Transatlantic Trade and Investment Partnership»: de-globalization and dollarization?

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Extended Abstract

In this report we are going to carry out economic and geo-economic evaluation of the project, initiated by the Federal Republic of Germany and the USA, to establish "Transatlantic Trade and Investment Partnership" (TTIP) between the USA (later NAFTA) and the EU. It was introduced in order to resolve issues of de-globalization and sluggish recession in the EU, as well as to promote technological advancement of economy. After the global financial crisis of 2008-2009 the negotiations about the project resumed.

Among other issues, the publication covers the history of organizations concerned, reasons, aims and impacts of the EU, NAFTA and TTIP. It identifies common and specific characteristics of similar projects, with a particular attention to the TTIP as a tool to rescue the EU and reinforce the USA and "Atlantic civilization". The report includes a comparative analysis of various predictive models to build the TTIP and author's assessment of implications and consequences of establishing this organization for NAFTA, EU and countries with dynamic economies.

Overview of the report.

1. World economy of 1950–2000 is characterized by the creation of various trade, economic and regional associations, alliances, unions and agreements (EU, Comecon, NAFTA, ACEAN, Trans-Pacific Partnership, BRICS, MERCURSOR, SCO, EAEU, ECCAS, etc.), the major being the EU and NAFTA.
2. The EU initiated talks on the TTIP in 2013 in order to give new impulse to the economy as the earlier actions undertaken by the ECB and European governments proved to be ineffective.
   First attempt was made by the European system of central banks in 2008 when they provided €1.2 trln. loan to Greece and some other countries of Central and Eastern Europe. Markets, however, reacted by the growth in spreads from 80 to 120 b.p.
   The second attempt took place in 2009–2012 when the ECB initiated the covered bond purchase program when the ECB initiated the covered bond purchase program (CBPP2) which had little effect on the debt market.
   The next step undertaken by the ECB was an attempt to integrate the three-level banking system into a single banking union.
   Under the discussion now is another economically and politically controversial initiative to form a single budget for the 18 countries of the currency union which is viewed by some as a step towards the "United States of Europe".

The EU is unable to promote economic growth and advancement to a new technological level of economy, to solve contradictions between the North and the South, to deal with the threats of France, Italy and the Great Britain to leave the alliance. Another threat is made not only to the economy, but to the very European civilization which is to deal with the increasing number of migrants from the Near East.

TTIP: origins, aims, interests and economic effects

The first to express an interest in creating the TTIP was Germany in 2006. The first round of talks, however, did not take place until 2012. It was also due to the failure of the Doha round and the USA and EU conflict with developing economies.

The ultimate aim of the TTIP was not to remove only trade barriers (removal of trade tariffs), but also investment ones. TTIP had a geo-economic effect by creating free trade and investment zone with 48.4% world GDP ($37 trln.).

The first attempt at creating economic and mathematical model was made by the resolution of the European Council for the Centre for Economic Policy Research (CEPR) and Leibniz Institute for Economic Research at the University of Munich), initiated by the enquiry of the Bertelsmann Foundation and the authors of this report. The first research was based on the CGE method, a matrix of financial flows to determine a balance between economic agents and markets. This model, however, does not take into consideration money supply, inflation and pricing.

Economic implications of TTIP

While the USA and EU would expect the GDP growth, the GDP of other countries would show a significant decrease. Canada expects the GDP at 9,5%, Australia – 7.4%, Japan – 5.9%. Negative results are expected by the countries of North and Western Africa, which support trade in Europe and Chili. Russian GDP would account for 2.1%, while the goods turnover between the US and BRUCS countries would decrease by 30%.

Conclusion

The assessment results show that TTIP agreement would have a positive effect on the economy of member states. Yet, there are varying forecasts for the rest of the world. It is impossible to give unambiguous interpretation to any of the forecasts given. It and be due to the complexity of the approaches and to the assumptions they are based on.

The expected agreement on establishing the zone of free transatlantic trade may become the major trading and economic association in the world. The impulse to its creation might have been given by the USA and the EU in their attempt to solve a number of economic problems by establishing common environment for production, trade and investment.

Neither the EU, nor the USA are independent in the issues of trade and seek cooperation with each other and the rest of the world. More than that, the EU countries have become key political and military partners within the NATO bloc.

On the other hand, military and economic powers of China have also increased which has led to straining relations with major USA partners in Asia – Japan, South Korea and Taiwan. Economic growth in China results from an increase flow of European and American investment and with the transfer of production and technologies. In the 90-s and in 2000 the EU and the USA a whole number of companies operating in manufacturing and machine building industries closed, the level of unemployment rose, import of cheaper goods from Asia increased and it led to their competition with national manufacture. Economic problems of South Europe often result in appeals from economically developed countries to leave the Euro zone.

Thus, establishing the TTIP might create the condition to lock a significant part of financial flows of the USA and the EU within the organization instead of investing them in Asia.

On the one hand, it would lead to the decrease of the economic growth of China. Also, it might stabilize the situation in the EU and bring closer cooperation between the USA and the

EU countries in economic, military and political sphere. Another possible outcome is recovering industrial production and increasing the share of domestic production on the national market.

It is worth noting that the US carries out negotiations not only on TTIP, but also on TPP – free economic zones, which include major economies of the Pacific region: Japan, Australia, Singapore, Malaysia, Taiwan, the USA, Canada, Mexico, etc.

To conclude, soon enough we should expect creation of free economic zones with the center in the USA, Canada and Mexico. BRICS countries – China, India, Brazil, South African Republic and Russia might be economically disadvantaged though. It seems the NAFTA countries would have to redirect its exports to the EU and TTIP, and reduce their dependence on import from other countries.