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5. Geographically extended integration – A new tool for crisis management?

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The crisis escalated in 2008 is being considered as the biggest economic recession since the 1929-33 great depression. Although long term consequences of the recession are still unknown, some post-crisis trends seem to loom. In the context of international economics, the crisis could be evaluated as the shift of leading position from the North Atlantic region to the Far East. In this reading, not only countries of the Far East have to get familiar with their new roles, but Western Europe and North America as well. Economic and political orientation and realignment of the latter entities could result in pioneer solutions for the future economic and social prospects of their economies.

We discuss some of the possible post-crisis ways of economic development with regard to the opportunities Transatlantic cooperation hold out with putting special emphasis on the Transatlantic Trade and Investment Partnership (TTIP). Scrutinising and evaluating the EU-US free trade agreement would constitute a strong theoretical background of the post-crisis North Atlantic economic cooperation. However, cooperation of these economic giants would probably raise competition policy issues as well. At the first blush, the distended economic area could lead to a heated antitrust activity and pose – already disputable – questions on State aid.

The free trade agreement would undoubtedly count as a superior level in the contracting parties' economic development. Marriage portion of the TTIP would exert its positive effects chiefly in the EU and US economies, but the spill over would make stabilisation and growth felt in international economics as well.

Key words: integration, North Atlantic region, post-crisis Transatlantic economic order

1. Introduction

Central and Eastern European Countries (CEECs) celebrate the 25th anniversary of their liberation from the soviet occupation. 1989 resulted in a turning point for these nations, but opened new perspectives for the whole continent. Years of the Central European realignment coincide with some new trends in the international economics; beside the opportunities provided by the info-telecommunication revolution, vaulting international financial activities and enhanced volume of world trade backed by the process of liberalisation, the new economic constellation has brought challenges as well. These processes are popularly named as globalisation, but making a clear sweep of all positive and negative consequencies into one hat would be a scientifically wanton attempt. On the other hand, in the post-cold war period the United States economy has played leading role in international economics. Not only its growing potential affects EU economy, but technological advancements induced by it as well.

In the light of this, we discuss the newest trends that characterise EU and US economic relations. The apropo of this paper is the forthcoming free trade agreement (officially the Transatlantic Trade and Investment Partnership (TTIP)). We consider TTIP as a tool for harmonising operational conditions on the markets covered; this agreement, furthermore, suits the decades-long trend of realigning transnational cooperation based on regional agreements. Several studies have been already issued on the settlement of TTIP (Bartl–Fahey 2013, Bergkamp–Kogan 2013, Bonciu 2013, Lester 2013). These articles discuss the negotiation and challenges risen by the agreement. Other authors (Aguilar et al. 2008, Fiott 2013, Lannoo 2013) highlight sectoral implications concerned by a Transatlantic cooperation. Going further, Andrews et al. (2005), Hamilton (2013), Hoffman (2013) or Siebert et al. (1996) dissect strategic issues on North Atlantic cooperation. Variable approaches shows that the evolving agreement involves heated scientific activity, both in Europe and overseas.

2. Intentions and obstacles on the road toward the trade agreement

Since the 1990s various attempts have being made by the EU and US administration with the clear aim of realigning economic relations. In this process signing the New Transatlantic Agenda (NTA) of 1995 and mutual recognition agreements (MRAs) show in a way of deepening economic linkages (EEAS 1995, Pollack–Shaffer 2005), but, in the meantime, trade disputes represents (or, in some cases, represented) considerable frictions. These emerge on the field of agricultural products (GMOs, Bananas, etc.), trade mark issues, or State aid considerations (Airbus-Boeing) (EP 2013a). Although disputes “block” the development the trade of a field, by virtue of this they have contributed to the sketch of a need for a new regulatory framework between the parties. However, the regulatory initiative of the World Trade Organisation (WTO) provides a settlement framework, in more specific cases it seems inefficient (Lester 2013). EU-US relations have reached a maturity level that calls out for a more chiselled agreement; Lester (2013) designed protectionism, regulatory issues and impacts on international trade as issues to be addressed.

Pollack–Shaffer (2005) argue a ternary concept on the EU-US economic relations. Firstly, they highlight the stability, continuity and resilience of the Transatlantic relations even in the years of major (foreign) political discrepancies. The soaring volume of trade or FDI could be mentioned as the best examples on this field. Regulatory issues, on the other hand, mirror rather a variable stance since their advancement highly depends on the policy in question. Observing competition policy they conclude a complementary regime with minor frictions. The other end is that of the GMO-issue with conflicting interests and approach towards. However, MRAs could be handled as the fields of cooperation where regimes live side by side, even if there are only limited fields covered by these agreements. And finally, authors highlight that "changes in institutional and market power have shaped policy outcomes in distinct regulatory areas" (p. 6.) since international success is deeply affected by the parties' domestic institutional structure.

Scrutinising the previous legislative efforts on convergence and preparations of the TTIP, political and social factors couldn't be ignored. Spying scandal last year seemed to jeopardise and jamming the EU-US negotiations on TTIP, but the European Parliament – due to mutual economic interest – went on with preparations (EP 2013b). This approach totally fits the row previously mentioned on the superiority of the common economic interests. On the other hand, intensification of economic activities kindled by the new agreement, considerable social tension and challenges could dawn on the EU and US societies. Vice versa, the hang of economic growth could spur European politicians to hovel the agreement due to potentials it involves (Bonciu 2013). Parties highlight the magnitude of the Transatlantic trade, emphasising the benefits of a fully implemented agreement. According to the European Commission's calculation (EC 2013a) the cooperation would embodied in an extra income of €545 per househould and would result in a 0,5-1% extra economic growth regarding the Old continent's economy. On the other hand, scholars hitherto ignored to review deeply impacts on employment of an agreement with such great implications. The EC (2013b) calms anxiety down by its own estimation of 0,7% of labour move due to the TTIP. The main question is whether labour markets and institutions responsible for employment and social affairs (governments, higher educational institutions, trade schools, LLL institutions, etc.) are prepared for the dowries of the agreement and blunting possible adverse effects induced by it. Only assessing and managing labour market recoils would result in long-term and enduring benefits for the signing parties. Considerations about economic activities on social embeddedness should therefore play crucial role in shaping macroeconomic policies, and – as seen in Granovetter's (2005) arguements – only an interpretation observing individual (on the level of entities) definiteness is watertight.

3. What could the TTIP result in?

Several governmental studies are scrutinizing would-be effects of the TTIP agreement (Barker et al. 2013, Cooper 2014, EC 2013b). The agreement would constitute the biggest free trade area in the world embracing two economic giants. They represent 45% of the world GDP (Barker et al. 2013) and Transatlantic commercial and investment linkages renders stability for the international trade. Economic cooperation of the EU and US would therefore mean not only an additional spur for the signing economies but stability and impetus for their trading partners as well.[1] It is worth to bear in mind, that in 2013 the EU was the most important merchandise trading partner of the US[2]; a year earlier statistics show a 100,1 billions of USD merchandise trade balance deficit for the States. Supplementing this Figure by the services sector, the weight of the EU in the US trade was much more notable, by a lowering deficit.[3] The last decade's change is represented in a three-steps Table (Table 1).

Table 1. US trade with the EU, trade and services, billions of USD

	2002	**2007**	**2012**
Exports			
Goods and services	238,4	424,7	463,5
Goods	140,4	242,2	269,7
Services	98	182,5	193,8
Imports			
Goods and services	311,3	502	534
Goods	225,4	356,2	384,3
Services	85,2	145,8	149,7
Balance			
Goods and services	-72,9	-77,2	-59,8
Goods	-85	-113,9	-100,1
Services	9,7	36,7	40,4

Source: Own edition based on Cooper (2014, p. 5.)

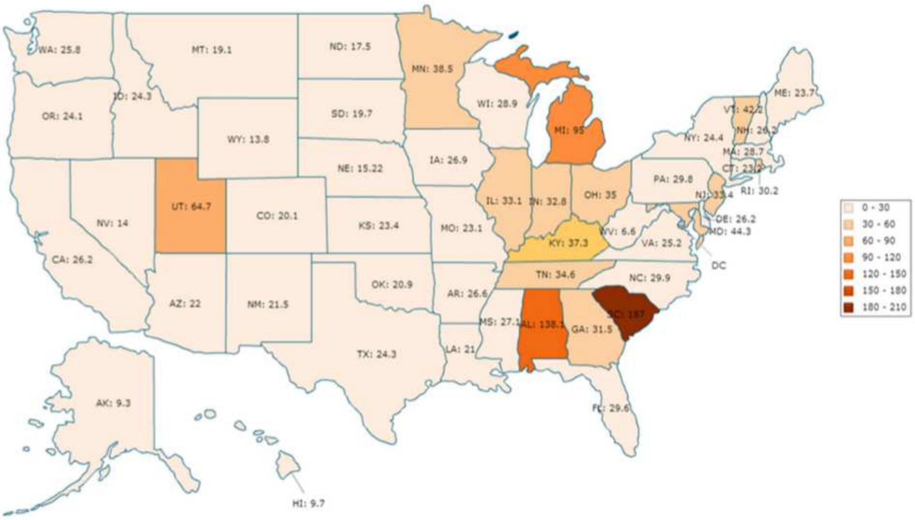
[1] According to the European Commission calculation this spill over effect could be slightly under €100 billion (EC 2013b).

[2] This statement is referring to the cumulated (exports plus imports) values, since the biggest export partners of the US was Canada, the biggest imports China.

[3] In 2012 the total (goods plus services) US exports to the EU reached 463,5 billions of USD, while imports 534 billions of USD.

Estimations on the benefits of the agreement were being made both for the US and EU economies. The European Commission states that "by 2027 we could expect the European Union's economy to be around €120 billion larger and the US economy to be €95 billion larger than they would be without TTIP" (EC 2013b, p. 6.) that is equal to 0,5% and 0,4% GDP growth, respectively. It should be noted that these gains do not constitute a one-off growth, but – after the agreement is being fully implemented – it would involve long-term favourable effects, too. Scaling these Figures onto benefits for common men, every European Union household would gain a €545 extra income, while this amount in the United States is €655 (Barker et al. 2013). Taking into account other macroeconomic indicators, authors demonstrate 750.000 new jobs[4] would be created by the positive impetus of the agreement only in the United States. On the field of employment, the EC highlights that export-oriented sectors would be the biggest job creating branches by stating that "TTIP may result in an increase by several million of the number of jobs dependent on exports in the EU" (EC 2013b, p. 2.).

Figure 1. Estimated percentage increase in US State exports to the EU after the implementation of the TTIP



Source: Barker et al. (2013, p. 4.)

[4] Under the supposition of 100% tariffs reduction, 25% reduction of nontariff burderns and in procurement barriers reduction of 50%.

Transatlantic economic relations are inevitable for both parties. More than 20% of total US export goes to the Old continent, while export of services counts 32% (Barker et al. 2013). States' share within these Figures varies, but generally spoken the liberalisation would put the agreement's watertightness in perspective. This is underpinned by Figure 1. On the other side, the US import would rise 28%[5] that would affect mostly the motor vehicle industry, metal products, processed foods and chemicals, as it is foreseen in the EC analysis, not taken into consideration beneficial impacts of the intensified competition. The most favoured EU industrial branches with their foreseen increasement are represented in Table 2. Barker et al. (2013), on the other hand, flash advanced manufacturing, financial services, hospitality and retail as the advantageously affected branches.

Table 2. Foreseen EU export increase due to the agreement

Industry branch	Percentage change
Motor vehicles	41
Metal products	12
Processed foods	12
Chemicals	9
Other manufactured goods	6
Other transport equipment	6

Note: These Figures embraces total EU export increase, not only that of toward the US
Source: Own edition based on EC (2013b)

Summarising, would-be advantages of the TTIP read out from the statistics shortly represented – although they are still only estimations – are more than attractive. Furthermore, a levelled current account balance (Cooper 2014) permits of parties to start negotiations on such an agreement. The agreement between the EU and US would give primarily new motion for their economic growth and development (embodied in enhanced competition and competitiveness, trade creation, etc.), but its sectorial and industrial dissemination shows rather a various stance. Important to emphasise the profound motivations of the agreement underlining the fact that “the EU and the US want to tackle barriers behind the customs border – such as differences in technical regulations, standards and approval procedures” (EC 2014, p. 1.), and this would include agricultural products as well. Furthermore, the spill over ef-

[5] Trade diversion is taken into account.

fect of the EU-US liberalisation would be beneficial for the rest of the international economy as well.[6]

4. TTIP regulatory considerations

Moulding a North Atlantic free trade area and setting single investment standards could be achieved by trade-offs. As the European Commission notification states, "the agreement is expected (…) achieving greater regulatory compatibility between the EU and the US, and paving the way for setting global standards" (EC 2013a, p. 1.), admitting inevitability of certain level of harmonisation of legal systems. More precisely, existing barriers, such as EU protectionary measures on trade, limitation of US public procurement, restriction on the flow of services, ought to be cutbacked. All these efforts need to be supplemented by the harmonisation of the EU-US competition regimes.[7]

Regulatory issues to be addressed by the negotiations might be labelled into three categories (EC 2013a, Lester 2013). Given the leitmotiv of mutually freeing market access, tariff regulations, trade defence and prescriptions on rules of origin need to be reconciled. In the services sector parties should grant the MFN treatment, supplemented by the US recognition of European qualifications. Another pivotal issue is that of degrading obstacles hampering investment, including the ticklish topic of American public procurement. On the other hand, the „behind-the-border" (EC 2013a, p. 1.) obstacles seem to obstruct much more liberal economic activities due to the co-existence of different health, environmental or patent norms. In this sense, TTIP would consummate initiatives of the 1990s since it exerts on hovelling compatibility of regulatory fields. Thirdly, parties are committed for a 21st century agreement that is able to address global challenges like sustainability is, and, furthermore, serving as a string for future agreements with similar intentions. This view is welcomed by the overseas party as well, since "if the US and Europe (...) can agree to a single set of rules, the rest of the world will likely follow" (Barker et al. 2013, p. 1.).

In the light of this, the need for competition policy harmonisation, as a tool for nearing operational conditions, is plain. Bonciu (2013) highlights the importance of rethinking State aid practices in this process, while Langhammer et al. (2002) un-

[6] Bonciu (2013) acknowledges this to the far-gone European (see EU-Turkey customs union) and North American (see NAFTA) integration that opens markets of other: non-signatory contries, and to other Transatlantic cooperation (for example EU-Canada free trade negotiations).
[7] For institutional considerations see Bartl–Fahey (2013).

derline the importance of the competition policy generally (including enforcement as well) in such a kind of integration.

Kovacic (2005) argues that the EU and the USA should mutually adopt competition policy best (more precisely 'better' – due to the never-ending evolutionary feature of the policy) practices with the clear aim of converging their competition policy regimes. He, based on Muris (2002), proposes a three-steps process (Kovacic 2002, p. 67.), in a strong correlation with NTA's objectives:

1. decentralized experimentation at the national or regional level;
2. the identification of superior approaches;
3. the opting-in to superior approaches by individual jurisdictions.

This scheme of interaction has to work not only on inter- and transgovernmental level, but on transnational level as well. Examples to follow are, as such, the renewed pre-merger notification process, merger guidelines, leniency programmes or the enhanced international competition policy cooperation. Gerber (2005), on the other hand, flashes the question not only of cooperation but frictions as well and states that "competition law was an area that seemed to many to be particularly suited to cooperative initiatives", while in the meantime – as well due to the EC decision on GE/Honeywell planned merger –, "the transatlantic governance relationship presented a murky and ambiguous picture" (p. 82.).

Lester (2013) furthermore argues another aspects of regulatory considerations. He supposes that in trading issues WTO regulations would prevail after the TTIP is being negotiated and signed. The SPS-plus (sanitary and phytosanitary) formula, on the other hand, would constitute a qualitative development and could be treated as a general novelty in the parties' cooperation. With the clear aim of yielding "greater openness, transparency, and convergence in regulatory approaches and requirements and related standards-development processes, as well as, inter alia, to reduce redundant and burdensome testing and certification requirements, promote confidence in our respective conformity assessment bodies, and enhance cooperation on conformity assessment and standardization issues globally" (p. 3.), this consideration is sound and the TBT-plus (Technical Barriers to Trade) chapter, that embodies these goals, would push the agreement further. And thirdly, convergence of regulatory practices would result in a more harmonious economic area. Bergkamp–Kogan (2013) welcome regulatory efforts, since – although dissimilarities in the parties' approaches – it would lead to "mutual recognition of equivalent product-related standards (…). If the EU and US are up this challenge, both trade and risk regulation, and ultimately, the citizens of the world's two largest markets, will be the winners" (p. 507.).

As seen above, and proved by the regulators' continuous efforts on policy streamlining, either competition regimes couldn't be handled as a matured collection of rules and norms, but out and away an open-ended process. In this reading this policy is proactive; we argue if competition policy streamlining could follow the rate of economic changes and challenges (new types of cooperation, higher volume to be valued, more complex proprietary forms, etc.) it is faced by. Advisely, Kovacic (2005) underlines the need for investments in competition policy staff. This is even more important in the US-EU cooperation, since they are major partners in competition policy issues on the international scene. Exchanging best practices is therefore inevitable.

5. Conclusions

In this essay we rendered a short overview on the main motivations observable behind the desire of TTIP negotiations. We picked out only the most important estimations on the would-be effects of the borning North Atlantic free trade agreement. These data foreshadow considerable economic benefits for both the US and EU, but there are still only a limited number of scientific articles written on the topic. We attribute this to the initiation phase negotiations are at.

Based on the above mentioned considerations, the EU and US administrations are fully committed to the TTIP. A free trade agreement would primarily result in a mutually liberalised market access; in the case of the EU we highlight trade limitation cutbacks, while in the US access to the public procurements seems to be one of the most prominent questions. Furthermore, studies show the rest of the world economy would profit from such an agreement as well due to its spill over effects (trade creation, intensified competition, growing volume of investments, etc.).

Nearing trading and investment conditions implies harmonisation of policies and norms. In this process competition, trade, industrial, R+D and environmental policy augur to play special role, but some sectoral implications could attract attention as well. These trends suit the parties' decades-long commitment toward deeper cooperation and, as such, their enhanced cooperation could be one of the nascent corollary of the crisis. Summing up, TTIP would result in considerable economic benefits and could serve as a string for other economies with the desire of stitching economic relations more powerfully.

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