June 2013 the Commission was granted permission through a mandate to begin negotiation talks on the transatlantic trade opportunity (European Commission, 2013). The Commission is the main negotiator in trade policy, having the right of initiative of policy in this area. The Commission, led by Directorate General (DG) for Trade and chief negotiator Ignacio Garcia Bercero, acts on behalf of the 28 member states. The current DG for Trade is headed by EU Trade Commissioner Karel de Gucht, who has held the position since the re-election of the second Barroso Commission in 2010. Karel de Gucht is a Belgium citizen who used to be the Belgium Minister of Foreign Affairs till 2009. In the first Barroso Commission de Gucht took on the position of Commissioner on Development and Humanitarian Aid in 2009 till the beginning of 2010 when the second Barroso term started. Thus, de Gucht is no stranger in international relations (European Commission, 2014). The support of experts from other areas of the Commission, as well as involvement from nine other Directorate Generals help to build credibility and assist the EU's side of negotiations.

The Council of the European Union, or Council, also has a significant role in TTIP negotiation and discussions. The Council granted the mandate allowing for the negotiations to officially begin. A special committee was established within the Council to specifically follow TTIP topics; the Commission must report to this committee during the entire negotiation process. Also within the Council, the Trade Policy Committee holds weekly meetings to discuss current proceedings. At the end of the negotiating process the Council decides on EU trade policy framework in conjunction with the European Parliament through the ordinary legislative procedure.

Although the European Parliament (EP) does not have such an influential role in the negotiation discussions, it does hold the power to ratify the agreement at the end of the process. Once the rounds of negotiations are complete, the agreement will be sent to the EP for a vote of approval, thus making EP composition a critical factor in the future of the TTIP. The recent elections in May 2014 were of critical importance in regard to the probability of ratification; changes in EP composition will have a major impact on the stance towards EU-US relations. The EP also discusses a range of topics which would be indirectly influenced by the TTIP agreement. This allows for non-trade areas, such as environmental effects, to have a focus rather than only pure economic objectives (Gerstetter, 2013). The International Trade Committee, one of the EU parliamentary committees, has the special task of advising the Commission throughout the negotiation process ("International Trade Committee", n.d.). This committee drafts reports and proposes amendments on prospective international trade agreements, thereby having a direct impact on the formation of the policy. If the EP finds it necessary, it also has the ability to stall the ratification process by sending the agreement to the European Court of Justice to analyze its compatibility with the Treaties.

Prior to the start of negotiations, the aforementioned High Level Working Group on Jobs and Growth had a significant impact on analyzing and assessing every element concerning future EU-US economic relations. The TTIP policy was shaped from their reports

and recommendations, ultimately becoming the stimulus towards an EU-US partnership. Without this group, the partnership would never have gained the attention needed to progress in such a confident manner.

## 6. INFORMAL ACTORS

There are numerous informal actors influencing the TTIP negotiation process and future ratification hopes of the agreement. Lobbyists and interest groups on both sides of the Atlantic are actively seeking promotion of their causes and beliefs in order to impact the policy shaping process. Collective communication and pressure from informal actors can allow for greater policy influence.

The interest groups lobbying for the endorsement (or rejection) of TTIP are widespread, ranging from commercial entities to nonprofit groups. On the industry side, a noteworthy supporter of TTIP is the partnership of the Brussels-based Confederation of European Paper Industries and the American Forest & Paper Association (CEPI-AF&PI), a lobby group representing the paper industries of 17 EU member states and 47 US states. On the US side, the organization has been heavily pressing for the passing of the TTIP not for issues of tariffs, but of standards, regulations, and mutual recognition. TTIP would provide «greater access and transparency of each other's regulatory processes and mutual recognition that avoids duplicative compliance efforts», explained the organization's president (CEPI, 2013). The influence of CEPI-AF&PI is significant – together, the two paper groups' economic impact is measured in the tens of billions of dollars and represents 40% of global paper production – and has proven to be a loud voice in the lobbying process (CEPI, 2013). Transnational corporations in general comprise a large percentage of the current pro-TTIP efforts. Firms such as Google, IBM, Toyota, GlaxoSmithKline, and Astrazeneca have all cited their recent increases in representation in Brussels and Washington DC specifically as a result of the TTIP negotiations (CEO, 2013).

There is a myriad of informal actors highly opposed to the TTIP, however, and environmental groups are at the forefront. The TTIP text currently under consideration «contains language that could allow energy companies to take governments to private arbitrators if they try to regulate or ban fracking», a process that many environmental groups on both sides of the Atlantic consider to be an overly destructive process to obtain natural gas (Baker, 2014). The Norwegian firm Statoil and the US-based Chevron both see the TTIP as an opportunity to loosen fracking restrictions within the EU, and have increased their lobbying presence in Brussels accordingly (Lipton, 2013). French TTIP skeptics in particular (even including far-right parties) are especially concerned about this apparent ability of corporations to sue over France's restrictions on fracking, and this is a major reason why the TTIP's progress may stall (Donnan, 2014). Germany is concerned as well; one German economist referred to this new lawsuit ability as «the creation of a parallel legal system that is fundamentally controlled by corporations» (Scherrer, 2014). German officials have documented their concerns with this lawsuit provision via a memo attached to its negotiation directives (Schiessl, 2014).

NGOs concerned with consumer safety have also rallied against the TTIP. The Sierra Club – one of the largest, oldest non-profit organizations in the United States – noted numerous concerns. Poultry in the US may be washed with chlorine, for example, and some American cattle is treated with growth hormones; both of these practices are currently disallowed in

the EU. Health advocacy organizations such as the Breast Cancer Fund and the American Chemical Council are also skeptical of US chemical safety standards, which have not been significantly updated since Toxic Substances Control Act of 1976, in comparison with the EU's more modern 2006-based standards (Sierra Club, 2013).

The influence of these lobby groups is not to be underestimated. Large American firms have «stepped up the recruiting of European politicians – including top officials at the European Commission, Parliament and Council», and have refused to disclose exactly who these officials are, citing lawyer-client confidentiality rules that are more lenient in Brussels than in Washington (Lipton, 2013).

TTIP policy shaping is a complex network involving multiple actors at various levels of influence. Despite formal and informal actors working together to decide the best options possible for the agreement in question, the Commission is taking the initiative as the lead actor in the negotiation process. Institutional dominance is evident, although the voices of informal actors are a valuable addition to the policy shaping process. Through heavy analysis and scrutiny, the policy shaping process enables the EU to construct the best agreement possible that will both benefit and enrich its economic market.

## 7. INSTITUTIONAL DOMINANCE SHAPING THE POLICY

The EU is constantly driving towards deeper integration and the visibility of supranationalism is becoming increasingly apparent. The policy-making process, necessitated by the TTIP, expands the EU's economic integration in a horizontal manner, thus enabling growth through spillovers. However, although horizontal in form, the neo-federalist structure of this policy making process is reflected in the dominant role of the EU institutions, specifically the European Commission. The Commission's dominance in the TTIP alludes to the classical Community method of policy mode power distribution (Wallace, Pollack, Young, 2010, pp. 91-4). Its strong position has been granted through the gradual process of member states intentionally or unintentionally giving up their competences. Through Europeanization, the institutions are shaping the future direction of the EU and its reputation in world politics.

The EU institutions have gained increasing power over the years on behalf of the member states transferring competences up the line of authority. Historical institutionalism, or understanding change through path dependence, explains this incremental growth of institutional dominance. Member state control has slowly deteriorated which has allowed for the dominance of other actors, specifically the EU institutions, to emerge (Pierson, 1996, p. 126). Although member states made past decisions in their best interests at the time, the effect of these decisions and the changes they entail may have caused undesired consequences and ultimately cost them their dominance over EC and EU policy making.

The Barroso Commission intended completing this quite ambitious trade and investment treaty before their term culminates in October, 2014. As dominant actors of this policy making, the European Commission are committed to fulfilling their supranational role in coordinating the TTIP treaty. Thanks to modern technology and the increased demand for transparency by the community and for the community, the process and agenda of the policy making is updated on the various national European Commissions' webpages including all the positive externalities that this treaty has to offer – in particular the



calculated economic gains. The negative publicity is recognised and is kept under close scrutiny by the European Commission (De Gucht, 2013). The Commission continues to legitimize its role as the key legislator and negotiator of this policy and through the path dependence process, its dominance over the member states will continue to grow.

This supranational decision-making defined by the Commission's leadership in such a «centralized and hierarchical institutional process» emphasizes the classical Community Method as the policy mode for the TTIP (Wallace, Pollack, Young, 2010, p. 94). This policy mode is defined by its supranational and integration-driven initiatives where there is a clear institutional triangle constructed by the Commission, the Parliament, and the Council. Each of these three institutions perform a distinct role in the policy-making process. The Commission takes the policy lead and has a clearly defined role as the initiator in the agreement. The Parliament and the Council have key roles in the ordinary legislative procedure, or co-decision procedure of ratifying the agreement following the negotiation process. As explained in the section on formal actors, the formal institutional actors in the agreement all have distinctly concrete roles to play in the TTIP negotiation process and a hierarchy amongst the actors is visible. This well-defined institutional triangle streamlines the policy-making process as each institution has its own task, ultimately allowing for the Commission to take a main role in guiding the direction of the TTIP.

Europeanization is an epiphenomenal term which defines the process of becoming more European (Tovias, 2007, pp. 485-500). This process is shaped by a mix of top-down (EU institutional influence) and bottom-up (member states and regional influence) forces. The top-down process, also known as downloading, shows just how influential the EU institutions can be over domestic policy making. Here the “goodness of fit” concept comes into play regarding the EU institutions and its member states (Bulmer, Radaelli, 2004, p. 8). The level of similarity between the domestic policies and EU policies determine the amount of pressure for domestic reform; the closer the domestic policy is to the EU policy, the lesser the member state has to change in order to align with EU policies. Through adapting their national policies, member states become more alike, and therefore, more European. Uploading, on the other hand, refers to the bottom-up process of EU member states actively trying to shape European policy-making to fit their own domestic interests and traditions (Hétiér, 1994, p. 278). Working in their own self-interest, the member states seek to upload their own national policies to the EU in order to reduce the effects of downloading EU policy.

Concerning the TTIP, the top-down or “downloading” influence and opinion from the European level to the domestic level is the most relevant because of the institutional power over the TTIP negotiations (Saurugger, 2014, pp. 123-4). The slow but steady dominance of the EU institutions over national governments signifies the consequences of transferring competences to the supranational level. With this change, national policies are becoming more aligned, building on the concept of a united Europe. This centralized European polity is key to the deeper and wider integration transformations with each Treaty amendment. The current pressure and emphasis to accomplish the EU's goal of further extending economic integration with the TTIP agreement demonstrates how domestic policy areas are triumphed by European policy-making processes.

Through historical alterations and small steps taken towards institutional dominance within the EU, the Commission has been able to gain significance in decision-making and policy formulation for the EU in the world stage. Top-down Europeanization is vital to understanding the EU institutions' control over the negotiation process. This leadership and

authority is allusive to the Classical Community policy mode where there are distinct roles for the EU institutions. The significance of this policy in the EU agenda and the movement towards further integration exhibits the drive towards a more European-driven Union.

#### 8. FUTURE PROSPECTS OF THE TTIP

Despite the young life of this proposed trading partnership, studies have been undertaken to review the possible effects for the parties signing the treaty and for all other parties that would be affected by its ratification. The following paragraphs include an overview of the generally expected gains and risks that may be encountered as a result of TTIP and the respective studies that have researched TTIP and its possible effects. At the time of writing further talks are deliberating the extent of the partnership. Therefore, the results of the studies about the potential of TTIP remain speculative.

#### 9. GAINS OF THE TTIP

The idea of the partnership between the EU and the US is positive at first glance. Growing economies and higher employment are big promises being made by politicians of both parties. However, in order to assess the possible gains of TTIP a number of studies were undertaken. The study of Rollo *et al.* (2013) researches the potential effect of the TTIP on developing countries' exports to the EU and the US. It is an extensive study, taking into account 43 developing countries. It shows that the EU market is more important to these countries than the US market. The removal of tariffs and non-tariff barriers between the EU and the US as a result of the TTIP and its effect on developing countries is being researched. The study shows that the imports out of the EU into the US would increase by 7.6 percent. At the same time, the EU imports from the US would increase by eight percent.

Another attempt at reviewing the potential global impact of the TTIP by Felbermayr, Heid & Lehwald (2013) analysed trade flow amongst 126 countries. By reducing tariffs between the EU and the US to zero or almost that, trade tariffs that are presently at about 3.5% (Felbermayr, Heid, Lehwald, 2013) are then being nullified and liberalizing further movement of most trade. This has a positive knock on effect on welfare in the free trade area. Unemployment, being the ever important factor of market measurement, is hoped to be reduced directly or indirectly with the spillover effects. The study reiterated that all positive results in favour of the TTIP necessitated "deep liberalization" – tariff, non-tariff and FDI, in order for the free trade area to attain the aspired success (Felbermayr, Heid, Lehwald, 2013, p. 13).

Further to the predicted boost in both the US and EU economies as a direct result of the TTIP other positive simple spillovers are worth reviewing. The TTIP would allow for efficiency in aviation. If a plane destined for the US from the EU stops in one American city before reaching its final destination it cannot take passengers on board. That means it continues inefficiently without filling the seats. This problem would be one of many alleviated through the implementation of the TTIP (European Commission, 2014a, n.n.).

Within the whole agricultural produce sector the positive aspect of this free trade agreement (FTA) is not only the possible curbing of producing unwanted surplus but the framework of the policy and that its agenda has forced and encouraged transparency within



the European Union. Thus, this is in itself, a positive spillover for the European Union as an entity. Additionally, this free trade agreement has other positive spillover effects of the cultural nature. The FTA is also a possibility for the EU to make gains in other areas, such as environmental, social, and sustainability goals (Grueff, Tangermann, 2013, p. 20). This raises the level of importance of the pressure from informal actors in the policy making process in order to try and present the concerns to the respective trading commissions in the formulation of this policy. Both the OECD Trade Union's advisor and the European Trade Union Confederation strive towards a people based partnership rather than that of a corporation based partnership (OECD Insights, 2014, n.n.) in attempting to create a partnership that has positive spillovers in the areas of social, environmental and public development. However, the OECD cautioned that such positive effects can only be reached if the rules are structured to accommodate the development on all levels.

In the run up for the presidency of the European Commission both Schulz and Juncker were questioned about the TTIP (ZDF, 2014). Both parties recognised that the creation of this FTA could have enormous positive spillovers, such as increased employment opportunities for both markets. Both suggested the removal of double scrutinizing laws, for example, in car testing and that this could reduce the end price for the customer (ZDF, 2014). However, beyond the trade agreements, Schulz cautioned against the intervention in social standards within the European Union and indicated that if he were to become president of the commission that this area of public goods would be restricted from intervention, thereby recognising that the framework of TTIP is conditional based upon risks and the need for this partnership agreement and its creators' to establish its credibility.

## 10. RISKS OF THE TTIP

There are, however, also negative sides to the story. The TTIP is seemingly an economic agreement, but it might be more political in nature than expected. It is a way to monitor a competitive China, by uniting two of the world's most developed and dominant economies and at the same time ensure the EU's and US's position in world politics. This argument can be supported by the fact that the economic gains of the TTIP are not as big as one might expect (Messerlin, 2014). Compared to the current EU economy, the expected gains of TTIP will be 0.04 percentage point, while for the US this number is smaller with an annual growth of 0.03 percentage point of the US economy (Baker, 2014b).

A further risk of TTIP, as already discussed above, is the concern with an Investor-State Dispute Settlement (ISDS). There is no agreement reached whether or not ISDS should be part of TTIP. Among EU member states the opinions vary, though the Commission's position is that there should be an ISDS, albeit improved compared to already existing ones. Following a wave of critique, in January 2014 the Commission promised a public consultation on the matter. EU Trade Commissioner Karel de Gucht argued that for EU companies ISDS is necessary, since in the past US courts have proven to be cautious when it concerned international agreements. What is clear so far, is that both the EU and the US want an ISDS that is more transparent and independent than existing ones. Besides the reluctant member states in the EU, the main opponent of an ISDS is civil society. In December 2013 more than 200 organizations sent a letter to Karel de Gucht, asking for the ISDS not to be included in TTIP. They argue that existing ISDS' have proved to force governments to use tax money

for paying off companies. ISDS is unnecessary in the well-functioning legal systems of the EU and the US (Gerstetter, Meyer-Ohlendorf, 2013). Even though ISDS' might be necessary in existing trade agreements with developing countries, it is redundant in TTIP, since both the US and the EU's legal systems are capable enough of handling disputes (Baker, 2014). Once again the dominant role of the commission shaping the policy form according to the Classical Community method is evident.

Further to the gains and risks are the pure difficulties of such an agreement. In the agricultural report by Grueff and Tangermann (2013), it was repeatedly emphasised that much of the difficulties in reaching an agreement lie in the respective normative perspectives. With regards risk management policies, in the US the scientific method of prevention through treatment is the path of agricultural production. In Europe the tendency is to use the "precautionary principle" approach in producing agricultural products as a means of ensuring a healthy chicken on the table (Grueff, Tangermann, 2013, p. 10). How mutual recognition can best be implemented here is something that will need to accommodate both markets into one regional market with the hope of raising standards for all. Thereby, highlighting the difficulty, in establishing credible and relevant policies. One further difficulty is the European Union's "Geographical Indicators" which limits the naming of agricultural produce to region of origin (Grueff, Tangermann, 2013). This complicates matters in the FTA, for unless the generic stand is taken, the naming of products may be limited in scope.

## 11. INFLUENCE ON THIRD COUNTRIES

If the TTIP comes into being, the consequences would not only influence the trade and relations between the USA and the EU, but it would also leave its mark on the world market as a whole. If the EU and the US negotiations succeed, the TTIP could take effect at the earliest in 2017. Seshadri (2013) discusses possible consequences for the developing countries in his discussion paper. The removal of non tariff barriers between the EU and the US could lead to more standardization and harmonisation worldwide. International standards and regulations could be beneficial for both TTIP as non TTIP actors, since it would reduce differences between national standards and thus enable more trade (Seshadri, 2013). If the EU and US standards would be harmonized or mutually recognized, this would entail that when a third country exports to one of the two partners, it could export easily to the other partner as well, since the country's exports would already comply with the standards (Rollo *et al.*, 2013). A positive outcome for third countries could be the removal or decrease of agricultural subsidies by the TTIP. Though, whether this removal or decrease is happening is not yet a set deal (Seshadri, 2013) This could mean that third countries would have more chances at the world market, if they do not have to compete with subsidized products as much.

Felbermayr, Heid & Lehwald (2013) also argue that the result of the trade diversion experience by the NAFTA members is such that Mexico and Canada's trade amongst each other increases as a result of increased European access to the US market. The authors concluded that the overall result of the TTIP would be a global increase by «in average real incomes of 3.27%» (Felbermayr, Heid, Lehwald, 2013, p. 29). However, this was also based upon leniency being incorporated such as outlined by the WHO DOHA round of talks.

The removal of tariffs and nontariff barriers can both lead to trade diversion, meaning that products produced within the EU and US borders become cheaper due to the TTIP and thus will divert trade away from producers outside of the TTIP area.

On the negative side, the study by Rollo *et al.* shows that EU and US imports from the rest of the world would decrease with around one percent on average. This number might not seem devastating, but the study also shows that these numbers differ greatly between countries and products. For example, countries such as Malawi and Niger could suffer great loss in exports to the US with respective three and twelve percent export loss (Rollo *et al.*, 2013).

In an interview with Michael Froman and Karel De Gucht (EC) one effect of the TTIP on third countries was that by excluding Russia from trade, both economies are indirectly sanctioning Russian intervention in the Ukraine. However, Russia has recently signed a contract with China to supply them with gas, thereby establishing an alternative. In preparation for the change in gas supply the UK built a station for the supply of gas from the US. Before Bill Clinton left office he signed a bill to allow fracking. That means the gas that would be supplied by the US to Europe could be from fracking. Unlike the gas which is supplied by Russia to China.

The general prospects of the TTIP are something that are portrayed as having immediate positive effects on the participant parties' economies. The negative externalities of the partnership are something that can only really be assessed with time. Perhaps through actual awareness of the possible negative impacts, these can be minimised. The actual prospects of TTIP depend upon the rulings governed by the agreement. Analysing different perspectives (Rollo *et al.*, 2013; Grueff, Tangermann, 2013; Schulz, Juncker, 2014; OECD Insight, 2014) whether agricultural, trade union or welfare one consistent element emerges that a people based partnership could have more positive social effects for all and that is something which is possible through good leadership (Fafchamps, 2004; Acemoglu, Robinson, 2012).

## 12. CONCLUSION

At the time of writing, negotiations between the EU and US are still ongoing. However, if the legislation is approved by both parties, the ramifications of this "deep integration" could be immense, ranging from the purely economic (increases in agricultural exports) to the political (checking the increasingly competitive China) to the social (changing consumer attitudes). Due to all of these significant considerations, the TTIP ratification process has been a long and complicated one. The European Commission, the engine pushing the legislation forward, has had its work cut out for it; on both sides of the Atlantic, there are countless actors (both formal and informal) pushing strongly for and against the partnership. Nevertheless, the Commission's dominance here shows the validity of the Classical Community Method of policy mode power distribution, and also shows the willingness of member states to give up some of their sovereignties with regards to economic policy. Their willingness to work together may also be an indicator of a higher degree of Europeanization and supranational tendencies. The social implications of the agreement are noteworthy as well – TTIP regulations may require US firms to improve or change their standards on certain products, a prospect that might prove difficult, and many European lawmakers are uncomfortable with the proposed Investor-State Dispute

Settlement provisions. But prospects for the passing of TTIP are still positive; the policy window is open, as both the EU and the US are eager to eke their way out of the current recession, and it is likely that the economic benefits of TTIP outweigh its drawbacks.

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