

# FEAR OF TTIP, GLOBALISATION, OR A MIDDLE CLASS DOWNGRADE?

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As the first trade agreement with a strong ambition of regulatory cooperation, the scheme for a Transatlantic Trade and Investment Partnership (TTIP), can raise legitimate concerns among citizens, more to do with the maintaining of their high levels of protection than the reduction of tariffs. But any public debate on TTIP taking its cue from the negotiations' more sensitive aspects rapidly veers towards a tendency to call international trade into question on a far broader scale, and this betrays a deeper malaise in the European and American middle classes with regard to the globalisation process. Elvire Fabry takes a stand in this Viewpoint. A shorter version was published on [HuffingtonPost.fr](http://HuffingtonPost.fr) and [EurActiv.com](http://EurActiv.com).

## 1. Beyond protection, the challenge of precaution

The challenge facing trade negotiations in the 21<sup>st</sup> century is no longer going to hinge on bringing down customs tariffs (already at a global average of less than 5%) so much as on cutting the high cost entailed by regulatory differences.<sup>1</sup> In addressing this issue, the Europeans and the Americans, who have the most comparable standards of living and risk prevention in the world, are seeking to put in place a pioneering mechanism that will help them to promote their standards on the international scene. The European Commission has for some time made a significant "didactic" effort to explain the goal and modalities behind the regulatory cooperation, as well as its limitations: it could only be implemented at an equivalent precautionary level and would only concern all regulations if the highest [precautionary levels](#) are kept. The trouble is that this effort is not really being relayed by the national governments and so it is having difficulty reassuring the public. While the percentage of those in favour of TTIP in [France](#) remains stable around the 50% mark, support in [Germany](#) is continuing to drop, a recent survey putting it as low as 17%.<sup>2</sup>

## 2. Fading support for trade in the West

But the erosion of support for TTIP in a country as traditionally favourable to the opening up of trade as Germany, and to a lesser extent in the other member states, deserves all the more attention as the feeling is echoed on the other side of the Atlantic. This, however, is not in direct relation to the as yet largely undebated TTIP so much as in connection with the future ratification of the TPP (Trans-Pacific Partnership) agreement signed with eleven countries in the Pacific area.

Throughout the primaries, the presidential candidates have been lining up behind Donald Trump's and Bernie Sanders' criticism of all trade agreements. Hillary Clinton, who backed the TTP talks in her capacity as Secretary of State, is now critical towards it, even if she remains more quiet about TTIP. And again, while the Republican Party has a history of being more favourable to trade, Trump is actually the candidate attracting the largest number of voters who question these trade agreements.<sup>3</sup>

Barack Obama's trip to Hanover, Germany, in advocacy of TTIP in the run-up to the thirteenth round of negotiations of 25-29 April 2016, did not only aim to signal an acceleration of negotiations in order to try to reach an agreement before the change of leadership in Washington. It also reveals the concerns that this change of opinion on either side of the Atlantic is raising. Yet the issue at stake here is probably far broader than merely TTIP and the TPP themselves.

What it reveals is a malaise on the part of the Western middle classes who emerged from the industrial revolutions and from the opening up of trade fostered in the second half of the 20<sup>th</sup> century, and who today tend to call into question the fifty-year consensus that considers integration by trade a pillar of the international order.

## 3. Assessing past and new challenges of the economic integration for western middle classes

These western middle classes are not going to emerge again. No longer carried by a dynamic of economic growth, the social ladder does not work so well anymore. They reaped the harvest of a global process of economic integration that gave them access to cheaper consumer goods and are now facing the

negative aspects of the international specialisation of production in the old industrial powers: previously the loss of jobs in the least skilled sectors and now increased pressure from international competition over skilled jobs for the lower-middle class. The specialisation of economies has favoured gains in efficiency and a progressive reorientation of the European and American economies towards greater value-added production as well as jobs in the service sector, which has now made Europeans the world's biggest exporters of services. But the fact that this job redistribution has insufficiently been accompanied by national and European measures to help workers in the most affected regions and industries, contributes to today's doubts over the benefits of free trade as a whole.

The European and American middle classes have a clearer perception of the relative downgrade that the explosion of a global middle class may easily mean for them in the coming decades. It has been estimated that the worldwide middle class is likely to comprise 3 billion extra people - 2 billion in Asia (notably in China) and 1 billion split between Latin America and Africa - by 2030. While Europe's population would only represent 7% of the world population by comparison, these orders of magnitude call on us to better anticipate the new challenges brought by a form of global economic integration that will be reinforced by the development of the digital economy, as well as the consumer appetite that will come from this new global middle class.

The debate over TTIP today deserves more than purely technical information or an assessment of the offensive and defensive interests on either side of the

Atlantic. It is a deeply political issue. It requires placing in a wider context the question of bilateral transatlantic cooperation with the historical ally that is the United States, because it is strongly linked to the Europeans' strategy of engaging with an increasingly interdependent world. It demands a geoeconomic and geopolitical reading of the new challenges of 2030 and beyond, namely in the short term, to defend Europe's social model and the norms that support it, while taking into account the major trends and spread of demography, the consumer appetite in the emerging economies, growth dynamics, disruptive factors, and at the end of the day, the new balances of power that emerge in the world.

This debate cannot be rejected at the stage of the ratification of an agreement on TTIP. Especially if one takes into account the years of bilateral trade disputes coming from negotiations on different issues (opening of public markets, of the agricultural market and of the service sector, recognition of European geographic indicators, regulation of the financial industry, etc.), it is unrealistic to imagine that the negotiators will come to a balanced agreement by the end of 2016. This negotiation should be long-lasting, and the time is not yet come to know whether one is for or against this agreement, whose details and scope are still uncertain. Rather, we must take stock of the challenges of increased global interdependence, and to assess whether the proposed TTIP may help respond to them, or not at all.

This broader debate cannot be postponed until the final agreement stands poised for ratification.

1. *The New World of Trade*, Pascal Lamy; *The Third Jan Tumlir Lecture*, CEPR, 9 March 2015.
2. Eurobarometer, Autumn 2015; *Attitudes to global trade and TTIP in Germany and the United States*, Bertelsmann Foundation, 21 April 2016
3. *American views on trade*, Pew research Center, April 2016;

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