

A transatlantic tipping-point

An historic trade pact between America and Europe needs saving



IN AN age of small-bore politics, America and the European Union have a chance to achieve something large: a transatlantic pact that would, at a stroke, liberalise a third of global trade. At a time when emerging powers are closing fast on a fretful West, a free-trade area covering America and the EU would offer something more. Done right, it could anchor a transatlantic economic model favouring openness, free markets, free peoples and the rule of law over the closed, managed visions of state capitalism.

Right now, the pact is in trouble, beset by small-mindedness and mutual suspicion. This is madness. A free-trade pact has never had such support in the chancelleries of Europe, as well as in the West Wing of the White House. It is backed by compelling logic. Yet supporters also know that time is desperately short: this political window may close in just 18 months, says a European official at the heart of the process. This must be done swiftly, on "one tank of gas", says a senior American.

The risks all involve thinking small. European governments recently sent trade officials to Brussels to a first meeting on their offer to America. Led by the French, envoys from southern and eastern Europe called for a long list of red lines. These covered the usual stuff: agriculture, public services and "audio-visual" content (eg, bungs for French cinéastes, airtime quotas to keep Flemish hip-hop on the radio). That appals Team Obama, though not because Americans are blameless. From financial services to air passenger services, America maintains lots of barriers to trade. The real fear is that if Europe starts setting out red lines, trade sceptics in America will draw their own. What's more, American trade bureaucrats are "Eeyoreish" and petty, says an insider: a trade pact with Colombia is the summit of their ambition. Then there is Congress to worry about.

Members of the Senate Finance Committee last month quizzed the acting US trade representative, Demetrios Marantis, about EU access for ethanol, biodiesel, beef, pork and poultry from their respective states (for every person in my state, noted a senator from Delaware sternly, "there are 300 chickens"). The chairman, Senator Max Baucus of Montana, grumbled about Europe's "non science-based regulations". That glanced at an old philosophical dispute, with American regulations weighing costs and benefits and punishing

lapses through market forces and litigation, while the European “precautionary principle” distrusts products or new technologies until they are proved safe.

Some of these disputes are genuinely hard to resolve. But the prize in sight is large. With vast transatlantic trade flows, even a bit of liberalisation would bring rewards. More to the point, this may be America and the EU’s last, best chance to craft open, liberal rules for the world economy. Leaders must take charge.

The tragedy is that a deal is doable. Barack Obama yearns to leave office with the economy growing strongly. With his domestic options narrowed by Washington gridlock, boosting overseas trade represents a rare chance to take action. Though a study in caution on trade in his first term, the president is now ready to take risks, officials say. To cheers from European governments, Mr Obama used this year’s state-of-the-union message to announce talks on a Transatlantic Trade and Investment Partnership (TTIP), along with work to conclude a trade pact with Asia.

It took time for Mr Obama to be convinced that Europeans were serious. Britain, sundry Nordics and the European Commission (which runs trade talks on behalf of EU members) spent years lobbying the president on free trade, but their zeal is slightly taken for granted in Washington. Chancellor Angela Merkel of Germany was decisive in convincing Mr Obama, it is said. American contacts with other capitals confirmed a big change. Drowning in public debt and knowing that only growth can save them, a critical mass of European leaders are ready to deal—even in France. The view at the top matters: EU trade talks are a technocratic affair, run by Eurocrats and approved at leaders’ summits.

Faced with a rising China, the Atlantic looks less wide

American trade policy is more messily democratic, with Congress able to thwart presidential ambitions. But there are reasons to hope that Congress can be won round. EU-American trade is very large, at almost \$1 trillion a year, and more or less balanced. Because EU labour and environmental standards are high, leftish Democrats and their trade-union allies can hardly grumble about American workers being undercut. Republicans like to dismiss Europe as a useless relic. But their business allies know that millions of American jobs depend on EU trade and investment.

Europe and America have converged since the last time a trade pact was tried, say senior officials from both sides. Airbus and Boeing once triggered terrible trade wars in the aircraft industry, for instance, leaving Europeans and Americans at daggers drawn over state subsidies and market access. Now nobody can afford lavish state aid for struggling champions, Airbus is building a factory in Alabama and both firms are more worried about breaking into emerging markets. Regulatory approaches have also converged, with American officials talking about “humanised” cost-benefit analysis, and Europeans fretting about the price of too much precaution.

Finally, crucially, there is China. Europeans tell Americans they wish to unite as standard-setters, for fear of becoming “standard-takers” in an economic order controlled by emerging giants.

Others can see the audacity of what is being tried. Turkey has asked America to help it secure a seat at the TTIP table (in vain). Brazil is suddenly interested in a long-dormant regional trade pact with Europe. Yet a pivotal figure on the American side is only “cautiously optimistic” that a deal can be done. Time, then, for a big push on both sides; this pact can still be saved.

Fonte: The Economist, London, v. 407, n. 8833, p. 32, Apr. 27th – 3rd May 2013.