



The TPP Is Dead. Spare the TTIP

Simon Lester

February 08, 2017

In President Trump's recent memorandum directing the U.S. Trade Representative to withdraw from the Trans-Pacific Partnership (TPP), he explained that "it is the intention of my Administration to deal directly with individual countries on a one-on-one (or bilateral) basis in negotiating future trade deals." This preference for bilateral deals raises the following question: If the United States will only be negotiating bilaterally, what does that mean for the ongoing U.S.-E.U. trade talks known as the Transatlantic Trade and Investment Partnership (TTIP)?

While the Trump administration has not yet taken any official action in relation to the TTIP, there have been indications that some White House staff view the TTIP as multilateral, and therefore perhaps would decide not to pursue it. This would be a big mistake, however, for both foreign policy and economic reasons.

Let's start with foreign policy. Many of the statements and actions from the Trump administration regarding the E.U. are worrying. Reports suggest that some administration officials are pushing for U.S. trade deals with individual E.U. member states rather than with the E.U. itself — something prohibited by E.U. law, as member nations have agreed not to pursue their own trade policies. Trump's White House staff may envision that the U.S. election and the British Brexit vote herald a new era of nationalism, which could eventually dismantle the E.U., restoring the sovereignty of individual nations. But this is a dangerous approach to relations with some of our key allies.

The U.S. government should let the E.U. and its member states decide how they want to participate in world affairs. If the U.K. wants to leave the E.U. and negotiate its own trade agreements, that is fine. If all of the other E.U. members want to stay in the E.U. and participate in trade negotiations as a single entity, that is fine, too. The distinction between "bilateral" or "multilateral" in this context is a semantic one, and should not be used as the basis for an aggressive foreign policy of U.S. interference in the internal affairs of our trading partners.

As for economic policy, the chance of the United States signing trade deals with individual E.U. nations other than the U.K. is close to zero, as the E.U. is very unlikely to split apart. Thus, a U.S. decision to abandon negotiations with the E.U. on the TTIP will mean that the potential economic benefits of that agreement will be completely lost, since they will not be replaced by new deals with individual European nations.

Coming up with a precise measure of GDP gains from a trade deal still under development is speculative. But considering the size of the E.U. as a trading partner, there is no question that the TTIP would be one of the most economically significant trade agreements. Excluding the U.K., the population of E.U. nations is over 440 million people, with total trade in goods and services between the U.S. and the E.U. of \$870 billion in 2015.

If the TTIP were abandoned, Americans would be worse off economically. American consumers would benefit substantially from increased imports from the E.U. And without the TTIP, U.S. companies exporting to the E.U. will be at a disadvantage.

Consider that the E.U. is in the midst of a major push to sign trade agreements with countries around the world. The E.U. has a trade deal with South Korea; its deal with Canada is almost worked out; it is updating a past deal with Mexico; it is finalizing a Vietnam deal; and it is making progress in a deal with Japan. What this means is that companies from all of these countries will have better access to the very large E.U. market — a market that had a GDP of 12 trillion euros in 2015, not counting the U.K. — than American companies do.

Before Donald Trump was elected, the TTIP was plodding on slowly. Putting a new U.S. trade policy team in place gives people on both sides a chance to consider what a realistic U.S.-E.U. trade agreement might look like and to come up with a plan to enact it. There are many viable options here; the important thing is to keep pushing forward.

Simon Lester is a trade policy analyst with Cato's Herbert A. Stiefel Center for Trade Policy Studies. His research focuses on WTO disputes, regional trade agreements, disguised protectionism and the history of international trade law.