

M d lina Laura CUCIURIANU
SOP HRD/159/1.5/133675 Project
Romanian Academy, Iasi Branch

GLOBAL TRADE. THE KEY TO TRANSATLANTIC COMPETITIVENESS

Theoretical
Article

Keywords

Global trade
United States
European Union
Transatlantic competitiveness
Transatlantic Trade and Investment Partnership

JEL Classification

F10; F50; F60;

Abstract

Global trade has an important characteristic in terms of open global markets by means of eliminating barriers to trade and investment. The United States and the European Union, two major international actors and competitors in the economic field, have both the opportunity to change the global trade by concluding the negotiations of the Transatlantic Trade and Investment Partnership. For this reason, this paper tries to find the connections between global trade and transatlantic competitiveness in the way that the global trade can be considered a key to transatlantic competitiveness. The United States and the European Union are global actors and competitors in the global economy and the play field is the global trade. In order to be aware of the importance of global trade in the transatlantic competitiveness, this paper includes also an analysis of the concrete actions that both economic powers are taking in key-sectors of the transatlantic economy.

Introduction

This paper presents the importance of global trade and the connections between the global trade and the transatlantic competitiveness. In order to see how the transatlantic relationship affects the global economic governance we will bring into discussion the dynamics of the relationship between the European Union (EU) and the United States (US), which oscillate from competition to cooperation and interdependence. In our analysis we will use the term of “competitive interdependence” which helps us to understand the bilateral relationship between EU and US. The negotiations for the free trade agreement, the so-called Transatlantic Trade and Investment Partnership (TTIP), have at their foundation the cooperation process and the wish to promote the common values shared by both shores of the Atlantic. This paper presents also the way in which global trade can be a key to transatlantic competitiveness, by finding the links between the competition and interdependence, the drivers of the negotiations for the TTIP.

The importance of global trade in transatlantic competitiveness

New global trade agreements include both new trade measures and new perspectives on the global trade policy that will make changes also in the economic governance of the world (Young and Peterson, 2006). The global economic crisis from the last few years has made the Europeans and the Americans aware of the deeply interdependence of their economies. This type of interdependence is a competitive one, which helps the understanding of the bilateral relationship between European Union and the United States (Damro, 2014). But this relationship is based also on a cooperation process which can be an important driver of the negotiations for a global trade. The opportunity of a free trade agreement which can lead to the “hegemony” of the European Union and the United States over the global trade has determined the powers from both sides of the Atlantic to make important steps to conclude the negotiations for the Transatlantic Trade and Investment Partnership (TTIP). Some of the common values shared by the Europeans and the Americans are liberal values of open markets, democracy, freedom, human rights and the rule of law. These values are being promoted for years in order to preserve the global competitiveness of the European and the American economies. The TTIP will boost transatlantic trade by stimulating growth, creating jobs and raising the standards of living. The gains of the TTIP, along with the effects of globalization, will help the young people especially because a transatlantic market for new technologies can be an important driver of the global growth and could provide them a lot of

opportunities, such as new jobs all over the world and free trade and investment prospects.

Another positive measure of the TTIP could be the investment in innovation in a way that will make both the EU and the US become more interested in promoting their values and creating new economic opportunities. The convergence and the competitiveness resulted from TTIP may stimulate Europe to become less fragmented and to focus on efficiency. On the other side, TTIP may help the US to become also more efficient in meeting its domestic regulatory objectives with the European ones in order to reinvigorate the global trade. The competition between the economies of EU and of the US will remain at the international interest and the domestic business will be known at a global level, so their practices, values and visions will become more efficient. The outcomes of this kind of competition should be seen in higher economic and social welfare for the people on both sides of the Atlantic. In order to make TTIP measures to work, the Europeans and the Americans should maintain their beliefs and should not miss the opportunity to make use of their competition policy and rules.

The competitive side of the “competitive interdependence”, the term used by Sbragia (2010), is important because the EU and the US have common interests in the third countries. Because the “competition between US and EU firms for access to those markets, indeed, underpins much of the external politics of trade in both the US and the EU [...] neither can afford to ignore the other’s inroads into such markets” (Sbragia, 2010).

The interdependence that shapes the transatlantic competitiveness makes the EU and the US to shape their approaches to global trade and global economic governance too. Despite their competitive ways of developments, the EU and the US have a close and interdependent bilateral economic relationship (McGuire and Smith, 2008). The transatlantic marketplace has a big potential in the global economy and according to Shaffer and Pollack (2008:19) “because of the size of their markets, where the US and EU agree on a common regulatory policy, they are well-positioned to promote it globally. [...]” Where they disagree, there is often deadlock, “because of their market power and resources, and they can attempt to play smaller countries off of each other” (Shaffer and Pollack, 2008:4). The transatlantic relation, at the multilateral level is also important because it “defines the shape of the global economy as a whole” as either “the EU or the US is also the largest trade and investment partner for almost all other countries in the global economy.”

The global players: European Union and United States

The position of the European Union as a global actor is increasing in a range of policy areas and the most important are the economic, political and military ones. In wondering about how we manage to recognize the characteristics of a global power we can search the answers in the actual global players and in how they maintain their power and influence in and around the world. Being a global actor requires some qualities such as political unity or a good collaboration with the other states or international organizations. The global role of the EU has increased in recent years, and the most important field is the economic trade (Bretherton and Vogler, 2002).

In the case of global activities, the European Union and the United States can be analyzed from the global trade point of view. Some of the academic authors are discussing about the influence of the EU and US in external economic relations, especially in global trade policy (Overseas Development Institute, 2012). The authors in political science have created a scenario of institutional measures on EU and US trade policy (Orbie, *n.d.*, 35). It is known that the EU and US have important instruments in the economic area and use the division of competences and the process of decision-making to keep up with the challenges raised by the involvement of EU and US policies in the global trade.

In the area of global trade, when comparing the EU's trade power with the one of other international actors, one may conclude that the EU is comparable with the United States as regards import and export measures (European Commission, 2013). From the statistics made by the European Commission we may observe the fact that both of them make up about 20 per cent of the trade in goods and services and that is one of the reasons why EU and the US are recognized leaders in international investment flows and not only.

The European Union has concluded agreements with a lot of partners around the globe and there is not only the traditional trade, but also the cooperation in development assistance at stake. The agreements in development assistance are focused on supporting some costs for economic reforms, health, education, environment, helping to carry out the Millennium Development Goals (European Commission, 2007). The EU is actually the largest donor around the world. In the pursuit of the European Union in developing strategies to maintain its role as a global economic power, the promotion of trade and opened the market is also mentioned.

The European Union makes use of its role as a global power not only in its own interest, but also in helping the others by promoting some principles such as prosperity, democratic values,

stability and well-being of the citizens. Despite that the EU widening process has been slow down in the past years, the process of integrating new countries in the European Union strengthens its role as a global power and that is why it is so important to maintain this position. The European Union is also considered the world's biggest trader, and also the biggest provider of aid to developing countries (EU Aid Explorer, 2012). It is known the fact that global problems require global solutions and the European Union, from its position of global actor, need to act, react and to behave in the spirit of protecting the world's sane condition (is preoccupied by the effects of global warming or by the consequences of the process of globalization).

In the international system, the Doha Round negotiations have represented over the time a potential development for the bilateral economic relations between the EU and US and the way they tries to shape the global economy is from the positions of trade powers (Meunier and Nicolaïdis, 2006). The role of the EU-US relation in shaping the global economy is best observed by the dynamics of the notion "competitive interdependence". According to this notion, the transatlantic relation is one in which the "EU and the US are simultaneously competitors and interdependent because, to a significant degree, each defines success *via-à-vis* each other" (Sbragia, 2010:369). The competitive interdependence drives the EU and the US to compete for important bilateral trades in order to advance their interdependence in ways that promote their common interests on global economy.

The US and EU have multilateral implications in different trade agreements. A problem might occur in this situation: the interest for the bilateral deals may reduce EU and US ambitions and ability to conclude any important multilateral deals in the World Trade Organization (da Conceição-Heldt 2014). The European Union and the United States have been considered, over last years, the main players in the process of shaping and changing the policy of global economy and the global trade. (Smith, 2009, 2011).

Conclusion

The importance of the transatlantic economic relationship for the global economy is obvious. The global trade is a play field for the transatlantic competitiveness and the EU and the US have the chance to make changes in the global economy. The two economic partners and competitors have serious involvement and interests in the global economic governance, from the Doha Round to the Transatlantic Trade and Investment Partnership. The way that EU manage the effects of globalization and the way that US is trying to have competitive liberalization approaches, have both led the transatlantic

economic relationship towards a competitive interdependence. The decision of launching the negotiation for the TTIP is an important step forward of the transatlantic relationship and the TTIP can be viewed as the culmination of their increasingly interdependent bilateral economic relationship (Damro, 2014). But there is still one question remaining: “which are the implications of the TTIP in the context of a competitive interdependence?” If the negotiations for the TTIP are concluded, and also, if the economic measures are going to increase the growth on both sides of the Atlantic in order to promote transatlantic policy and a set of global standards, it would be easier for both the EU and US to make use the negotiation strategy from TTIP to conclude other bilateral agreements in order to reshape the global trade.

ACKNOWLEDGEMENTS:

This paper is supported by the Sectoral Operational Programme Human Resources Development (SOP HRD), financed from the European Social Fund and the Romanian Government under the contract number POSDRU/159/1.5/S/133675

References

- [1] Bretherton, C., Vogler, J. (2002). *The European Union as a Global Actor*, New York: Routledge.
- [2] Damro, Chad. (2014). “Competitive Interdependence: Transatlantic Relations and Global Economic Governance”, in *Transworld*, Working Paper, No. 40. October 2014, ISSN 2281-2552. Retrieved from: http://www.transworld-fp7.eu/wp-content/uploads/2014/10/TW_WP_40.pdf
- [3] da Conceição-Heldt, Eugénia. (2014). “Adaptation and Change in EU Trade Governance: The EU’s Paradigm Shift from Multilateralism to Regionalism and Bilateralism”, in Manuela Moschella and Catherine Weaver, eds., *Handbook of Global Economic Governance. Players, Power and Paradigms*, London and New York: Routledge, p. 57-69.
- [4] European Commission. (2013). *Impact Assessment Report on the future of EU-US trade relations*, Strasbourg, March 12.
- [5] European Commission. (2007). *The EU in the World. The foreign policy of the European Union*, Luxembourg: Office for Official Publications of the European Communities, June.
- [6] EU Aid Explorer (2012). Retrieved from <https://tr-aid.jrc.ec.europa.eu/>
- [7] McGuire, Steven M., and Michael Smith (2008). *The European Union and the United States. Competition and Convergence in the Global Arena*, Basingstoke and New York: Palgrave Macmillan.
- [8] Meunier, Sophie, and Kalypso Nicolaïdis (2006). “The European Union as a Conflicted Trade Power”, *Journal of European Public Policy*, Vol. 13, No. 6 (September), p. 906-925.
- [9] Overseas Development Institute (2012). “The next decade of EU trade policy. Confronting global challenges?”.
- [10] Orbie J. (2009). *Europe’s Global Role: External Policies of the European Union*; Burlington: Ashgate Publishing Limited.
- [11] Shaffer, Gregory C., and Mark A. Pollack (2008). “How Hard and Soft Law Interact in International Regulatory Governance: Alternatives, Complements or Antagonists?” SIEL Online Proceedings Working Paper, No. 45/08(July). Retrieved from: <file:///D:/Downloads/SSRN-id1156867.pdf>
- [12] Sbragia, Alberta (2010). “The EU, the US, and Trade Policy: Competitive Interdependence in the Management of Globalization”, *Journal of European Public Policy*, Vol. 17, No. 3 (April), p. 368-382.
- [13] Smith, Michael (2009). “Transatlantic Economic Relations in a Changing Global Political Economy: Achieving Togetherness but Missing the Bus?”, *The British Journal of Politics & International Relations*, Vol. 11, No. 1 (February), p. 94-107. Retrieved from: <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-856X.2008.00351.x/epdf>
- [14] Smith, Michael (2011). “The EU, the US and International Organizations: Trade Politics in the Global Political Economy”, in Spyros Blavoukos and Dimitris Bourantonis, eds., *The EU Presence in International Organizations*, London: Routledge, p. 96-113.
- [15] Young, Alasdair R., and John Peterson (2006). “The EU and the New Trade Politics”, *Journal of European Public Policy*, Vol. 13, No. 6 (September), p. 795-814.