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From great power politics to a strategic vacuum: Origins and consequences of the TPP and TTIP

Abstract: In this paper, we place the Trans-Atlantic Trade and Investment Partnership (TTIP) into broader geo-political and economic context given the current Trump Administration's withdrawal from the Trans Pacific Partnership (TPP) and the loss of momentum for TTIP. Both TPP and TTIP sought to provide key tactical solutions to the particular trade/investment problems participating states faced. For the U.S. government, these free trade agreements also represented a geo-political undertaking, an attempt to once again set trade rules in light of deadlock in the WTO. Ultimately, the inability of the Obama Administration to successfully complete negotiations for and ratification of these two deals does not alter the underlying motivations that led to them in the first place. The stagnation of these deals, however, has intensified geo-economic and geo-strategic concerns: opening the door to rival articulations of trade governance and undermining U.S. credibility with its partners.

***Keywords*:** trade, TTP, TTIP, U.S. foreign policy, economic strategy

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1. Introduction

The Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) would have represented the most important strategic step in U.S. trade policy since establishment of the World Trade

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Organization (WTO)[1] and pursuit of "competitive liberalization."[2] At face value, TPP and TTIP were seen as a response to deadlock in the WTO, an attempt to continue U.S. visions of liberalization. They were not, however, solely trade and investment deals. They emerged alongside concerns about declining U.S. hegemony and the influence rising powers were exerting on existing economic institutions and future international trade governance.

Yet, with Donald Trump's assumption of the presidency, the United States has formally withdrawn from the TPP, and TTIP has lost essential momentum given significant domestic opposition in the United States and the European Union and alongside Brexit.[3] The United States has withdrawn from TPP and at best threatened to renegotiate NAFTA. What then were the motivations for these agreements and how will their trajectories impact U.S. policy and interests moving forward?

In this paper, we argue that while the origins of TPP and TTIP lay in efforts to provide tactical solutions to the particular trade problems participating states face, for the United States these deals were significantly motivated by a geo-economic desire to cement American visions of economic governance in light of deadlock in

1 In response to deadlock in the General Agreement on Tariffs and Trade (GATT) in the 1990s, the United States and its European allies exited the GATT and created the WTO. This strategic venue shift allowed the Transatlantic Duopoly in trade to once again set the agenda and to begin to push forward their views on trade and investment through a new multilateral organization. Steinberg (2002).

2 Along with the creation of the WTO in 1995, the United States pursued a strategy of "competitive liberalization": negotiating a series of bilateral and trilateral trade agreements with states. By engaging with one or two other states, the United States was able to secure deeper and more favorable trade deals than in the WTO. The hope was that once the United States reached a critical mass of deals, other states facing trade and investment diversion would then join the United States in adopting the same standards in the WTO.

3 To state unequivocally that these two mega-free trade agreements are dead would be an overstatement. They do appear to be dead or at best stagnant for the immediate future but that does not preclude a potential revival. Trump signed an executive order on 23 January 2017, officially withdrawing the United States from the twelve-partner deal. The following day the White House issued a Presidential Memoranda instructing the USTR to permanently withdraw as a signatory of and from negotiations over TPP and to pursue bilateral trade agreements in its place. Regarding TTIP, negotiations have been halted and with 2017 elections in Europe and Trump's "America First" and anti-trade rhetoric, Peter Navarro, Trump's head of the National Trade Council, went so far as to declare TTIP dead in January 2017, although as of yet no executive order has been issued. In this context, both appear to be dead. Yet, it is important to note that they may not remain dead. Secretary of State Rex Tillerson publically broke with Trump by stating that he is not, in fact, against the TPP. It is also possible subsequent administration may revive them. Outside the United States, some version of TPP may go forward with the remaining eleven signatories or a subset of those signatories.

the WTO. This geo-economic strategy differed in important ways from the previous strategic venue shift by the United States, from the GATT to the WTO. Unlike the U.S.- and European-led WTO, it was the United States and Asia-Pacific that reached a deal first through TPP. Transatlanticism was, in that sense, no longer the sole core of U.S. trade policy.

Ultimately, the inability of the Obama Administration to successfully complete negotiations for and ratification of these two deals does not alter the underlying motivations that led to them in the first place. States continue to face particular trade problems and deadlock in the WTO continues to prevent U.S. visions of future trade governance from being articulated. However, the stagnation of these deals has intensified geo-economic and geo-strategic concerns: opening the door to rival articulations of trade governance and undermining U.S. credibility with its partners. In Asia-Pacific, in particular, many states negotiated TPP at great domestic cost and continue to face regional strategic concerns.

This paper will proceed in three parts. We will discuss the evolution of American trade policy and deadlock in the WTO. Next, we will examine the motivations for and consequences of TPP and TTIP for the United States, including the fracturing of the Transatlantic Duopoly. We will conclude with a discussion of the implications of the 2016 presidential election for U.S. trade policy moving forward.

2. American trade policy and deadlock in the WTO

Where are TPP and TTIP situated in the broader context of U.S. foreign policy and international trade governance?

This paper, like TPP and TTIP, is located between two ongoing conversations within academic and policy circles: (1) the influence of rising powers on historically U.S. and European dominated Bretton Woods institutions and global economic governance,[4] and (2) the consequences of the proliferation of Free Trade Agreements (FTAs) outside the WTO by major and middling powers alike beginning in the 1990s[5], rising from forty-seven agreements in effect in 1994 to 260 such agreements by 2013, when the TPP negotiation was entering its final stages.[6] TPP and TTIP would have been an attempt to overcome declining influence in the WTO

4 For examples of scholarship positing "nascent support" for existing global governance by rising powers refer to Keohane (1984), Ikenberry and Wright (2007), and Ikenberry (2011). For examples of scholarship positing that the United States faces "rising challengers" to existing global governance refer to Chin (2010), Chin and Thakur (2010), Rodrik (2011), and Aggarwal and Weber (2012).

5 Bhagwati (2008); Ravenhill (2010); Capling and Ravenhill (2011); Aggarwal (2013); Aggarwal and Evenett (2013).

6 Aggarwal and Evenett (2013), 551.

in order to consolidate numerous pre-existing FTAs into larger mega-FTAs that would continue to represent U.S. visions of trade governance outside of the WTO.

In the post-WWII era, U.S. global economic policies centered on the three Bretton Wood's institutions. The World Bank served as the foundation for policies on finance while the International Monetary Fund (IMF) served as the foundation for global monetary cooperation. First the GATT, then the WTO was the backbone of a U.S.-led multilateral trading system.

For approximately fifty years (1947–1995), U.S. trade policy focused on multilateral agreements through the GATT/WTO. As the Uruguay Round was closing, and the GATT was succeeded by the WTO in 1995, the primary focus on multilateral deals begin to shift, giving way to strategies focused simultaneously on bilateral trade agreements. By negotiating deals one-by-one with individual countries, the United States was able to leverage its power, securing deeper liberalization and a more complex trade agenda than could be advanced in the WTO, where U.S. trade bargaining power was more diffused than in one-on-one negotiations. This bilateral strategy was characterized as Competitive Liberalization: the idea that once a critical mass of bilateral agreements was achieved, states not party to these agreements would be inclined to join the liberalizers in order to avoid trade and investment diversion, and to remain competitive in a global economy. Ultimately, the United States hoped to use the momentum gained from Competitive Liberalization to incorporate its bilateral victories into the multilateral WTO scheme. The United States was following two interwoven strategies in trade: Competitive Liberalization through bilaterals, and multilateralism through the WTO, intending that the rules set through these narrower bilateral deals would eventually be enshrined more broadly.

However, in the twenty intervening years, relative U.S. and European power within the WTO has declined and disagreement has grown over the nature of liberalization itself. The Transatlantic Duopoly, based on the Washington Consensus, is no longer sufficiently powerful to singularly shape outcomes in the WTO. This loss of relative predominance has been accompanied by growing disagreement and opposition to the Washington Consensus itself. One significant challenge to the Washington Consensus involves the appropriate role for the state in market economies—in limiting capital flows and the terms of foreign direct investment, in particular. The economic structures and ideologies of Brazil, Russia, India, and China (BRIC), where the state is a central economic actor, were and are not consistent with the Washington Consensus vision of a limited role for the state in a primarily market driven economy. With increasing power in the WTO and interests that diverge from that of the Transatlantic players, the BRIC countries prevented further liberalization in the WTO on Western terms and resisted attempts by the United States to leverage its bilateral trade deals into the WTO's multilateral architecture.[7]

It is no surprise that negotiations stalled in the Doha Round and the WTO will likely continue to remain deadlocked. This deadlock has prevented the United States from continuing to pursue its vision of trade liberalization through this particular institution. Without a viable WTO option, the United States began to pursue its vision through two FTAs: the TPP and the TTIP.

We have seen in the Transatlantic shift from the GATT to the WTO that, under certain conditions, Great Powers can leverage a venue change to undo deadlock and continue to pursue their own rules[8] for trade.[9] After facing a decline of influence and deadlock in the GATT, Washington and Brussels led a shift to a successor agreement, the GATT 1994, and a successor institution, the WTO, from which other states could not afford to be excluded.

TPP and TTIP were an attempt to overcome declining influence in the WTO. Could a U.S.-led venue shift from the WTO to TPP and TTIP have had similar geo-economic consequences and allowed the United States to cement trade rules outside the WTO? Given the context of these mega-FTAs for the United States and their deaths, at least in the short term if not permanently, how will they alter U.S. economic and geo-political position in Europe and Asia-Pacific?

3. What were the motivations behind and origins of the TPP and TTIP for the United States?

For U.S. trade policy, we must consider together the murky motivations for the TPP and TTIP. The TTIP negotiations were influenced by the context and the content of the completed TPP negotiations and U.S. withdrawal from the TPP will reduce the perceived urgency of concluding TTIP for Europe. Beyond the impact each will have on the other, they were envisioned by the U.S. Executive as two components of a trade agenda to put American in the center of a modular, if integrated, trade

7 Steinberg (2009).

8 While it is common in trade to refer to these types of rules as "rules of the road," in political science "rules of the road" suggest a coordination problem, with symmetric Pareto improvement of utility or welfare. Our stance does not suggest that deciding on trade rules is a coordination problem. To the contrary, we see trade rules derived from a power as a cooperation problem that yields asymmetric benefits most favorable to the interests of the United States and Europe, less favorable to the interests of the minor Asian players, and unfavorable to Chinese interests. With this in mind, this paper uses "rules" rather than "rules of the road."

9 Steinberg (2002).

zone.[10] How should we more completely understand motivations behind these two mega-FTAs?

Debates on how to frame the TPP and TTIP fall into three broad categories: (1) the benefits of incremental liberalization for the U.S. economy, (2) geo-economic motivations, and (3) geo-strategic moves. Ultimately, the direct economic benefits of these deals through increased trade and investment likely would have been relatively small. That is not to say that, together or individually, they would not have impacted the U.S. economy. However, both TPP and TTIP contained a significant focus on regulation and how economies should be governed. Although accompanied by a larger American geo-political effort (geo-economic and, in part, geo-strategic), it is this marketplace rule-setting and regulatory governance that has been a focus of far-reaching public debate.[11]

3.1. Incremental liberalization to benefit the U.S. economy

On paper and in practice, these deals intended to set standards and settle domestic and international debates in meaningful ways. As free trade agreements, the TPP and TTIP were ambitious attempts to bolster growth and/or respond to client demands in member states by tackling issues such as further tariff reduction, investment liberalization, and regulatory convergence. Three primary factors are often seen to be driving incremental liberalization.

First, efficiency gains from liberalization improve welfare. In capitals around the world, and in policy-oriented papers, politicians and modelers were busy estimating and touting the economic benefits of these increases in efficiency that these mega-deals would foster. These economic consequences of liberalization translate into winners (efficient, export-oriented producers) and losers (inefficient, import-competing producers and labor unions), who were expected to support and oppose these deals. Evidently, the winners have prevailed in past deals.

Second, there are currently over 320 active preferential trade agreements globally. This complex set of trade rules, which resembles a “spaghetti bowl” when diagrammed,[12] is increasingly detrimental to businesses that now face high transactions costs due to a morass of complexity that is increasingly difficult

10 The Executive Office of the President of the United States (2015).

11 Examples of this ongoing debate ranged from Senator Elizabeth Warren’s vocal opposition to ISDS in TPP on procedural grounds to concerns in the United Kingdom voiced in *The Independent* that ISDS would “leave the NHS vulnerable to takeover by American healthcare giants.” In France and Germany protests around ISDS focused on regulatory standards, namely on the environment and health standards. Within the academic literature, see Reddie (2015) and Zysman (2016) for additional examples of ongoing debate.

12 Bhagwati (1995).

to navigate. By providing more uniformity of rules among parties to a mega-deal, proponents of incremental liberalization claimed that the TPP and TTIP could encourage trade and growth by reducing the costs of navigating that complex morass of rules across myriad country configurations. Here, at face value, the emergence of the TPP and TTIP represented an attempt to address the "spaghetti bowl of trade regimes" that ultimately failed to be ratcheted up multilaterally into the WTO.

Third, while both the European Union and the United States have pursued FTAs, they have not done so at similar rates. Preferential trade agreements are not equally distributed across liberal economies, with the European Union covering a larger number of countries and swath of global trade. This asymmetry between both the number of agreements and the amount of trade covered between the European Union and United States, may undermine U.S. attempts to push its own trade policies globally. The United States has fallen behind Europe. Some contend that this asymmetry of FTAs creates trade and investment diversion, resulting in the perception that U.S. firms are at a disadvantage in global trade. Compared to approximately twenty U.S. FTAs, the European Union has concluded FTAs with over one hundred countries. In a 2011 Congressional Research Service Report, Raymond Ahearn reported that E.U. Preferential trade Agreements (PTAs) covered nearly double the exports (70 percent) and seven times the value ($3.4 trillion) of U.S. PTAs (40 percent and $0.52 trillion respectively) in 2008.[13] It should be noted that Ahearn's data includes E.U. internal as well as external trade, arguing that the European Union as a preferential trade area itself also contributes to this asymmetry. For some, concerns regarding this asymmetry between the European Union and United States provides an economic rationalization for mega-FTAs such as TPP and TTIP. These mega-FTAs offer a partial solution to the unequal distribution of deals, create more trade, and modestly increase economic growth in the states involved.

However, the scale of the net economic benefit for the United States, which is the expectation of incremental liberalization, is uncertain. The direct economic consequences of these two liberalizing mega-deals were likely to be smaller than one might have expected from deals involving this many countries and such large markets. First, gains from trade are always smaller between countries with similar factor endowments than from countries with different endowments, so the TTIP gains would have been smaller than if this were an agreement between the United States and, say, a large group of developing countries. Second, all of the TPP and TTIP countries are WTO members so we already have substantial market access to and liberalization across these countries. It's not as if the

13 Ahearn (2011).

United States would suddenly be gaining access to markets we have been long shut out. Third, the United States already has an FTA with six of the twelve TPP countries.

While the mega-deals would have yielded net benefits, even if marginal, to the U.S. economy, the deals were not without costs. In all trade deals, there are winners and losers. For the losers (inefficient, import-competing producers and labor unions), liberalization comes at a cost, whether it be factories and equipment falling vacant, the public and private costs of vocational retraining, or the social and psychological cost of unemployment. Moreover, the benefits of liberalization are never distributed equally across communities, and the distributive consequences create additional social costs. In the wake of FTAs, sunk costs accrue in a way consistent with Joseph Schumpeter's creative destruction; "in the real world, productive resources do not all shift smoothly from one industry to another."[14]

Any consideration of which sectors would have benefitted from the TPP and TTIP needed to be accompanied by a consideration of which sectors would have lost. In a report assessing the claimed economic benefits of TTIP published by the Austrian Foundation for Development Research, the authors argued that although the majority of studies show small but positive economic gains for the European Union over the long term, these small benefits depended on overly optimistic projections of non-tariff reductions and did not take into account the substantial costs (social costs of changes to regulation, macroeconomic adjustment costs, and decreases in intra–E.U. trade).[15] Of course, without having a complete and signed FTA at hand to analyze, the scale of these costs is unquantifiable.

Given these costs, alone or combined, neither the TPP nor TTIP would likely have resulted in a breathtaking net economic benefit or huge "dynamic gains"[16] for the Untied States. Nor were they likely to result in big economic cost. While early estimates reported "significant and widely distributed benefits" of both TPP and TTIP if ratified in tandem,[17] later estimates were updated to reflect nominal dynamic gains. The best 2015 estimate (by the Petersen Institute's partial equilibrium model) was that the TPP would have boosted U.S. GDP by $78 billion by 2025,

14 Paul (2015), 8.

15 Raza et al. (2014).

16 Paul (2015).

17 Petri, Plummer, and Zhai (2012) reported "$295 billion per year on the TPP track, by $766 billion if both tracks were successful, and by $1.9 trillion if the tracks ultimately combine to yield region-wide free trade" in 2012 for the Peterson Institute for International Economics and East-West Center. However, the net benefits were reported as nominal when Petri and Plummer updated their results using newly available data and agreement content in a 2016 working paper.

which would have been a bit less than a 0.4 percent GDP increase over ten years, or about 450,000 additional jobs by 2025.[18] That is roughly the equivalent of a normal increase over two to four months in any given year. This figure was updated in 2016 to reflect $131 billion or 0.5 percent of GDP increase by 2030, but that was accompanied by an increase in “job churn” and adjustment costs.[19] These results are largely consistent with the World Bank’s estimated 0.5 percent U.S. GDP increase from TPP by 2030, but they are far higher than the U.S. International Trade Commission’s (USITC) projected 0.15 percent annual GDP increase by 2032, with a corresponding addition of 128,000 jobs.[20]

For the TTIP, the USITC estimate, based on a CEPR study, is that it would have increased U.S. GDP by about $105 billion, which is a bit more than a 0.4 percent GDP increase, and would have created about 500,000 additional jobs over ten years.[21] At best and taken together, the mega-deals would have generated only a 1 percent net increase in U.S. GDP, spread out over ten years, creating about 8,000 additional jobs a month, roughly 5 percent or less of job creation in an ordinary month. Incremental liberalization was, according to best estimates, unlikely to result in dynamic gains for the United States.

While TPP and TTIP may very well have allowed for continued liberalization after a deadlocked WTO, the direct effects of the mega-deals on the U.S. economy were not likely to match the political rhetoric we heard in Washington. The biggest beneficiaries of incremental liberalization would likely have been Vietnam, with an estimated 11 percent increase in GDP over the ten years.[22] In contrast, the strongest benefit from incremental liberalization for the United States might have stemmed from a simplification of the spaghetti bowl, or noodle bowl,[23] of FTAs.

3.2. Geo-economic

Should we then view TPP and TTIP as an effort to have cemented American trade objectives through a new set of plurilateral agreements? This view can take two forms. First, the combined power of TPP and TTIP might have been seen as holding potential to set the new rules for international trade. Geo-economically, the hope would have been that TPP and TTIP could be leveraged to cement the

18 Peterson Institute for International Economics (2015).
19 Petri and Pummer (2016).
20 Jackson (2016).
21 European Commission (2013).
22 John Boudreao, 8 October 2015, “The Biggest Winner from TPP Trade Deal May Be Vietnam,” *Bloomberg*.
23 Caplin and Ravenhill (2011).

Washington Consensus through plurilateral agreements, outside the stalled WTO —but possibly leading to a WTO redux or WTO 2.0. Second, even without a WTO redux, these agreements could have cemented U.S. visions of appropriate trade rules among core countries. TPP, in its final form before U.S. withdrawal, did attempt to set rules for market economies on a wide-range of issues: information technology, intellectual property, the environment, and the role of the state, to name a few. TTIP, in previously released negotiating positions, was also a rule-setting venture. Even without the creation of a WTO redux, these agreements had the potential to lock-in U.S. trade rules in the Atlantic and Asia-Pacific by creating an integrated trade zone.

At their most ambitious, together TPP and TTIP may have represented an opportunity to create and/or sustain a Western template for liberal economies in a transforming global system. With the United States and twenty-eight European Union countries in TTIP, and the United States and eleven likeminded countries in Asia-Pacific in TPP, some have thought that these two agreements might have been able to become the basis for a new multilateral trade regime—a WTO redux. That regime may have either (1) been extraordinarily attractive to other states, or (2) at the extreme, cemented standards from which no other WTO member could afford to be excluded. This includes the BRICs, which were notably absent from these agreements.

This possibility can be observed in the negotiating positions of states. Note that the Commission's Textual Proposal on the State Enterprises chapter of the TTIP, leaked in January 2015, starts by stating that "the E.U.'s main objective for including SOE-related disciplines in the TTIP is to develop a joint platform of rules which could be used in other agreements/forums to address concerns raised by the development of state capitalism."[24] In vague terms, if we could get a critical mass of countries to sign on to a particular set of liberalizing trade rules then the rest of the world would climb aboard.

More specifically, if both TPP and TTIP were signed and ratified, remaining outside these structures could have led to significant trade and investment diversion, pressuring countries to adopt some tenets of deep liberalization in order to gain entrance. Approximately 40 percent of global economic output would have been covered by current TPP states if the agreement had been approved and implemented[25] while the United States and European Union together account for nearly half of global GDP and approximately a third of trade flows.[26] Even though the WTO is deadlocked, perhaps deeper economic liberalization could

24 European Commission (2015).

25 *The Financial Times*, 2 February 2015, "U.S. trade Chief Mike Froman sees prize within reach."

26 European Commission (2014).

have been cemented globally through the critical mass provided by TPP and TTIP. For a time, it appeared that these blocs could very well have the power to replicate the Transatlantic shift from the GATT 1947 to the GATT 1994 and the WTO, and define the rules for a new multilateral trade regime.[27]

However, recall, the WTO was created when Europe and the United States constructed a new trade regime from which other countries felt they could not afford to be excluded. After experiencing the beginning of a decline of power in the GATT and opposition to the Washington Consensus, the Untied States and Europe leveraged their still significant power to engineer a venue shift. The new venue favored their rules on trade and contained a critical mass of states, successfully pulling the outliers into the new WTO.

In order to assess the likelihood that a repeat of this strategy would have been successful with TPP and TTIP, we need to examine which states remained on the outside of these agreements as well as the number of countries and percentage of global trade covered. These are numbers we cannot yet know. The swath of trade and the number of countries present in these agreements, and the trade and investment diversion they would have created, would have defined the TPP and TTIP's ability to either entice or pull outlying states into this new framework. Presently, the BRICs have remained outside TPP and TTIP. Would they have been drawn in gravitationally?

There are three reasons this would have been unlikely. First, competitive frameworks have emerged. China gave a loud geo-economic response to the U.S. trajectory: the Regional Comprehensive Economic Partnership (RCEP). By using its own gravitational pull, China induced a majority of TPP countries, plus India, to join its own trade agreement. Depending on the extent of RCEP liberalization, that move likely radically diminished the trade and investment diversion that some had thought could be used to bring China to accept the TPP template. The sixteen countries in RCEP currently comprise almost 25 percent of global exports and 30 percent of global GDP.[28] Although RCEP has yet to finish negotiations, significant overlap between it and TPP would have mitigated any leverage a potentially ratified TPP might have hoped to utilize.

Second, even without the RCEP, neither the Untied States nor the European Union could have gained the necessary leverage to successfully draw in recalcitrant states. Economies are far more integrated than before, with significant overlap between various FTAs already in existence and these two mega-FTAs. The crux of the 1995 power play (GATT to WTO) was the ability to deny Most Favored Nation (MFN) status to all (or almost all) countries remaining outside the WTO.

27 Steinberg (2002).

28 Australian Department of Foreign Affairs and Trade (n.a.).

This is no longer possible. Both the European Union and the United States owe MFN to numerous states through over a hundred FTAs combined. The trade and investment flows covered are not insignificant. According to a 2011 Congressional Research Report, in 2008 the E.U.'s PTAs covered 70 percent of exports, while American agreements covered 40 percent.[29] Even if both the TPP and TTIP were ratified today, neither the United States nor the European Union could gain the necessary trade and investment diversion leverage it had during the shift from the GATT to the WTO.

Third, in addition to the changes in potential leverage, the transatlantic duopoly is less coherent than in the 1990s. Shared European and U.S. interests are weakening. Finance serves as a prime example. Just last year, several E.U. states joined China's new Asian Infrastructure Investment Bank (AIIB). They did so despite significant U.S. disapproval.[30] AIIB has been seen in Washington as an attempt by China to create parallel and alternative institutions to those largely controlled by the United States and Europe—alternatives, which notably did not exist in the 1990s. Chinese led alternatives are also emerging in trade, i.e., RCEP. While these dynamics will play out differently across domains–trade is markedly different from finance—the current geo-political environment is characterized more by fractures than coherent blocs between the West and the rest.

Geo-economically, in trade, taking into account the Chinese and Russian responses to TPP and TTIP, and the current lack of a clear neo-Washington consensus, the most likely outcome would have been parallel trajectories, with a risk of divergence, at least in the foreseeable future. The parallel trajectories in trade are themselves outgrowths of the diffusion of power that defines the evolving geopolitical system. The U.S. and European led world trade system, was once defined by the GATT and the WTO. The hope was that with Russian and Chinese entry the principles embodied in the WTO would truly be globalized. Instead, substantive disagreements between the BRICs and the West were accompanied by successful coalition behavior among developing countries. Not only do the BRICs have different views/interests, but they have been able to leverage those interests to prevent the European Union and the United States from setting the agenda and closing the deal on their terms. Ultimately, within the WTO, we have moved from a hegemonic duopoly of the United States and the European Union to a tripolarity in which developing countries have veto power. The system is "Balkanizing." Perhaps that is not a surprise. The system of global project finance, once defined by the World Bank, is fracturing. The once mighty

29 Ahearn (2011).

30 The U.K., a historically strong U.S. ally, became a founding member in March 2015 followed by Germany, France, and Italy. South Korea and Australia have considered membership, as well.

IMF has since the mid-1990s needed support from national central banks and cooperation from China to save currencies. The United States is no longer the sole regime supplier and now finds itself struggling to maintain the systems it created and championed. Hegemonic stability is gone.

Finally, there are several conditions that would have needed to be met for either of these rule-setting geo-economic ventures, WTO redux or Integrated Trade Zone, to have been successful. First, both agreements would need to have been approved. As of early 2016, only the TPP negotiations were concluded, but the United States has withdrawn. Technically, the TTIP remained under negotiation with clear disagreements over procedure and content. ISDS and Geographic Indicators for food, for example, were proving to be clear areas of tension.[31] In any event, under the new Trump Administration, and in the context of 2017 elections in important E.U. member states, the TTIP is on hold, at best. Second, the standards adopted in TPP and TTIP needed to be minimized. Contradictory or conflicting standards would do little to solve the spaghetti bowl and would hinder any attempt to combine the treaties later. If they diverged in content or structure, American visions of two complimentary regimes for trade liberalization would have been severely undermined.

3.3. Geo-strategic

Were the TPP and TTIP more than a rule-setting attempt or an effort to make the world safe for American multinationals? What are the broader American strategic interests? Geo-strategically,[32] the emergence of these two mega-FTAs was framed by some as an attempt to contain rising powers, particularly China, or an attempt to re-cement traditional security alignments. These interpretations hinge on the

31 *The Global and Mail*, 6 January 2016, "How should Canada see the TPP? Depends on how we see the world"; *The Financial Times*, 16 September 2015, "E.U. seeks to remove obstacle to trade deal"; *Politico*, 17 September 2015, "ISDS: The most toxic acronym in Europe."

32 While we focus on overt link between TPP/TTIP and security goals, the relationship between trade and security has been widely discussed and debated in the literature ranging from mercantilism and neo-mercantilism (see Wallerstein (1974)) to Complex Interdependence (see Keohane and Nye 2011). The GATT/WTO were themselves embedded in the Cold War security dynamics (see Mastanduno (2009)). Linkages between trade and security were a key feature of the post-World War II era of U.S. foreign policy. In the 1950s, the United States utilized trade as a means through which to achieve security ends both with Japan and the European Coal and Steel Community (ECSC). In order to begin to contain a perceived hostile China, they sought to assist Japan's entry into the General Agreement on Trade and Tariffs (GATT). Similarly in Europe while facing a perceived hostile USSR, they supported the emergence of the ECSC even though it violated Article 24 of the GATT. Refer to Aggarwal (2013) for a detailed analysis of linkages in U.S. FTAs and Aggarwal and Govella (2013) for a broader analysis of trade and security linkages globally.

notable absence of China from the TPP and Russia from the TTIP. Proponents have argued that likeminded states were using these economic agreements for political ends. Geo-strategic explanations for TPP and TTIP are largely two-fold.

The first line of explanation argues that TPP and TTIP represented or should have represented a conscious geo-strategic attempt to contain rising powers. Here, the mega-FTA story is simply another chapter in the balance of power saga in International Relations. In the case of China, this interpretation is bolstered by perceptions from some significant Chinese players that TPP was an economic tool with a clear geo-strategic aim. Domestic Chinese academics and party members have articulated TPP as the economic arm of the United States pivoting to or rebalancing in Asia Pacific. For them, this deal was not viewed as incremental liberalization but rather a blatant attempt to contain a rising China. For example, Ding Gang, a prominent journalist for the People's Daily, wrote "the U.S. does not want to be squeezed out of the Asia-Pacific region by China … (the) TPP is superficially an economic agreement but contains an obvious political purpose to constrain China's rise."[33] Li Xiangyang, Director of the Institute of Asia Pacific Studies under the Chinese Academy of Social Sciences (CASS), similarly saw TPP as a conscious attempt to contain China, while Song Guoyou, an Associate Professor from the School of International Relations at Shanghai Fudan University, bolstered this claim by pointing out a significant correlation between military allies and TPP states.[34] This overlap between security and economic ties fueled Chinese perceptions of these mega-FTAs as geo-strategically motivated. Here, the argument is that TPP would have leveraged economic tools for strategic ends, most notably, containing China's rise.

The second line of explanation, and in some ways a milder version of the former argument, is that these agreements may have represented an attempt to re-cement old alliances.[35] TTIP is most notably conceived of as a return to the transatlantic community and a commitment to a core transatlantic pole in world politics.[36] These negotiations represented, for some, a return to transatlantic relations and the Washington Consensus and their primacy within visions of world order. There has been a growing rift between Europe and the United States marked, in part, by the aftermath of 9/11, and reinforced by Obama's pivot toward Asia and seemingly away from Europe. Hence, the TTIP negotiations could be interpreted through the lens of a renewed spirit of regional cooperation,

33 Yuan (2012).

34 Yuan (2012).

35 For discussion of how regional trade agreements may interact with military alliances see Powers (2010).

36 Novotná, Morin, Ponjaert, and Telò (2015).

as well as the affirmation of a transatlantic community's strategic importance. In this sense, TTIP was not a security agreement but rather an economic agreement "nested" within a broader geo-strategic context while creating a division of labor between parallel institutions (i.e., NATO and TTIP).[37] NATO and TTIP would likely not have been nested within a broad overarching institution but they could conceivably serve as a division of labor along economic and security lines between two parallel institutions. While rhetoric surrounding a pole and parallel institutions exists, without detailed interview and archival data this claim remains speculative in intention if not in appearance. The importance of TTIP within the context of the transatlantic community also held implications for future FTA negations and multilateral institutions/organizations. The outcome may have created a "transatlantic pole" similar to the post-WWII era with which other states, especially rising powers, would likely need to contend.[38]

These geo-strategic interpretations, however, raise a contradiction involving the role of India. If the purpose was to contain China, could such a strategy have been successful if India were not involved? While a geo-strategic move to hem in China would seek to exclude them from these agreements, any strategic move to hem in China without India would likely have been unsuccessful. Why then was India outside of TPP? One could interpret India's absence as an attempt on its part not to aggravate China or as part of ongoing disagreement over how the role of the state should be accounted for in trade deals.

Regardless, even if the West's objective were broadly geo-economic, a split over the role of the state could have cemented divergent paths between the BRICs and the United States/European Union. Geo-strategically, cementing divergence is also concerning. Reinforcing blocs creates a clearer fault line for competition and conflict. With this in mind, efforts to contain China through TPP without India could have resulted in the creation of a bloc that ran counter to "the West." As a crucial geo-political player, the absence of India begs the following question: At what point would it have become too late to shape the development path of India toward TPP and TTIP? If we passed that point, will we have cemented divergent paths, intentionally or otherwise?

Moreover, if both these strategic arguments hold merit, how would we have reconciled TPP and TTIP? If TTIP was a reaffirmation of the transatlantic community, would these two mega-FTAs ultimately be in conflict? If TPP was seeking to contain China, it was doing so without Europe. This makes little sense if we also consider TTIP as a reaffirmation of Transatlanticism in world politics. Ultimately, while geo-strategic language was used around these agreements, it is

37 Aggarwal (1998).

38 Hamilton (2014).

unlikely that the central purpose was originally geo-strategic in nature. However, it has clearly been interpreted by others and at times packaged domestically as such.

In short, motivations and purposes behind these two FTAs are murky, intertwined, and sometimes contradictory. For the major players, there were certainly geo-strategic concerns and geo-economic motivations, while at the same time they pursued narrower economic benefits. For others, the focus may have been purely trade-creating efficiency. Certainly, the purposes and priorities have evolved over the decade that TPP was negotiated and the several years of TTIP negotiations. Not only were there mixed motivations, there were often contradictions in purpose. The contradictions are at least as interesting as the debate about motivations.

Certainly, TPP and TTIP may have been a rule-setting attempt or an effort to make the world safe for American multinationals. But this story is more complicated and more complex. It is evident that TPP and TTIP would not have reestablished transatlantic hegemony. Even if we had proceeded down these paths in trade, systems friction is unlikely to have abated. State-led capitalism in the BRICs will likely continue to roil Western businesses and government as they find themselves shut out of the fastest growing markets. Friction between the RCEP, TPP, and TTIP may have been dampened by the WTO baseline, but that friction would have persisted and may have worsened. Within the broader geo-politics surrounding TPP, TTIP, and RCEP, we wonder to ourselves whether we would have seen the return of Great Power politics and the divisions and conflicts it brings with it. In sum, with or without the three mega-deals, the era of the Washington Consensus is firmly behind us.

4. The Trump Administration and concluding thoughts

The TPP and TTIP were two prongs of a broader U.S. trade policy under the Obama Administration. For the United States, their merits were articulated and contested in three broad frames: a) economic benefits stemming from incremental liberalization, b) geo-economic advantages linked to continuing to set the rules on trade, and c) the geo-strategic effects of these deals in cementing old alliances and possibly containing or restraining rising regional powers in Europe and the Asia Pacific. With the 2016 presidential election and the inauguration of Donald Trump, these two mega-deals appear to be dead or at the very least stagnant with a precarious future.

In early 2017, there is no clear successor strategy to replace these mega-FTAs. However, the motivations behind their original inception remain. The

Transatlantic Duopoly is bifurcating and losing leverage relative to rising powers. The United States no longer plays the role of the primary system maker in global economic governance, often joined by Europe in the form of a duopoly, and its role is now challenged by rising powers such as China and India. India overtook the United Kingdom to become the sixth largest economy in late 2016.[39] The spaghetti bowl remains. There are now over 500 FTAs with 320 of them active. However, ending deadlock in the WTO would require one or more parties to give up their veto-power, and so deadlock persists. These economic and associated geo-political concerns remain, and the cacophony of existing FTAs will continue to weaken the U.S. position.[40] Importantly, since we depend on production networks rather than actual concentration of sectors, we are likely to be the losers from this chaos. Future trade policy will need to find tactical solutions or alter the policy objectives themselves—perhaps away from global rule setting and neo-liberal economics as President Trump has implied.

However, in addition to these initial motivations, the apparent withdrawal from these agreements have worsened the U.S. geo-political landscape and created a geo-strategic vacuum in Asia-Pacific. The administration's move toward biltarerals has the potential to continue to shred the system into smaller and smaller blocs and the proposed border tax, proposed repatriation of international supply chains, and perceived currency manipulation by states such as Germany and Japan continue to undermine the system.[41] In his farewell speech on 10 January, U.S. Trade Representative Michael Forman publically articulated these very concerns: "There simply is no way to reconcile a get-tough-on-China policy with withdrawing from TPP [...] That would be the biggest gift any U.S. President could give China, one with broad and deep consequences, economic and strategic." What then are the potential economic and strategic consequences?

The deals the Americans sponsored had already garnered significant response from China in the form of alternative articulations of trade governance such as RCEP. By negotiating TPP and TTIP and publically championing them as the next era of U.S. trade policy, the United States not only opened the door to alterative agreements but also provided an opportunity for those articulations to potentially displace their own. Who will set the trade rules in Asia Pacific? Without TPP,

39 *Foreign Policy*, 20 December 2016, "India Overtakes Britain as the World's Sixth-Largest Economy," Robbie Gramer.

40 Multinational companies' position will also be weakened by protectionist policies and global retrenchment. See *The Economist,* 28 January 2017, "In retreat: The multinational company is in trouble."

41 See *The Financial Times*, 31 January 2017, "Trump's top trade adviser accuses Germany of currency exploitation"; *The Financial Times*, 31 January 2017, "U.S. trade chief seeks to reshore supply chain."

states may seek that leadership elsewhere. And, given the strategic nature of these agreements, that leadership may very well extend beyond trade into broader geo-strategic debates.

The U.S. withdrawal from and threat to, at best, renegotiate these agreements also greatly damages U.S. credibility. Negotiating partners often expended significant domestic political capital (sometimes pushing against articulated interests of their own domestic coalitions).[42] The United States's withdrawal from the TPP decreases the credibility, or at least the reliability, of the United States as a critical partner in the region. The United States is no longer a stable bet economically and, perhaps even, in terms of security. The interests of partner states remain, however. Vietnam, the potential biggest economic winner from TPP, may look elsewhere for that growth, namely China. Countries like Japan would likely have to pursue alternative strategies to counter a rising China in the region, strategies which may involve more militarized tactics.

Ultimately, the current administration's positions on TPP and TTIP represent the loss of a key foreign policy tool, most notably in Asia Pacific but also in Europe. It is a blow to incremental liberalization and has garnered geo-economic and geo-strategic responses. Without a clear alternative[43] and with the current Administration's articulations of a policy of retrenchment from cooperative global governance leadership, the United States will have removed itself from Asia Pacific and in a more limited sense Europe. It is an outcome that could mark the end of the coined "Liberal World Order" and the United States as the central system maker. In sum, the era of the Washington Consensus is firmly behind us, heralding a new era of U.S. trade policy. What that policy will be, remains largely unknown.

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42 Private conversations.

43 The 24 January Presidential Memo articulated the pursuit of bilateral trade deals, wherever possible.

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