

## A Trans-Atlantic Free-Trade Agreement?

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In September 2006, German Chancellor Angela Merkel began promoting the idea of a free-trade dialogue with the United States during her term at the head of the European Union in the first half of 2007. In January, she met with President George W. Bush to discuss such an economic arrangement. Known as TAFTA (Trans-Atlantic Free-Trade Agreement), such an "Atlantic Bridge" would bind EU and American trade policies in much the same way as NAFTA has brought together the U.S., Mexico, and Canada. TAFTA would create an economic powerhouse consisting of roughly 800 million citizens and over half of the world's gross domestic product—roughly \$24 trillion out of a global total of around \$43 trillion.

Such economic integration would be attractive to both parties because of its potential to offset some of globalization's negative effects. Currently, both the U.S. and the EU are feeling the imbalance of low-wage, newly industrialized nations (like India and China) inserting themselves into international economics. This disparity is the cause of the "outsourcing" of manufacturing and certain services from Western nations to countries where it is cheaper to do business—such as moving call centers to India and manufacturing plants to China. While this may make sense from a strictly economic standpoint, it takes a heavy toll on the national fabric as local factories close down and employees of transnational corporations are forced to contend with cultural and linguistic differences.

A free-trade agreement between these economic heavyweights would allow for a measure of "cultural protection" by leveling the playing field. TAFTA could dictate terms to any nation wanting to do business, and thus artificially change the economic costs of outsourcing manufacturing or technical services—relatively low right now—so that hiring local workers would end up being cheaper, operating local factories would end up costing less, etc.

The hurdles to implementing such a free-trade agreement are far from trivial. For starters, getting the 27-member EU to agree on anything is no small feat. Such a trans-Atlantic free-trade zone has been proposed before, but the idea was scuttled largely because of what France would have had to give up—namely, its policies of agricultural subsidies. If Chancellor Merkel is to be successful in getting the EU member states on board, she will likely have to approach the issue by requiring the U.S. to adopt a number of Europe's "regulatory structures"—meaning the U.S. government would become more of an economic regulator instead of ostensibly letting the "free market" take its course.

This may be a hard sell for the United States, which sees its strong economic growth—especially in relation to Europe's—largely as a product of *not* adopting such European-style regulatory structures. However, in past discussions the U.S. has generally been favorable to such a free-trade arrangement because of what it sees can be gained.

However, there are reasons to believe that the interest in TAFTA goes beyond simply economics. During her January visit with President Bush, Chancellor Merkel made it clear that her goal is to try to heal the rift between the U.S. and Europe that has emerged since the war in Iraq began. The traditional security understanding between the two has weakened during the military conflicts in

Afghanistan and Iraq, the never-ending "peace process" between Israel and its neighbors, the nuclear proliferation in Iran and North Korea, and the resurgence of Russia. The historical allies have differing economic and political interests in each of these unstable situations.

Yet, if a financial understanding and agreement could be reached—one that both parties have an interest in maintaining, if for no other reason than that it would control over half of the world's wealth—it could begin to bring their deviating political and security/military perspectives closer together. Money talks, and such a large amount of money might smooth over the current trans-Atlantic disagreements. While neither TAFTA nor a sudden burst of mutual adoration between the U. S. and the EU will happen immediately, it is reasonable to expect movement in this direction soon.