18 Lessons from TTIP Toxicity for EU-US Trade Talks

Christian Bluth
Bertelsmann Stiftung

In the summer of 2018, it looked like a trade war between the US and the EU was about to start, including 25% of tariffs on EU car exports to the US that would have been particularly harmful for the EU car industry. But then, after a meeting of US President Donald Trump and EU Commission President Jean-Claude Juncker, both sides agreed to hold trade talks instead, attempting to remove many of the trade policy asymmetries that Trump perceived as unfair. Only a few years earlier, the Transatlantic Trade and Investment Partnership (TTIP) was a plan for a wide-ranging trade agreement that was discussed by negotiators of both sides between 2013 and 2016. When Trump was elected president the project was put on hold – but even if someone else had been elected US President, TTIP would have had an uncertain future. The reason for this is that by 2016, public opinion in the EU was getting increasingly hostile, in particular in Austria and Germany. After an initially positive mood in the EU, the TTIP brand became increasingly toxic, with even traditionally pro-trade constituencies rejecting the deal. In 2016, it even looked as if TTIP toxicity tarnished the support for increased international trade in general. After TTIP was frozen, public opinion returned to its normal state.

The simultaneously negotiated Comprehensive Economic and Trade Agreement (CETA) with Canada – often criticised in similar tones as TTIP – was met with considerably less hostility in most EU member states, although signature of the CETA was controversial and resisted by the Wallonia region of Belgium and unsuccessfully challenged before the Court of Justice by opponents to the treaty.

The fate of EU-US trade talks is of course uncertain. One relevant factor will be whether they will revive the violent criticism of TTIP. Will the toxicity of the TTIP brand poison any possible trade deal with the US, making it difficult for the EU to avoid punitive tariffs on cars and other products and thus an increasingly intensified trade war? This chapter discusses aspects of the TTIP that were particularly controversial and how these stumbling blocks might be avoided in a future EU-US trade deal. I base my argument on survey data from the US and the EU, with an emphasis on public opinion in Germany which is of particular interest, as Germany usually views itself as a pro-free trade country but experienced a particularly large and negative swing in public opinion in the TTIP debate.

Why did public opinion turn against TTIP?

If one considers the EU as a whole, even during the peak of the TTIP debate, there was actually a majority in favour of TTIP. In Eurobarometer 86, for example, 53% were in favour of TTIP and 34% against (Eurobarometer 2016). However, TTIP would have been a mixed treaty, thus requiring ratification not only by the European Parliament but also by the national parliaments of the member states. This made passing TTIP considerably more difficult, as public opinion was particularly hostile to TTIP in a few member states, in particular in Austria and Germany. Table 1 presents public approval rates for the EU member states for 2015. Typically, stronger support was found in the Central European member states, the United Kingdom, Ireland and the Netherlands. In contrast, in Austria, Germany and Luxembourg more people disapproved TTIP than supported it. In Austria 67% rejected TTIP; in Germany 51% did so. At the same time, in the US, public opinion was also divided: 18% were against TTIP and 15% in favour, with a large share of the surveyed population being undecided (Bluth 2016). At that time, the Trans-Pacific Partnership (TPP) was much more prominently present in public debates in the US and mostly viewed critically, which may have had an impact on the support for TTIP.

Why did public opinion turn against TTIP in German-speaking countries that are not usually hostile to trade? It is not that opposition to TTIP reflected rejection of trade. Figure 1 shows there is a majority both in Germany and in the United States who think that increased trade with the other country is a good thing. This was even more the case in 2016 than it was in 2018. If increased trade with the US is not a problem in principle for German public opinion, then why the massive rejection of TTIP? How did public opinion in Germany collapse from 55% in favour in 2014 to only 17% in favour in 2016?[1]

1 See Bluth (2016).

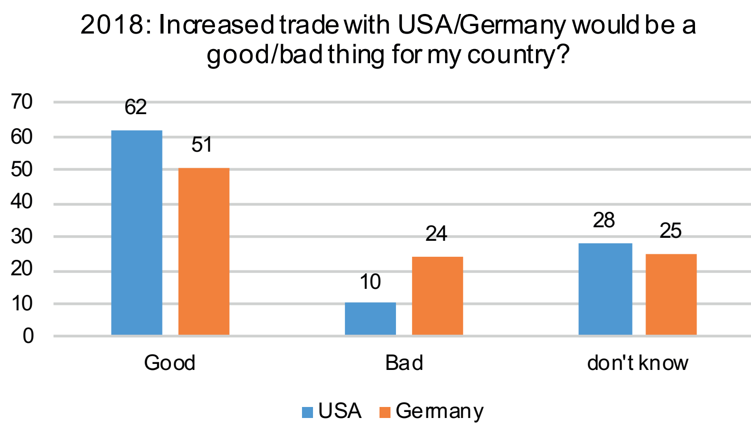
Table 1 Public opinion in the EU on TTIP in spring 2015, based on Eurobarometer

	In favour		Against		Neither for nor against	
	2015 (EB 83)	Change since 2014 (EB 82)	2015 (EB 83)	Change since 2014 (EB 82)	2015 (EB 83)	Change since (EB 82)
EU28	56	-2	28	3	16	-1
Belgium	53	-13	35	9	12	4
Bulgaria	67	3	15	1	18	-4
Czech Republic	62	0	23	-2	15	2
Germany	31	-8	51	10	18	-2
Denmark	66	-5	18	1	16	4
Estonia	63	-9	14	3	23	6
Ireland	77	6	12	-3	11	-3
Greece	66	5	28	-4	6	-1
Spain	63	0	19	0	18	0
France	53	3	33	1	14	-4
Croatia	63	-4	26	3	11	1
Italy	58	0	24	2	18	-2
Cyprus	64	5	21	-4	15	-1
Latvia	62	-4	21	3	17	1
Lithuania	79	0	7	-2	14	2
Luxembourg	37	-3	49	6	14	-3
Hungary	63	1	26	-2	11	1
Malta	79	4	7	-4	14	0

	In favour		Against		Neither for nor against	
	2015 (EB 83)	Change since 2014 (EB 82)	2015 (EB 83)	Change since 2014 (EB 82)	2015 (EB 83)	Change since (EB 82)
Netherlands	63	-11	27	9	10	2
Austria	23	-16	67	14	10	2
Poland	71	-2	14	3	15	-1
Portugal	60	0	23	0	17	0
Romania	78	3	10	-1	12	-2
Slovenia	46	-11	42	11	12	0
Slovakia	56	-6	29	3	15	3
Finland	58	-4	22	1	20	3
Sweden	64	5	23	-3	13	-2
United Kingdom	63	-2	20	1	17	1

Source: Eurobarometer (2015).

Figure 1 Public opinion on bilateral trade in Germany and the United States in 2018



Source: Bluth (2018).

The reason for this major swing was a strong rejection of some elements of TTIP that went beyond the associated reduction of tariffs. First, investor-state dispute settlement (ISDS) was one of the areas that was perceived particularly negatively by the German public. Second, regulatory cooperation was also viewed very negatively as US standards were generally perceived to be inferior to EU standards. Fears of inferior US products and possibly a regulatory race to the bottom were very present in the debate. To some degree, this perception can be explained by the extent of social-media campaigning by anti-TTIP groups in the German speaking countries (Bauer 2016).

The home bias in trust in domestic regulation is however not only a German phenomenon. To a lesser degree, it can also be found in the US (Bluth 2016: 20-21). There was a strong conviction in Germany that TTIP would negatively impact employment and labour market conditions, consumer protection, environmental standards, social standards and democracy and regulatory sovereignty in general (Table 2). The perceived positive effects on economic growth, international competitiveness and global influence were not enough to compensate for these negative side effects. In the US the general pattern is much less negative, although labour market and labour standards were also of concern there.

Table 2 Perceptions of the effects of TTIP in Germany and the US

	Germany				United States			
	Positive	Negative	Neutral	Don't know	Positive	Negative	Neutral	Don't know
Economnic growth	27%	26%	19%	28%	29%	23%	8%	39%
Employment and labour market conditions	23%	28%	22%	28%	21%	27%	11%	41%
international competitiveness	29%	24%	19%	28%	24%	22%	11%	43%
Your country's global influence	23%	21%	26%	29%	31%	15%	16%	38%
Consumer protection (e.g. for agricultural products)	12%	48%	13%	27%	23%	22%	12%	43%
Environmental standards	12%	46%	16%	27%	18%	19%	20%	44%
Worker's rights/social standards	10%	40%	22%	29%	17%	24%	15%	45%
Cultural diversity	24%	17%	30%	28%	26%	12%	22%	39%
Public services	10%	27%	31%	31%	15%	13%	26%	46%
Democracy	10%	28%	32%	29%	20%	14%	23%	43%
Regulatory sovereignty	9%	37%	22%	32%	17%	22%	15%	47%

Source: Pew (2014).

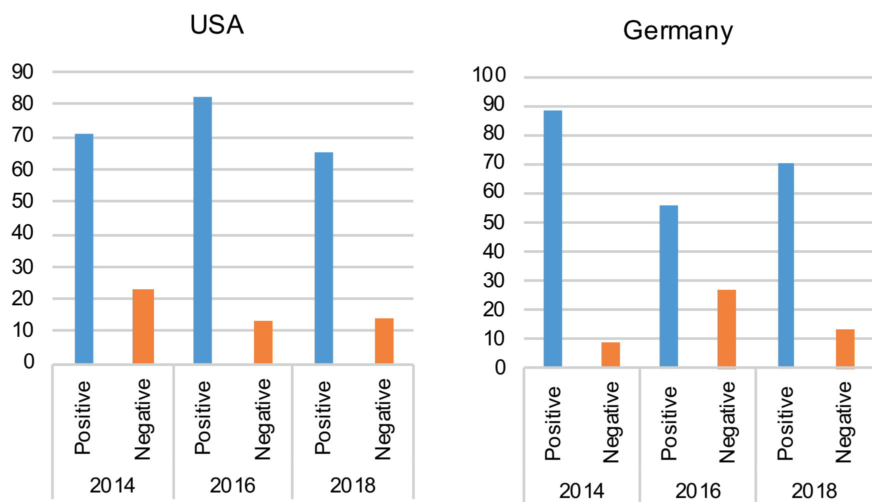
In the course of 2016, the debate on TTIP in Germany became increasingly toxic. Criticism got so widespread, that hardly any political actor was willing to invest political capital in order to save this trade deal. The then minister of economic affairs, Sigmar Gabriel (SPD), who had been defending TTIP for a long time although it was vastly unpopular in his own party, declared in autumn 2016 that the TTIP negotiations were “dead” and “de facto failed”. After this assertion and the election of Donald Trump with his known sceptical stance on international trade as US President, TTIP was frozen as no side saw any likelihood of the talks succeeding.

Implications for current trade talks between the US and the EU

The European Commission learned several lessons from the TTIP experience. First, it realised that the secretive way of holding trade talks prior to TTIP made it easy for critics to spread fears, including inaccurate statements of what is actually subject to the trade negotiations. The publication of negotiation mandates and public statements after negotiations rounds that were introduced in the wake of the TTIP debate increase transparency about what is actually subject to the negotiations and what is not. Second, already during the TTIP debate the EU has moved away from ISDS through private arbitration to a public investment court which is less likely to be perceived as granting corporations special rights. The Commission has also shifted its communication strategy away from highlighting aggregated welfare increases of a trade agreement which can appear rather abstract to laymen but uses a communication strategy that focuses on more tangible gains for local companies instead. These improvements make it easier to dispel some of the fears that have been associated with TTIP.

The TTIP debate risked tarnishing the image of free trade, at least in Germany if not in Europe. As Figure 2 shows, opinions trade suffered a shock from 2014 to 2016 when public support for trade in Germany collapsed from 88% to 56%. It has since recovered and in 2018 stood at 70%. The toxicity of the TTIP debate did not do irreparable damage to the opinions on free trade in Germany. The US, however, has been on an opposite trajectory. Support for free trade was particularly high in (early) 2016 but following the discussions on TPP and Donald Trump’s election, positive opinions on trade were in decline. This might indicate that there might be less appetite in America for trade agreements between the US and the EU in the future. For future trade agreements, it will be important to watch public opinion in particular in France, as the general mood is getting increasingly hostile towards international trade. Bluth (2018) reports survey data showing that French respondents were consistently more negative on trade related questions than the British or Germans. Notably, 27% of French respondents believed that increased trade with the US would harm their economy (compared to 24% in Germany and 11% in the UK). This is also reflected in the hesitancy of the French government to approve the negotiation mandate for the new trade talks before the elections to the European Parliament in May 2019. There is a risk that many of elements that made TTIP unpopular would resurrect themselves once a serious public debate on a TTIP2.0 or TTIP-light would begin.

Figure 2 Public opinion on international trade in the US and Germany over time



Source: Bluth (2018), based on a YouGov survey commissioned by the Bertelsmann Stiftung.

The mandate for the new negotiations foresees to two agreements, one on tariffs on industrial goods and one on conformity assessments.[2] This strategy is clever, for two reasons: First, the talks exclude agricultural products which had been particularly contentious in the TTIP debate. The EU should continue to resist any US temptations to include agriculture of specific agricultural sectors in the agreement as this would likely revive TTIP toxicity. Reducing tariffs on industrial goods is much less controversial the general support for US-EU trade should help obtaining public support for this element. Second, using two distinct agreements except of one makes things easier. An agreement on tariffs would likely not be a mixed agreement, meaning it can be approved by institutions at the European level without involving national institutions. An agreement on regulatory cooperation or conformity assessment is likely to be of mixed nature and hence needs approval on the national level. It is also likely to be

2 At the time of writing, the mandate had not yet been approved by the European Council (05/03/2019)

much more controversial, as the TTIP debate has shown. Splitting the agreement in two should separate the two issues, tariffs and non-tariff barriers to trade and allow to treat them separately. Past experience shows, however, that related but distinct issues are not usually treated separately in heated public debates. Again, excluding agriculture is likely to make it easier to gather political support, as product standards for industrial goods are less likely to incite similar preoccupations as standards for agricultural products did.

A remaining element is the worry that increased trade would lead to adverse labour market conditions and lower labour standards. This criticism will need to be addressed in the debate about a possible new trade deal. The importance the US government has placed on such standards in the United States-Mexico-Canada Agreement (USMCA) shows these concerns are relevant for constituencies.

Conclusion

While the majority of EU citizens remain in favour of trade and trade agreements, opinions vary strongly from one member state to another. For mixed agreements, to which national parliaments need to consent, this adds further stumbling blocks for the ratification process. In the case of TTIP, the strong public opposition in the German speaking countries were the decisive factor to deal a deadly blow to the negotiations. Most of this sentiment was motivated by concerns about the undermining of perceivably higher European standards, most importantly in agriculture and environmental protection. By omitting trade in agricultural goods in the current US-EU trade talks, one important stumbling block has been removed. Other measures adopted by the European Commission in recent trade talks since TTIP also increase transparency and reduce the fear associated with trade talks. Once the ongoing trade talks reach a stage where they are being publically debated, two issues can possibly be contentious: worker rights and conformity assessment. Here, it is important to address public concerns early on to avoid that TTIP toxicity resurrects itself and torpedoes what might be Europe's best chance to avoid a trade war with its most important export market.

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About the author

Christian Bluth is a trade economist in the Bertelsmann Stiftung's Global Economic Dynamics team. His research focuses on trade and public opinion, WTO reform and digital trade. Bluth holds a PhD from the University of Cambridge and is also a guest lecturer at Sciences Po.