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Business



FOTOLIA/DEVA777@FREE.FR

If the EU and US don't set the standards, China will

By Elmar Brok

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The EU and US are each other's closest partners, both economically and politically. Yet our partnership needs more than continuity to thrive. The TTIP free trade pact is a unique opportunity

of strategic dimensions, both economic and geopolitical. Together, the EU and US account for 57 percent of global GDP with 11 percent of the world's population.

Our mutual economic clout permits us to maintain high standards, in goods and services, social welfare and consumer protection. Yet we also face global competition. If we fail to cooperate, we cannot hope to defend our prosperity in the world.

This is why the EU and US must stand together with equal partners for common values such as the dignity of all people and all our common interests. The free trade agreement would help strengthen our position. In association with the US, we Europeans want to take part in shaping the global economy in the 21st century, instead of leaving the task to other actors such as China.

The economic aspect of TTIP can be summarized in just a few words: growth, jobs, and prosperity. Already now, the transatlantic economic space is the best integrated one in the world.

Yet with a common economic area with mutual standards, we could save €130 billion every year. Eliminating tariff- and non-tariff trade barriers would add 1 percent to our annual GDP growth, a total of €119 billion.

The pact is a cost-free economic package for more growth, and more and better jobs. Estimates for the pact's job creation effects in Europe stretch up to 1.3 million. That would be up to 5 percent of the 26 million people currently unemployed in the European Union.

Yet we must regard TTIP not only according to its economic, but also its domestic political and geopolitical aspects. In the future the EU, unlike the rising emerging economies, will no longer be a defining force in the world. Only together with the US will it be able to set global standards for competition, investment and the protection of intellectual property in the 21st century.

Common standards lead not only to greater choice of products for consumers and to lower production costs. Mutual recognition, for example, of testing certification in the auto making and pharmaceutical industries would bring substantial cost savings.

Yet this is also a matter of preserving the West's position in a world increasingly influenced by emerging economies. If the US and the EU fail to set the world's

standards, China will do so in their place. However, if the EU and US use this unique opportunity, they will succeed in imposing global economic rules based on their own model of democracy and the market economy.

This means in no way that TTIP is a defensive project. On the contrary, TTIP must remain open to new members. The trade pact is being negotiated first between just Washington and Brussels. In the medium term, however, extending TTIP to the NAFTA region would make very good sense.

This seems all the more apparent as the EU already has a free trade agreement with Mexico and is about to conclude another one with Canada. European states such as Norway and Switzerland are also welcome to join the pact. Here, too, the main emphasis would be to set standards that would later be reflected in other treaties. TTIP could therefore become the basis for more agreements with other states.

TTIP is also being regarded in most emerging economies as an incentive to push reforms and attain higher standards autonomously. Chinese commentators may remark that TTIP is directed mainly against China and other BRIC states (Brazil, Russia, India, China), and that together with the United States, the EU is trying to use this agreement to dominate world trade. Yet it's interesting to note that more economy-based voices are seeing it in their own interests to orient themselves on European-American standards, thereby strengthening the protection of jobs, the environment and consumer protection in China.

The TTIP pact could therefore provide impulses for international cooperation on technical guidelines and norms. The aim is to go beyond a mere free-trade pact.

Overall this is a matter of going past a normal free trade agreement to forge the greater multilateral trade system and set the global rule book.

Moreover, neither of the two sides wants to see these standards diminished. The original regulations are being taken very seriously. Wherever standards really do diverge, and harmonization or mutual recognition proves impossible, negotiations in that area cease.

We want TTIP, but not at any price. The transatlantic partners are therefore in agreement that standards can be mutually recognized only when the other side's standard demonstrably provides a similar level of protection for consumers and the environment. There is no give or take on this point and it is not a subject for negotiation.

– Elmar Brok is a Member of the European Parliament and chairman of its Committee on Foreign Affairs.

Waning approval

Germans' approval of the planned TTIP free trade agreement between the EU and the US is waning. An Emnid Institute survey commissioned by the consumer advocate group Foodwatch found that 48 percent of the approximately 1,000 people interviewed considered the pact "a good thing." 32 percent expressed opposition and 2 percent were undecided. 12 percent did not provide an answer. Last February 55 percent expressed approval of TTIP, while 25 percent said the planned pact was "a bad thing."

However, 85 percent of those surveyed said that increased trade by Germany with other countries was either very good or good for the country.

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