How Would a TTIP Affect Central and Eastern Europe?

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Introduction

The Atlantic Ocean is a reality. Regardless of the relentless globalisation process driven by technological progress that lowers the costs of all sorts of flows – goods, services, finance, data – Americans and Europeans are not 'doomed' by nature to be related, like Germany and France may be. The size of the social, political and economic gaps between them depend solely on their political decisions. The *security community* NATO was created to make war in (Western) Europe impossible.

Against this backdrop, the 21st century has resulted in an unprecedented expansion of the transatlantic relationship. It resulted not only in the inclusion of many countries, but in a significant multi-dimensional convergence within both Europe and the transatlantic community. The Transatlantic Trade and Investment Partnership (TTIP) represents an attempt to bring transatlantic *economic* relations to the level of intensity seen in the area of security. Some of the same issues that occur in security cooperation crop up again in TTIP, including the distinction between the 'West' and the 'Rest', questions of relative influence between a powerful nation – the United States – and the very heterogeneous old continent still made up of nation states with independent identities and jealous of their sovereignty.

TTIP is both an opportunity and a challenge. For the negotiating parties, it is a chance to improve their positions in the world in the broader realm of international politics and economics, and, more narrowly, in the economic sphere. A TTIP could restart negotiations on non-discriminatory liberalisation, for example, in the framework of the World Trade Organisation (WTO). It could create new standards for regional trading agreements (RTAs) and, more generally, in international economic relations. For Europe, facing many problems (migration, Brexit, contradictions among the euro area members as well as between them and the rest of the EU, economic inefficiency, overregulation and bureaucracy), TTIP may be a chance to push the EU economy forward.

TTIP, however, should not be expected to benefit all EU countries, industries, or firms uniformly. Reductions in trade costs – whatever guise they take – may put additional pressure on the least efficient players. Not only could TTIP increase disparities between and within EU member states, some members may even stand to lose out as a result. This is of special concern to the new member states (NMS). Most of them are post-communist countries starting out on the path towards democracy and market economy as late as in 1990. They are still lagging behind in terms of technologies, and their economies have relatively traditional economic structures based (at least partly) on agriculture and food processing. Poland is a prominent example of this type of country.

Conventional trade theory and more recent developments in the fields of industrial economics and economic geography lend support to the possibility of ambiguities: when a trade agreement leads to the lowering of trade costs with a big third country such as the United States, there is no guarantee that every member will win, and even less that the poorer members will gain more than their richer counterparts.

This special focus presents key insights gained at a conference on November 30 and December 1 2015 in Warsaw organised by the ifo Institute and the Warsaw School of Economics, and funded by Narodowe Centrum Nauki.[1] It brought together the chief negotiators Dan Mullaney (United States) and Ignacio Garcia Bercero (EU) with experts from the new EU member states and Germany. While the negotiators updated conference participants on the state-of-play, discussed difficulties, and gave outlooks, a scientific symposium explored various issues related to TTIP negotiations. We have selected ten contributions that shed light on the diversity and complexity of the problems related to transatlantic economic cooperation. The majority of them deal with Poland, but the insights are also generally applicable to the other NMS. And even if TTIP should never see the light, the lessons learnt during the negotiation process should be useful for a better understanding of the challenges of transatlantic cooperation and its heterogeneous impact on Europe.

Paper 1 sets the stage. It features a comparison of regional trade agreements (RTAs) already concluded by the EU and the United States. Papers 2 and 3 are dealing with the effects of TTIP on Poland's trade. Paper 2 offers an analysis of the potential impact of TTIP on Poland's position on the EU market and potential losses caused by gains in market share by American competitors. Paper 3 provides a comprehensive evaluation of TTIP's possible effects on the Polish economy using a computable general equilibrium model. Paper 4 broadens the perspective to a larger set of NMS, the

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four Visegrad countries. Paper 5 recognises that NMS' economies are tightly integrated in European value added chains and analyses the consequences that a TTIP might have on them. Paper 6 presents an Eastern European view on the much debated investment chapter, and particularly on the enforcement of investor rights by means of investor-state dispute settlement provisions. Paper 7 touches on another very critical issue in the debate, namely geographic indicators (GIs). EU member states are highly heterogeneous as far as the prevalence of GIs are concerned – the NMS have much less to gain than countries like Italy or France – and the European and American legal systems for protecting GIs differ quite substantially. Paper 8 turns to a topic of considerable political sensitivity: the energy sector. It focuses on the oil sector, and particularly on the dynamics of this sector in the United States and their possible influence on the future trade pattern with the EU. Chapter 9 provides an analysis of the potential impact of TTIP on the international security system and how such an economic agreement may impact the global economic order.