

An EU-US free trade agreement is far from a done deal.

Blog Admin

*A free trade agreement between the EU and the United States has been a long held ambition for many politicians and policy-makers on both sides of the Atlantic. **Laurent Donceel** looks at recent moves to make this a reality. He writes that non-tariff barriers pose the greatest threat to the agreement, with vastly different product standards existing between the EU and the US. Despite these challenges, he argues that negotiating an agreement is vital as it would help encourage growth and give transatlantic relations a new purpose in the face of emerging economies in Asia.*



When the US Joint Congressional Committee on Inaugural Ceremonies decided that Californian “Korbel Natural Russian River Valley Champagne” should be served at President Obama’s inauguration party, little did they know the diplomatic incident this would cause. The French were not amused. The French Champagne lobby reminded US policy-makers that “Champagne only comes from Champagne, France”. This glitch will have given US policy-makers on both sides of the pond an “avant-goût”, or foretaste, on how difficult the negotiations to create a Free Trade Area (aka the Transatlantic Trade and Investment Partnership – TTIP) will be.

The benefits of a comprehensive free-trade agreement between the United States and the European Union seem like an absolute no-brainer and it is hardly surprising that its launch has been welcomed with enthusiasm on both side of the Atlantic. There is no question that a deal to reduce trade barriers between economies accounting for 45 per cent of the world’s GDP and nearly 30 per cent of its trade would be something to celebrate. But, wait. Aren’t tariffs between the US and the EU already at a minimum? Further reducing the average 3 per cent tariff level will hardly be enough to kick-start the global economy. Sure, there are some tariff peaks which need to be tackled, but even that is easier said than done.

Even before the negotiations have started, the US has already managed to put Europe on the defensive. While Commission officials are still haggling over the wording of wordy press releases, Vice President Biden and friends have already been busy creating the impression that the trade pact hinges on the EU opening its borders to farm imports. Indeed, that is one of the issues, but one wonders how keen the Obama Administration is to convince its trade unions to cheer on the slashing of US tariffs for textiles or certain food products.



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In any case, the real benefit of establishing a free trade area for 800 million affluent people lies in getting rid of most of the non-tariff barriers. And that will be hard. The difficulty in dealing with all sorts of divergent safety, hygiene or other standards is that they reflect deep cultural differences on issues such as food safety and intellectual property. Whether it is the length of car bumpers, the use of GMOs, or the protection of Geographic Indications (GIs) – such as Champagne – regulations by their nature touch on issues that are often vital to the cultural identities of regions.

Since 2007, the Transatlantic Economic Council (TEC) has been trying to facilitate free trade by removing non-tariff-barriers. But for the past four years, senior officials have been struggling to make much progress in harmonising regulatory difference – the EU ban on [chlorinated US chicken](#) being a good illustrative example of how difficult it has been to harmonise standards. Europeans and Americans have fundamentally different attitudes towards sanitary and phyto-sanitary issues (SPS). The mad cow crisis, US steaks pumped up with growth hormones, the recent horse meat scandal and other high profile food scares have shaken consumer confidence, driving the establishment of stricter environmental regulations in the EU compared with the US. Hinting that the EU will take a tough stance on food safety standards, European Commission President Barroso already insisted that negotiations would not compromise consumer health. That does not bode well.

Yet there is a sense of urgency in Brussels and in Washington D.C. Hopes for a global free trade agreement first proposed in the WTO's Doha round a decade ago have evaporated and there is little prospect for a global deal in sight. At the same time, economies on both sides of the pond are in dire need of a positive boost. Yet neither side has the money for a far-reaching stimulus programme. Export-led growth through the reduction of trade barriers is an attractive prospect. A joint [report](#) from the High Level Working Group on Growth and Jobs foresees that the deal would lead to a 0.5 per cent GDP increase on both sides of the Atlantic. In the middle the current economic crisis, this is no small feat.

President Obama's support for a TTIP does not mean it's a done deal. Congress will ultimately have to approve the deal whatever the final result. Europe's unity could also be questioned. If Chancellor Merkel and UK Prime Minister David Cameron have long favored an EU-US FTA, the same cannot be said for successive French governments who have been facing strong opposition from the agricultural sector. Agriculture has been a constant thorn in the side of the negotiators. Yet the holy cow of farming accounts for only 5 per cent of the transatlantic trade in goods. This should not be a reason to derail the whole discussion. Recent changes in the global market for farm produce mean that agriculture could be less of a stumbling block now than it was two years ago. High food prices have reduced anxieties in the sector and this could allow French President Hollande to endorse a more realistic policy at a lower political cost.

The EU's ambition to start talks by July 2013 and secure an agreement by November 2014 might prove overambitious. Since the entry into force of the Lisbon Treaty, the European Parliament has been granted power of consent in the negotiation process of international trade agreements, virtually adding an extra year to the adoption of any bilateral trade deal.

A transatlantic trade agreement would have a larger meaning. For the last four years the EU has focused inward, embroiled in Eurozone discussions, or more recently the possibility of a "Brexit." As the US is pivoting towards Asia, a renewed comprehensive economic partnership would give transatlantic relations a new purpose. A common EU/US market would send a powerful message: namely that the West wants to pull together to face the challenges coming from emerging powers. But will it happen? Only if both sides are willing to make sacrifices and confront protectionist lobbies at home. No pain, no gain.

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About the author

Laurent Donceel – *g+europe*

Laurent Donceel is an account director at g+europe, specialising in EU trade and development policy. He also advises in the areas of energy and consumer affairs. He has previously worked for the Directorate-General for External Trade in the European Commission. He has also held positions with the Belgian ministry of foreign affairs and



UNICEF as well as student government and youth associations. He holds an MSc in International Political Economy from the LSE and a Master's degree in European Studies from the Université catholique de Louvain (UCL). You can follow him on twitter: @ldonceel



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