TTIP as 21st Century Trade Politics[1]

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Trade policy is commonly understood as the product of competition between export-oriented and import-competing interests. The politics that has emerged early in the Transatlantic Trade and Investment Partnership negotiations, however, reflects a very different cleavage. Transatlantic alliances of transnational firms have emerged as the champions of a far-reaching agreement, while a variety of civic interest groups have formed the principal opposition. This paper contends this distinctive pattern of trade politics is primarily the product of the distinctive degree of interpenetration between the American and European economies. The high-level of interpenetration means that much of transatlantic economic exchange occurs through trade within firms or global value chains or through foreign affiliate sales, which dramatically reducing firm opposition to trade liberalization. The high degree of interpenetration, reflected in generally low tariffs, means that the principle obstacles to trade lie in regulatory differences. Concern about the deregulatory potential of the talks has spurred civic interest engagement. It speculates that misunderstanding the implications of the character of transatlantic economic exchange contributed to the gap between the early expectations of a swift, ambitious deal and more recent assessments of a protracted and limited agreement.

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The Transatlantic Trade and Investment Partnership (TTIP) negotiations, as the world's most ambitious trade agreement between the world's two largest economies, have excited considerable scholarly analysis and commentary. To date that attention has focused overwhelmingly on the issues at stake in the negotiations and has touched on the politics associated with the negotiations only in passing. In these accounts much made of TTIP as 21st century trade policy. Little attention has been paid analytically to what TTIP signifies about new patterns of trade politics. This paper is a preliminary attempt to analyze the politics evident in the early phase of the negotiations and to explore how they differ from the trade politics with which we are familiar.

The central contention of this paper is that existing international political economy explanations of trade policy do a poor job of explaining the emergent politics of TTIP. The existing IPE literature has two blind spots that are particularly significant in the context of TTIP. First, the IPE literature is preoccupied with trade in finished goods between countries while the transatlantic economy is dominated by trade in intermediate goods, trade within firms or global value chains, trade in services and the actives of foreign affiliates. Second, it focuses on tariffs whereas the most important trade frictions in the transatlantic economy are associated with regulatory differences and other behind-the-border policies. As a consequence, conventional accounts of trade politics miss-predict the patterns of support and opposition to TTIP. This paper speculates that these miss-predictions help to explain the gap between the early expectations of a swift, ambitious deal and more recent assessments of a protracted and limited agreement.

The paper begins by taking each of the blind spots in turn; characterizing the central emphases and arguments in the IPE literature and contrasting these with the key features of the transatlantic economy. It then contrasts the predicted patterns of mobilization with those observed during the early portion of the TTIP negotiations. The paper then speculates about how the miss-prediction might have contributed to the mismatch between the expectations for the negotiation and the reality. It concludes by reflecting on how TTIP might provide an insight into a new pattern of trade politics that will require revisiting the existing IPE trade theories.

Two blind spots: Looking the wrong way

I focus on the preferences of societal actors – firms, workers and consumers –for two reasons: one analytical, the other empirical. The analytical reason is that the preferences of economic actors provide the 'foundation' for IPE approaches to trade policy (Lake 2006: 762; Milner 2002: 450). I am therefore challenging a well-established and widely accepted set of assumptions. The empirical reason for looking at preferences is that the TTIP negotiations are still in their early stages. It is not possible to analyze how preferences will be aggregated and tradeoffs made until the negotiations are concluded, but some, at least preliminary, conclusions can be drawn about the patterns of mobilization observed to date as the agenda has crystalized.

I use the term 'blind spots' in the literature advisedly. My intention is to capture something overlooked because the focus is elsewhere. If the focus were corrected, what was overlooked would be revealed. Thus I am not taking issue with the underlying assumptions of the IPE literature – that policy preferences flow from the anticipated costs and benefits of the proposed policy -- but with how its application needs to be better attuned to the distinctive features of the transatlantic economy. In particular, transatlantic trade is not characterized by trade in finished goods among unrelated firms, as is the standard assumption, and regulatory differences are more important obstacles to transatlantic trade than tariffs, the traditional focus. As I will explore in the following section of the paper, these differences have significant implications for the pattern of mobilization for and against TTIP.

Focus on finished goods: Explaining the last war

Traditional trade theory, based on comparative advantage in finished goods, takes the country/state as the unit of analysis (Ciuriak et al forthcoming: 5-6; WTO 2013: 87-88). The central assumption is that trade policy preferences reflect the anticipated costs and benefits of the proposed policy (Milner 2012: 724). The central debate has been about whether trade policy preferences break-out along factor lines as suggested by the Hecksher-Olin Model or along sectoral (specific-factor) lines as suggested by the Ricardo-Viner Mode (Mansfield and Mutz 2009:426; Oatley 2012: 70-9; Hiscox 2011: 99-102; see also Milner 2012: 724; Rodrik 1995: 1459). The critical difference underpinning these cleavages is how readily factors of production -- capital and labor – can move between activities.

Where factor mobility is high – that is neither capital nor labor is particularly specialized –the relatively abundant factor will gain from trade (specialization), while the relatively scarce factor will lose. Mobilization, therefore, occurs essentially along class lines. With the expectation that in advanced developed economies, such as those of the EU and US, that are relatively capital rich, capital will favor liberalization and labor oppose it.

Where capital and labor are more specialized, they cannot easily be moved between activities, the interests of capital and labor within a specific industry are expected to align. Export-oriented industries and their workers are expected to favor trade liberalization, while import-competing industries and their workers are expected to resist it. This specific factor model, the so-called ‘new trade theory’, is ‘now assume[d] routinely’ to be the most appropriate way to think about trade policy preferences in advanced economies (Hiscox 2011: 101).

The specific factor model, however, does a poor job of explaining intra-industry trade, which has characterized trade among developed countries (Cohen 2012: 171; Hiscox 2011: 101).

Efforts to explain intra-industry trade – what some call the 'new new trade theory' -- have focused on firms as the key unit of analysis (Ciuriak et al forthcoming: 5-6; Gilligen 1997a: 464; see also Milner 1988: 20; Kim 2014: 3; WTO 2013: 87-88). Here trade preferences are distinct to firms (and their associated workers) and reflect their relative productivity; how competitive they are. Firms within the same sector, therefore, are expected to have heterogeneous trade policy preferences. Consequently, trade policy coalitions in intra-industry trade should be made up by individual firms, not industries (Gilligen 1997a: 466; see also Ciuriak et al forthcoming: 22). Liberalizing intra-industry trade is seen as creating less disruptive than inter-industry trade liberalization as it is easier to transfer skills and capital between firms in the same industry than between different industries because even specialized factors can move relatively easily between firms in the same industry, As liberalizing intra-industry trade prompts less conflict than liberalizing inter-industry trade, it is thought to be politically easier to agree (Cohen 2012: 171; Grieco and Ikenberry 2003: 53; Milner 2012: 723).[2]

The IPE models of trade policy preferences, however, still focus on finished goods and ignore intermediate goods (Lanz and Miroudot 2011: 23; Rodrik 1995: 1482). Trade in intermediate goods, either within firms or through global value chains, however, is becoming increasingly important (Hoekman 2014: 15; UNCTAD 2013: 122). In 2012, 51 percent of transatlantic trade was in intermediate goods and another 25 percent of transatlantic trade was in capital goods (Lakatos and Fukui 2013: 6). This means that many firms are importing materials – capital equipment and inputs -- for making other things. Such firms should be expected to favor trade liberalization as a means of boosting their competitiveness.

[2] Gilligen (1997a: 463) accepts that the costs of adjusting to liberalization are less in intra-firm trade than under inter-industry trade, but may still be non-trivial for individual firms.

Moreover, both intra-firm trade and supply chain trade are closely related to foreign direct investment (Hoekman 2014: 18; UNCTAD 2013: xxii).[3] As the European companies accounted for 64 percent of the stock of inward FDI in the US and American companies accounted for 46 percent of the inward stock of FDI in the EU from outside the EU in 2010 (Lakatos and Fukui 2013: 2), it should come as no surprise that intra-firm trade is central to transatlantic trade. In 2012 half of all transatlantic trade occurred between related parties, although intra-firm exports accounted for 62 percent of EU exports and only 32 percent of US exports (Lakatos and Fukui 2013: 3). In the transatlantic economy firms are not trading with other countries, but with themselves.[4] For obvious reasons, such firms should be expected to favor trade liberalization.

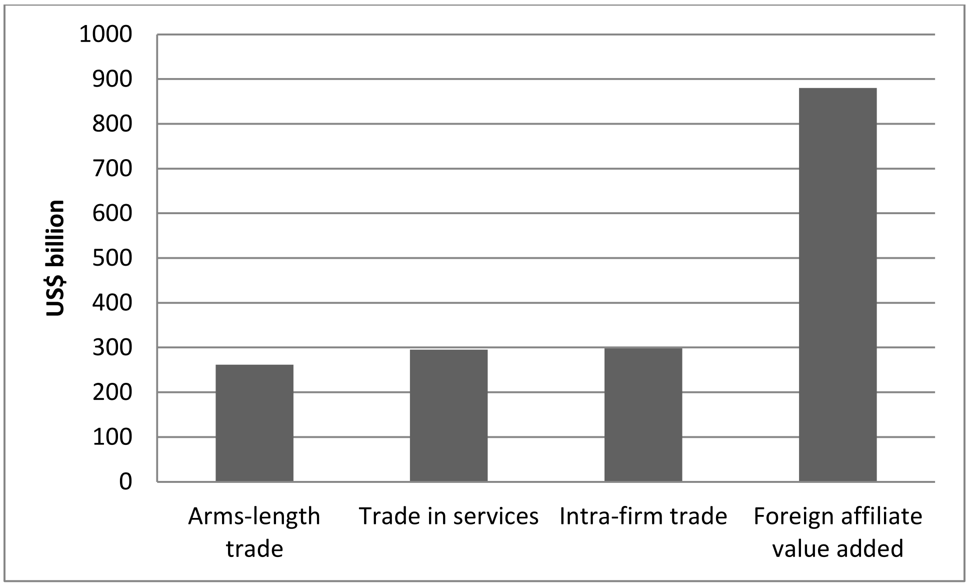
Despite the high proportion of transatlantic trade that occurs within firms, transatlantic FDI is primarily horizontally organized, that is, motivated by securing market access rather than by reducing production costs (Lakatos and Fukui 2013: 3). This horizontal organization is reflected in transatlantic foreign affiliate sales dwarfing transatlantic trade. Sales of transatlantic foreign affiliates in 2012 were worth more than four times transatlantic trade (Hamilton and Quinlan 2014: 19). Much transatlantic economic activity, therefore, is not traded in the conventional sense.

Figure 1 helps to give some sense of the mismatch between IPE's focus on trade in finished goods between unrelated parties and the interconnected transatlantic economy. I use value-added by foreign affiliates because this avoids double counting goods that are traded and then sold by the foreign affiliate. I also include trade in services, which is also neglected by the

[3] Transnational corporations typically coordinating global value chains TNC-coordinated GVCs account for some 80 per cent of global trade (UNCTAD 2013: xxii).
[4] Attention to supply chain trade is quite recent and the focus of existing literature primarily on what GVC means for trade policy rather than trade politics (see, for example, Ciuriak et al forthcoming; Lanz and Miroudot 2011; OECD, WTO, UNCTAD 2013: 19).

IPE trade literature as it is unaffected by tariffs. If anything, Figure 1 overstates the relevance of IPE assumptions, because less than a quarter of the arms-length trade is in finished goods (Lakatos and Fukui 2013: 6). Thus transatlantic economic activity is very different from that assumed in IPE trade theory. As a result, there preferences regarding trade liberalization are different too.

Figure 1: Components of transatlantic economic exchange (2010)



Sources: Own calculations based on Lakatos and Fukui (2013: 2) for intra-firm trade and value-added by foreign affiliates; USTR (2012: 133) for total trade and USTR (2013: 143) for trade in services.

Focus on tariffs: It's the regulations, Stupid!

The second blind spot associated with the existing IPE literature on trade is that it seeks overwhelming to explain tariff levels (Hiscox 2011; Mansfield and Busch 1995: 723; Milner 2002: 449; Oatley 2012; Rodrik 1995). Some scholars acknowledge that as tariffs have fallen, non-tariff barriers have become more important, but when they discuss non-tariff barriers they usually mean traditional trade instruments, such as anti-dumping, quantitative restrictions, and voluntary export restraints (Mansfield and Busch 1995: 724; Milner 2012: 722). Grieco and Ikenberry (2003: 44) are unusual in mentioning in their IPE text book *States Power + World Market* that regulations can be an instrument of trade protection, but do not discuss them further. The existing IPE literature, therefore, neglects the politics associated with addressing regulatory differences. This lacuna in the IPE literature, however, was not particularly problematic until recently.

Although, in part as a result of the success multilateral trade liberalization in reducing tariffs and quotas, domestic regulations have emerged as a significant barriers to trade in goods (OECD 2000; USTR 2001; WTO 2012: 37), until very recently trade negotiations continued to focus primarily on traditional trade barriers. Such efforts as there were within the multilateral context focused on establishing disciplines on domestic regulation rather that actively trying to reduce differences. Beginning in the mid-2000s, however, addressing regulatory differences has moved up the trade policy agenda (with respect to the EU see Young forthcoming).

The lack of attention to regulatory differences is particularly problematic in the context of TTIP, where addressing regulatory differences is the focus (Lester and Barbee 2013: 848). In part because of relatively low tariffs and in part because both the EU and the US having highly developed but distinct regulatory approaches, regulatory differences are the most significant obstacles to transatlantic trade (ECORYS 2009: xiii; HLWG 2013: 3). In fact, the widely cited CEPR (2013: vii; 28) study estimating the impacts of TTIP concluded that in their ambitious scenario 80 per cent of the gains would come from addressing non-tariff barriers despite that scenario assuming the elimination of all tariffs, the reduction of public procurement costs by half and the reduction of costs associated with regulatory barriers by only one quarter. Regulatory differences, therefore, are critical to TTIP, but neglected by the IPE trade literature.

This neglect is significant because the dynamics of regulatory cooperation are fundamentally different from those associated with tariffs. In traditional trade negotiations, the parties offer reciprocal concessions on market access; trading domestic liberalization in one area for foreign liberalization in another (Oately 2012: 53). Such reciprocal exchanges, however, can be problematic when dealing with regulatory differences, particularly those stemming from risk regulations, because the adverse trade effects of domestic regulations are usually side-effects of realizing other policy objectives. Regulatory cooperation, therefore, focuses on how to liberalize trade while still achieving the underlying public policy objectives (OECD 2013: 15).

Although the IPE trade literature has overlooked the political dynamics of regulatory cooperation, there is an emerging IPE literature that seeks to explain cooperative regulatory outcomes. This literature suggests that regulatory coordination is politically more complicated than traditional trade liberalization for several reasons, two of which are directly related to the preferences of societal actors (for a wider discussion see Young forthcoming).

First, this literature tends to assume that the means to square the circle between realizing domestic policy objectives and liberalizing foreign trade is through harmonization – the adoption of a common rule by both parties (Koenig-Archibugi 2010: 416). This has important implications for assumptions about the preferences of firms. The critical issue is the question of which party's rule would be adopted as the common one. While export-oriented firms on both sides would gain from having to deal with only one rule, both each would prefer to avoid incurring the costs of adjusting to a new rule (Büthe and Mattli 2011: 12; Drezner 2007: 45-7). As a consequence, regulatory coordination may impose adjustment costs on export-oriented firms, the traditional supporters of liberalization, as well as import-competing ones. As a consequence, their support may well be more conditional than in a traditional trade negotiation (Drezner 2007; Woll 2008).

The second reason that the politics of regulatory cooperation differs from that of traditional trade policy is the role of citizen interests. In traditional trade politics, individuals' trade policy preferences are assumed to reflect their interests as workers (Mansfield and Mutz 2009: 427).[5] Consumers qua consumers are usually neglected in IPE accounts of trade policy (Gilligen 1997a: 465). Although they are generally assumed to favor liberalization, because they stand to benefit from lower prices and/or greater choice, they do not have a sufficient stake to overcome the collective action problem and lobby for liberalization. This assumption, however, does not hold with respect to regulatory cooperation. While traditional liberalization tends to bring only benefits to consumers, regulatory coordination potentially also bringing costs in the form of less safe or more environmentally harmful products.[6] This gives regulatory cooperation greater salience for citizens than traditional trade policy, as is evident in the greater engagement of consumer and environmental groups since the 'deep trade agenda' emerged in the mid-1990s (see Young and Peterson 2006: 800-2). While some societal actors may see regulatory cooperation as a means of upgrading domestic protections (e.g., Sierra Club 2013: 4), consumers, like firms, tend to prefer the rules with which they are familiar (AFL-CIO et al 2014).[7] Consequently, actors that are usually ignored in the IPE literature on trade are actively engaged on regulatory cooperation.

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[5] Using surveys conducted in mid 2000s that equated trade policy with tariffs, Mansfield and Mutz (2009: 427) found that workers preferences for trade liberalization do not seem to reflect self-interest along the lines of either the factor or sectoral model, rather they reflect perceptions of how trade affects the economy as a whole and on out-group anxiety (isolationism and negative attitudes to other ethnic and racial groups).

[6] The European Consumer Organization (BEUC 2014), for instance, has welcomed the prospect of lower tariffs in the context of TTIP, but is concerned about the deregulatory impact on consumer protection.

[7] Pew Research Center (2014a: 14).

Although offering some insights into the preferences of actors, the existing literature on regulatory cooperation suffers from assuming that the objective is harmonization. International regulatory cooperation, however, has moved away from harmonization to more flexible forms of regulatory cooperation, because harmonization has proved politically and administratively difficult (OECD 2013: 50). Despite many casual assertions about TTIP harmonizing, rules (see, for example, Cardoso et al 2013: 4; Lakatos and Fukui 2013: 10), the High Level Working Group (HLWG 2013: 4-5) that prepared the TTIP negotiations proposed "…where appropriate, harmonization of future regulations, and to resolve concerns and reduce burdens arising from existing regulations through equivalence, mutual recognition, or other agreed means, as appropriate" (emphasis added).[8] The literature on the politics of equivalence, as opposed to the administrative requirements, however, is underdeveloped. Following the logic of trade policy preferences, however, would suggest that firms should favor equivalence as it secures greater market access without incurring adjustment costs. Consumers, by contrast, would be expected to view equivalence with even greater suspicion than harmonization as firms would be able to choose with which jurisdiction's standard to comply.

Take away

Thus, neither the trade nor the regulatory cooperation literatures provides an account of the politics surrounding the center piece of the TTIP negotiations. Their insights, however, have been applied and without due consideration of the distinctiveness of the problem characteristics. Consequently, the politics of TTIP does not look like what we would expect to see.

[8] Moreover, a review of the position papers submitted by industry associations on regulatory cooperation reveals that harmonization is very much the exception. Farm interests (e.g., American Beekeeping Federation et al 2013) advocate harmonization as do the pesticide manufacturers (ECPA and CLA 2014), but others do not (see below).

The puzzling politics of TTIP

Seen in the light of the literature discussed above there are two particularly striking puzzles about the politics surrounding TTIP. The first is the emergence of transatlantic alliances between industry associations, labor unions and civic interest groups. The second puzzle is that the principal domestic cleavage in both polities, albeit more acutely thus far in Europe, is between business and civic interest groups. The prevailing trade policy literature would expect rivalry between firms and workers from the two polities and internal cleavages between export-oriented firms and their workers and import competing firms and their workers. The rest of this section describes the observed patterns of politics and proffers explanations.

Alignment not rivalry

The traditional depiction of trade negotiations, sees bargaining as reciprocal negotiations where demands for greater market access by one side are resisted by the other. Agreement, should it come, consists of trading off concession in one are for gains in another. The expectation, therefore, is that firms in the same industry in the different parties will be rivals, with opposing preferences.

This is not, however, the dominant dynamic of TTIP. In the run-up to the decision to launch the negotiations, leading American and European manufacturing and services associations—including in automobiles, chemicals, pharmaceuticals, financial services, and insurance—as well as horizontal business groups submitted joint proposals for easing regulatory barriers (see Table 1). These alliances exist even in textiles and clothing, an area traditionally associated with protectionist interests (AAFA and EURATEX 2014; AAFA, EBCA and USFIA

2014.).[9] In subsequent months, the leading trade union confederations of the two sides – the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) and the European Trade Union Confederation (ETUC) – agreed a joint position paper (AFL-CIO and ETUC 2014), as did more than 150 consumer, environmental, labor and other civic groups (AFL-CIO et al 2014) (see Table 1). Thus the politics of TTIP is distinctly transnational.

There is, however, one glaring exception to this transnationalism: agriculture. There are no transatlantic alliances among farmers, although there is one amongst the agricultural biotechnology companies. The farm groups on each side advance rival objectives, while rejecting concessions. A diverse array of US agricultural interests view the negotiations as the last, best hope of addressing European food safety measures, such as prohibitions on the use of growth hormones and chemical washes to remove pathogens; low tolerances for pesticide residues; and slow approval of genetically modified crops (American Beekeepers Federation et al 2014). This demand was rejected out of hand by European farmers (Copa-Cogeca 2014). Who, in turn, want to secure enhanced protection of geographical indications, such as feta, which the US considered generic terms, and which American farmers reject. The politics of agriculture appears much more like what we are used to seeing even if the focus is on regulations rather than tariffs (or subsidies).

[9] The two, overlapping, transatlantic alliances both favor the elimination of tariffs and move to reduce regulatory barriers. The National Council of Textiles Organizations (NCTO) did not join either alliance apparently due to differences in how the US and EU approach rules of origin. (*Inside U.S. Trade*, 30 May 2014).

Table 1 TTIP Transatlantic regulatory alliances

Agriculture	EuropaBio and BIO
Manufacturing	Active Pharmaceutical Ingredients Committee (APIC) / European Fine Chemicals Group (EFCG) / Society of Chemical Manufacturers and Affiliates (SOCMA) American Apparel & Footwear Association (AAFA) / European Apparel and Textile Confederation (EURATEX) American Apparel & Footwear Association (AAFA) /European Branded Clothing Alliance (EBCA) / the United States Fashion Industry Association (USFIA) American Automotive Policy Council (AAPC) /European Automobile Manufacturers Association (ACEA) Association of the European Self-Medication Industry (AESGP) / the Consumer Healthcare Products Association (CHPA) COCIR (European medical technology industry) / Medical Imaging & Technology Alliance (MITA) Cosmetics Europe / Personal Care Products Council Crop Life America / European Crop Protection Association European Chemicals Industry Council (CEFIC) / American Chemistry Council (ACC) European Generic Medicines Association (EGA) / Generic Pharmaceutical Association (GPhA) Motor and Equipment Manufacturers Association/ European Association of Automotive Suppliers Pharmaceutical Research and Manufacturers Association (Pharma) / European Federation of Pharmaceutical Industries and Associations (EFPIA)
Service	European Service Forum / Coalition of Service Industries EU-US Coalition on Financial Regulation Express Association of America / European Express Association
Horizontal business	Business Roundtable / Transatlantic Business Dialogue / European Roundtable BusinessEurope / US Chamber of Commerce
Labor	American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)/ European Trade Union Confederation (ETUC)
Civic interests	73 US NGOs including Consumer Federation of America, Consumers Union, Friends of the Earth US; Greenpeace US, Sierra Club 90 EU NGOs including European Environmental Bureau, European Public Health Alliance, Friends of the Earth Europe

Source: Submissions in response to the Joint EU-US solicitation on regulatory issues issued by DG Enterprise/DG Trade and OIRA/USTR, which was completed on October 21, 2012. Available via http://ec.europa.eu/enterprise/policies/international/cooperating-governments/usa/jobs-growth/. Accessed November 15, 2013. Also: AFL-CIO and ETUC 2014; AFL-CIO et at 2014; ECPA and CLA 2014; AAFA and EURATEX 2014; AAFA, EBCA and USFIA 2014.

The most plausible explanation for the emergence of transatlantic alliances lies in the complex interpenetration of the transatlantic economy described in the previous section. Due to the extensive transatlantic FDI, there are numerous companies operating on both sides of the Atlantic. This interpenetration is evident the overlapping membership of the associations that comprise the transatlantic alliances (see Table 2). The congruence of preferences in the transatlantic alliances is due to them being dominated by the same firms.[10] In addition, as intra-firm trade accounts for half of transatlantic trade and as three-quarters of transatlantic trade involves capital equipment or inputs, firms on both sides have an incentive to see lower barriers.

The exception of agriculture lends credence to this explanation. Agriculture is strikingly different from the industries represented in the transatlantic alliances in two reinforcing ways. First, there is very little foreign direct investment in agriculture. At the end of 2012 less than 1 percent of US farm land was owned by foreign investors.[11] Second, intra-firm trade counts for a relatively small proportion of agricultural trade (Lakatos and Fukui 2013: 16). Third, agricultural trade is dominated by trade in finished goods. As a result, agricultural trade, unlike trade in manufactures, does not occur within firms or global value chains and does not involve the same companies on both sides of the Atlantic. With the exception of agriculture, therefore, to a significant extent European and American firms are not trading with foreign countries but engaging with themselves. In this context the congruence of preferences across the Atlantic, and thus transatlantic coalitions, makes sense.

[10] Degree of overlapping membership/dominance of TNCs may also explain why we observe industry (rather than firm level) mobilization cooperation.

[11] Foreign investors held 2.0 percent of all privately held agricultural land in the United States. Forest land accounted for 52 percent of all foreign held agricultural acreage, cropland for 19 percent, and pasture and other agricultural land for 26 percent (USDA, 'Foreign Holdings of U.S. Agricultural Land Through December 31, 2012).

Table 2 Overlapping memberships in select transatlantic alliances

	Automobiles	*Chemicals*	*Pharmaceuticals*	*Express Services*
Number of companies belonging to both associations	3	62	23	4
Share of EU association's companies belonging to American associations	ACEA 20% + 5 (33%) with production in US	CEFIC 57% of corporate members 11% of corporate and business members	EFPIA 58%	EEA 100%
Share of US association's companies belonging to European association	APCC 100%	ACC 41%	Pharma 64%	EAA 100%

Sources: Own calculations based on information on association webpages

The adoption of common positions in the transatlantic alliances was further facilitated by an emphasis on means of addressing regulatory barriers other than through harmonization. In many cases, most notably automobiles, they proposed that both parties accept the others' rules, regulatory decisions, and inspections as equivalent in effect. Transatlantic alliances also advocated harmonizing the information required for regulatory approvals. Firms thus largely avoided the uncertainty and /or adjustment costs associated with harmonization.[12] Consequently, there was a largely unified push from firms on both sides of the Atlantic. This advocacy has been dominated by transnational corporations, but there has also been strikingly little opposition

[12] The notable exception is in pesticides, where the two associations want harmonization of maximum residue levels (ECPA and CLA 2014). Here what they want is harmonization on the higher, US residue level, which would help to boost sales of their products in both markets and would not impose adjustment costs on either party (harmonization on EU residue levels would).

from other firms.[13] Thus business interests on both sides of the Atlantic have strongly supported liberalization through TTIP.

There has also been relatively muted, or at least targeted, opposition from trade unions. The AFL-CIO (2013: 3), for instance, indicates that 'increasing trade between the United States (U.S.) and the European Union (EU) *could* have positive impacts on job creation and income growth for America's workers,' although it expresses doubts about whether that will happen. Individually and with the ETUC (AFL-CIO-ETUC 2014), its principal concern is not with traditional trade liberalization. It opposes increased competition in services and public procurement, which is essentially a traditional concern about increased competition, but not one associated with traditional trade policy. The labor unions also have non-trade concerns, opposing deregulation through regulatory cooperation and binding investor-state dispute settlement (ISDS). This relative lack of opposition to traditional trade liberalization is consistent with the expectations extrapolated from the IPE trade literature on intra-industry industry trade. The transatlantic relationship is dominated by intra-firm, let alone intra-industry trade, which greatly mitigates the adjustment costs for workers.[14] In addition, the concerns about social and environmental dumping that complicate trade negotiations with developing countries are largely

[13] Based on an assiduous reading of *Inside U.S.* Trade (November 2011 – February 2015). The Coalition for a Prosperous America, an alliance of agriculture, manufacturing and labor interests has taken positions opposing the Trans Pacific Partnership, but not TTIP (based on a search of its website http://www.prosperousamerica.org/trade_agreements on 21 Feb. 2015).

[14] The CEPR (2013: vii, 71) study, using CGE modelling, predicted a small increases in the wages of more and less skilled workers in both economies and that Labor displacement -- number of people would have to change jobs and move from one sector to another -- would be very small (0.2 to 0.5 per cent of the EU labor force). CGE modeling in the context of TTIP has been criticized for its assumption of full employment (see *Inside U.S. Trade*, 9 Jan 2015), but what is relevant for my point is the low number of workers expected to have to change jobs between industries, which is the focus of CGE models.

absent.[15] Consequently, the traditional trade agenda has not provoked the traditional opposition from labor unions on either side of the Atlantic.

With respect to the traditional trade actors, those that have preoccupied the IPE trade literature, the politics of TTIP are quite benevolent. There is broad and deep support for an ambitious agreement from business associations on both sides of the Atlantic. Rather than these associations being rivals, they have formed alliances to advance common positions. At the same time, there has not been any visible push back from less-internationally oriented domestic firms. Further, the opposition of labor unions has been targeted. Looking at the traditional trade actors, particularly the unprecedented alignment among firms, therefore, gives the impression that TTIP should be an unusually easy agreement to conclude.

The wrong cleavage: Business versus the rest

The opposition to TTIP, however, has come not from the traditional trade actors, but from consumer and environmental organizations, as well as traditional trade actors, such as the labor unions having concerns about the more ambitious behind-the-border measures. While these civic interest groups have expressed procedural concerns about the negotiations – about transparency, participation and scope for democratic oversight – their motivating concerns are to do with preserving cherished public policy objectives.

These civic interest groups' demands cluster in three broad areas. First, they generally oppose regulatory cooperation, preferring to preserve regulatory autonomy, although some American groups see TTIP as an opportunity to up-grade existing labor (AFL-CIO 2013) or environmental (Sierra Club 2013) regulations. For the most part civic interest groups view

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[15] "Time for EURAFTA? A European Union-American Free Trade Agreement," *Washington Post*, 10 February 2013; comments by a German diplomat, Atlanta, 12 Sept. 2013.

regulatory cooperation, particularly the establishment of equivalence, as a deregulatory move to the benefit of transnational companies (TACD et al 2013: 1; AFL-CIO/ETUC 2014: 3). Second, they oppose including an investor-state-dispute-settlement clause in the agreement. Although they have many specific objections to ISDS, the principal concern is that ISDS gives transnational companies an additional instrument for challenging national regulations that they dislike (TACD et al 2013: 1; AFL-CIO/ETUC 2014: 4). The third area of concern is with the liberalization of services, particularly services in the general interest (AFL-CIO/ETUC 2014: 4).[16] Here the concern is that TTIP will introduce privatization and competition into service s – such as health care and water – in such a way that prices will rise and/ or service quality will fall or at least become narrower. In general there is a concern that TTIP will benefit transnational corporations to the detriment of citizens.[17]

While these issues appear among the concerns in submissions by NGOs on both sides of the Atlantic, the level of concern is much more pronounced in Europe.[18] There their concerns seem to be having real political significance. In the face of vociferous opposition to ISDS, the Commission to the unprecedented step of taking the issue off the negotiating table while it conducted a public consultation, although the overwhelming (if monochrome) opposition to ISDS revealed in the consultation does not seem to have caused the Commission to abandon

[16] See, for instance, P. Inman and L. Elliott, 'TTIP Under Pressure From Protesters as Brussels Promises Extra Safeguards,' *The Guardian*, 19 February 2015.

[17] An NGO coalition led by the Transatlantic Consumer Dialogue (TACD et al 2013: 1), states, 'We are concerned that the process leading to the launch of [TTIP} negotiations has been dominated by transatlantic business interests, which appear intent on undermining the strongest public interest safeguards on either side of the Atlantic with which their products and operations must now conform. The AFL-CIO/ETUC (2014: 1) joint position states: 'Global corporations long have wanted to "overcome regulatory sovereignty," and the current trade rules have made steps in that direction. This is why the TTIP rules are critical: Will they replace corporate hegemony with trade rules that promote human dignity and democratic ideals as they promote economic efficiency and inclusive economic growth? Or will they enshrine trade rules that have promoted a race to the bottom in wages, rights and regulatory protections?'

[18] Comments by a US business leader, Atlanta, 10 Sept. 2014. While TTIP a 'political issue' in Europe, it was still 'below the waterline' in the U.S. Comments by a member state diplomat, Atlanta, 28 May 2014.

discussion of ISDS (Commission 2015: 27-8). Civic interest concerns also seem to be resonating in the European Parliament. These concerns have real political significance as they are resonating in the European Parliament. The European Parliament's (2012: 7) initial resolution endorsing the launch of the TTIP negotiations, included the qualifier 'While supporting EU interests in fields such as environmental, health and animal protection standards, food safety, cultural diversity, labour rights, consumers' rights, financial services, public services or geographical indications, among others ….(emphasis added). It did not, however, mention investor state dispute settlement. A draft resolution being prepared by the Parliament's Committee on International Trade in early 2015 restates the need to protect the right to regulate using the precautionary principle; describes liberalization of public services as 'non-negotiable'; and characterizes ISDS as unnecessary, but if it is included it would require significant reform, indicating that a state-to-state would be preferable if domestic avenues of recourse are exhausted (Lange 2015: 5-7).[19] The more vociferous opposition in Europe, therefore, has clearly begun to complicate the politics of TTIP by raising the stakes for making concessions for American demands. It is thus in Europe that the full spectrum of 21st century trade politics is most on display.

There is thus a question about why TTIP has been less controversial (at least thus far) in the US. It would not seem that it is due to American's being more favorably disposed towards trade in general than Europeans. In fact, of the seven EU member states included in the 2014 Pew Global Attitudes Survey, only Italians expressed a less positive view of trade than Americans.[20] This suggests that the differences in transatlantic mobilization are specific to the character of

[19] A bill was introduced in the House of Representatives in February would preclude the president negotiating agreements including ISDS (*Inside U.S. Trade*, 20 Feb. 2015).
[20] 68% of Americans said that 'trade and business ties' with other countries were 'very good' or 'somewhat good' for their country. This compares to 91% of Spaniards; 90% of Germans; 89% of Greeks; 88% of the British; 78% of Poles; 73% of the French; and 59% of Italians. Own calculations based on the Pew Research Center (2014b: 33).

TTIP. One possible reason is that regulatory alignment poses less concern for Americans. This may reflect two possibilities. There is a general view among NGOs on both sides of the Atlantic that European regulations are more stringent than American ones. Alignment to European standards might therefore be considered beneficial (AFL-CIO 2013; Sierra Club 2013). For the Europeans aligning with American standards, particularly with respect to food safety, is equated with deregulation.[21] In addition, both sides might assume that American preferences are likely to prevail, which would eliminate the concern about the unfamiliar for the Americans, but heightens it for the Europeans.[22] Concern about the US's greater bargaining power may explain why the Comprehensive Trade and Economic Agreement with Canada did not provoke the same concerns in Europe even though it dealt with many of the same issues. Another reason is that ISDS has been a particularly European problem. Twenty-three of the 26 ISDS cases filed against developed countries in 2013 were against EU member states (UNCTAD 2014: 124).[23] In addition, many more services are publicly provided in Europe than in the US, and Americans are more used to private competition alongside public provision, for example in higher education. As a consequence, TTIP does not seem to pose as large a threat to cherished policies in the US as it does in Europe. Consequently, it has been less of a hot button issue in the US.

Concern about trade liberalization in the US, rather than being focused on TTIP, is concerned with the Trans-Pacific Partnership, which involves a number of developing countries and where

[21] Comments by British, French and German diplomats about European public sensitivity to aligning food safety standards, Atlanta, 12 Sept. 2013.

[22] A Pew Research Center (2014a: 12, 14) poll found that 76% of Americans support making product and service regulations more similar compared to 45% of Germans. At the same time Americans prefer US standards, while Germans prefer European ones. The American responses can only be squared if their assumption is that US regulations would be exported. The German responses are consistent with a concern that European standards would have to change.

[23] It is worth noting, however, that all In all but one instance these cases were brought by EU nationals under intra-EU BITs or Energy Charter Treaty (UNCTAD 2014: 125).

the negotiations are more advanced (*Inside U.S. Trade*, 23 Jan. 2015).[24] In the US the opposition to TPP has manifested as opposition to granting the president Trade Promotion Authority, commonly known as fast-track, which means that ratification would be by a straight up and down vote by Congress, rather than the usual legislative process.[25] Even though the intensity of how the concerns are being articulated at the moment is different, there is a striking similarity in the concerns across the Atlantic, and these are resonating in the respective legislatures.

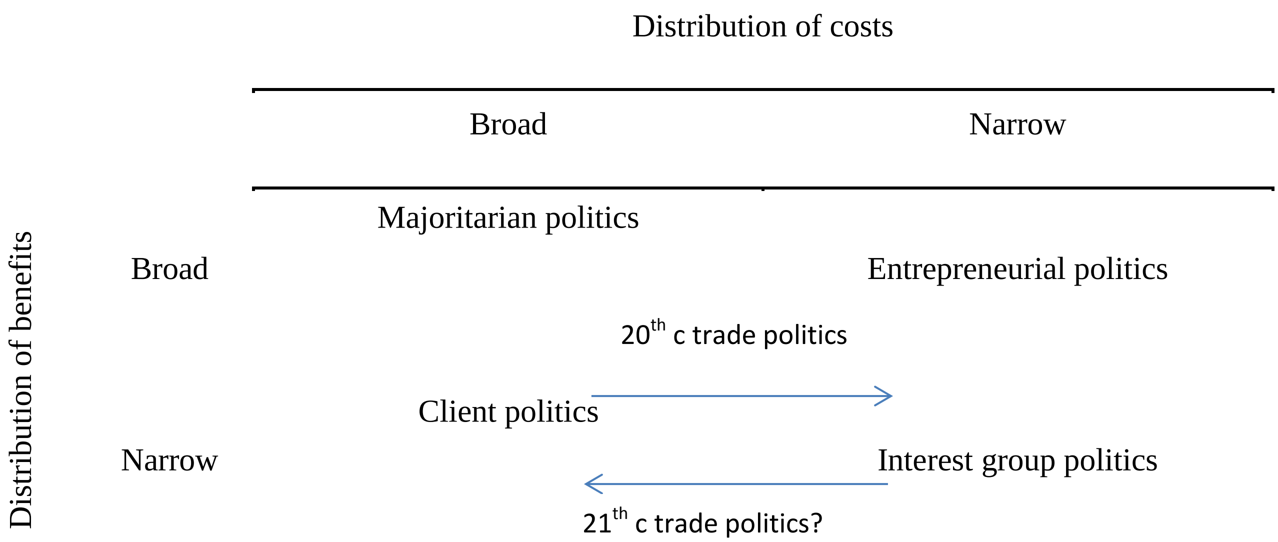
Rather surprisingly, this new cleavage in response to the 21st century trade agenda looks rather retro. In addition to the increasing importance of specialization affecting trade policy preferences (the shift to factor-specific production discussed earlier), the other defining shift in 20th century trade politics was towards reciprocal trade negotiations. When trade policy was a unilateral decision, the benefits of protection were concentrated and the costs diffuse, which produced clientalistic politics (see Figure 2), making liberalization very hard as there was mobilized support only for protection. The decision to make trade negotiations reciprocal, initially in the 1934 Reciprocal Tariff Act (RTAA), however, created incentives for export-oriented firms to mobilize in favor of domestic liberalization that could be traded for greater foreign market access. This created interest group politics (Gilligen 1997b: 34; Goldsetin 1993: 20; Lowi 1964). This is the export-oriented versus import-competing interest story that informs the IPE literature on trade policy. In TTIP firms on both sides are aligned in favor of liberalization – the benefits are concentrated. The costs, however, are diffuse, with opposition coming from civic interest groups. Societal mobilization in TTIP, therefore looks like the more

[24] See also H. Meyerson, 'Free Trade and the Loss of U.S. Jobs,' *The Washington Post*, 14 Jan. 2014. An article on President Obama trying to boost support of his trade agenda in the *New York Times* (J. Hirschfeld Davis, 'Obama Promotes Benefits of Trade Deals for Workers and Smaller Businesses,' 26 Feb. 2015) made one passing reference to TTIP, with the remainder of the article focused on TPP. Senator Elizabeth Warren wrote an op-ed critical of ISDS, but discussed it with reference only to TPP ('The Trans-Pacific Partnership Clause Everyone Should Oppose,' *The Washington Post*,' 25 Feb. 2015.

[25] Interviews, Commission official, Atlanta, 8 May 2014; and a U.S. business leader, Atlanta, 4 Feb. 2014.

class-based and clientalistic politics that characterized the pre-war period. Concerns about the clientalistic character of trade policy are evident in demand on both sides of the Atlantic for greater transparency in the negotiations and greater roles for legislatures.

Figure 2 Changing domestic political dynamics



Source: Wilson (1980).

Speculation: Dashed expectations

The two political puzzles of TTIP have contrasting implications for the prospects of the negotiations. The high degree of economic interpenetration and associated congruence of firm preferences in favor of liberalization plus lack of concern about social dumping suggests an easy negotiation. The mobilization of non-traditional trade groups in response to the regulatory agenda, including ISDS and services, however, makes the politics of an agreement much more challenging.

The rosier assessment of the prospects prevailed in the early days of the negotiations (see also Lester 2014). United States Trade Representative Michael Froman (2013) called for completing the negotiations 'on one tank of gas.' The initial aspiration was to conclude the agreement by the end of 2014. The negotiations, however, have provoked much more and wider opposition, at least in Europe, than expected. A senior European trade official, nine months after the launch of the negotiations, indicated that the talks were proving so difficult, that it would not be worth persevering if not for the 'geostrategic' benefits of shaping global rules.[26] Popular opposition to ISDS in Europe certainly seems to have come as a surprise to the trade negotiators.[27] In the early stages of the negotiation there was certainly greater emphasis on the upside and less attention to the latent, but predictable, public opposition. Such optimistic assessments may have reflected the dominance of trade officials in the early stages of the negotiations.[28].

Conclusions

This paper has argued that the TTIP negotiations are characterized by distinctive politics that are unlike those that have surrounded pervious trade agreements. These distinctive politics are the product of the unusual preferences and patterns of mobilization associated with the negotiations. These unusual preferences and patterns of mobilization, in turn, stem from the uniquely high degree of interpenetration between the economies and the emphasis on addressing non-

[26] Comments, Atlanta, 7 March 2014.

[27] Interview, member state official, Atlanta, 4 February 2014. A senior member state diplomat did not anticipate any domestic problems with TTIP given bipartisan domestic support for trade liberalization (Interview, Atlanta, 3 March 2013).

[28] A European official based in Washington dealing with regulatory issues did not know on the eve of the release of the High-Level Working Group report whether it would be released because the discussions were being handled closely by the trade officials (Interview, Atlanta, 2/12/13). This is consistent with a member state trade official acknowledging that they were still working out how to integrate regulators into the negotiations after the HLWG *had* reported and that both sides had regulatory difficulties, but suggested that these might be exchanged for one another (Interview, Atlanta, 7 May 2013). Simon Lester (2014) also stresses enthusiasm in 'trade community' that this time things would be different.

traditional, behind the border trade issues. The stakes in the negotiations, and thus the degrees of mobilization, are raised by the comparable sizes of the two economies.

On the one hand, the interpenetration of the two economies and their comparable levels of development simplify the politics of the negotiations. This is most clearly evident in the emergence of transatlantic alliances between industry associations. Rather than export-oriented firms vying with import-competing ones within each polity, there is strong support for liberalization in the same sectors from both sides. The relatively simple politics of the traditional trade agenda is also reflected in the relatively muted opposition from labor unions to traditional liberalization. On the other hand, the focus on behind-the-border issues has spurred non-traditional trade actors, particularly in Europe, to engage vigorously in the negotiations. Their central is concern that the negotiations privilege business interests over other considerations. Both patterns of trade politics have been evident throughout the negotiations, although the emphasis has shifted over time. The facilitating politics of interpenetration was dominant in early stages of the negotiations, but the complicating politics of addressing behind-the-border issues has become more prominent as the negotiations have progressed.

As a consequence, rather than the competition between export-oriented and import-competing interests that has come to characterize trade policy in the latter half of the 20th century, the politics of TTIP has acquired a distinctly class-based tinge, which is more reminiscent of the trade politics of the early part of the 20th century. This suggests that it is necessary to revisit the IPE theories of trade policy as the preferences of actors, the strongest suit of the approach, fails to capture the political dynamics of the world's most ambitious and significant free trade negotiations.

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