

**Fattened for the kill? The geopolitics of EU trade policy and its impact on the Global South with
projections on EU-USA TTIP Negotiations**

*By **Africa Kiiza**; M.Sc. Governance and Regional Integration; Pan African University; Institute of
Governance, Humanities and Social Sciences, hosted at University of Yaoundé 2, Soa, Cameroon.*

Abstract

The term geopolitics replicates the nexus between power and interests, deliberate decision-making, and geographic space. It circumscribes the interplay of natural resources, strategic dominance and geographic space on the one hand, and the various State and non-State actors pursuing individual as well as collective interests on the other. The EU Trade policy is a core component of the EU's 2020 strategy, a strategy that aims at smart, sustainable and inclusive growth. However, this paper seeks to highlight that the EU trade policy is not coherent with this strategy, and in a bid to promote this inclusive growth, the EU has ended up excluding and leaving behind the economies of the global South, hence portraying the underlying geopolitics.

A closer analysis of the EU trade policy clearly shows that the global South (most especially African, Caribbean and Pacific) is being fattened for the kill by holding hostage the development prospects of their economies. For example, in order to understand the ACP, it is necessary to understand Europe, just like to understand the poor you have to understand the rich. The Euro-South relationship is a historically constructed asymmetrical relationship, majorly shaped by EU's geopolitics. Historically, the South, for example ACP countries, supplied raw materials and commodities to imperial Europe, and now big powers fight proxy wars on the soil of ACP for her resources. Post-independence, Europe simply altered the form of its relations with ACP, but not the content.

This paper argues that contemporary Euro-global South relationship portrays the global South locked in serial trade, resource and technology wars majorly declared upon her by the EU through its trade policy and reciprocal free trade negotiations like the EPA and the TTIP. While the ACP group has been largely unsuccessful in negotiating demands vis-a vis the EU under the EPA, this paper argues that the TTIP, like the EPA is a mere strategy launched by the EU and USA and will work to fatten the economies of the global South for their kill. While the TTIP is being hailed as a new trade route to prosperity given its envisioned "incredible economic benefits", this paper seeks to highlight that under the current provisions therein the TTIP, economies of the global South are likely to be negatively affected both directly and indirectly.

This paper argues that global geopolitics has changed dramatically and has become another war, and therefore the global South must change her tactics and strategies, and must critically assess the EU Trade policy before engaging on further reciprocal Trade and Investment negotiations. The

paper stresses that when critically analysed, the current provisions in the TTIP negotiation text have potential trade-diverting effects and could function to the detriment of other trading partners. The paper notes that if the TTIP is concluded and implemented in its current form, poor non-members currently enjoying preferences will see their preferential margins erode, as overall levels of protection are reduced. In this paper, I argue that the more rigorous standards under the TTIP might be more difficult to comply with or even lock out global South exporters. This paper argues that while the EU will remain an open economy, it will not be naïve. As clarified in her Trade policy, the EU is after promoting her interests:

“What will make a bigger difference is market access for services and investment, opening public procurement, better agreements on and enforcement of protection of IPR, unrestricted supply of raw materials and energy”.

The paper argues that this is clear enough to highlight the geopolitics in the EU’s Trade policy as the highlighted areas of interests are not a priority to the global South economies which are still struggling with accessing fair market access for goods to the EU. Thus, through her Trade policy, the paper concludes that unless the global South economies seek appropriate alternatives to engage with the EU and address their internal supply capacity constraints and value addition, they continue to be fattened for the kill, to be barbequed, grilled, roasted and toasted by the EU.

Introduction

*“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages.” Adam Smith, **An Inquiry into the Nature and Causes of the Wealth of Nations, Vol 1.***

This paper starts by quoting Adam Smith not by mistake or fashion. The quote is purposely meant to stress that development is not aid and not charity. The quote is also aimed at heralding that Development is resistance and is self-defined. Contextually put, it is not from the TTIP that the global South should expect to achieve the much yearned for structural transformation and spatial, inclusive development. The TTIP is designed to serve the USA and EU interests and their “self-love” and that is how the global south ought to view it. However, the effects of this ambitious trade and investment deal are borderless and in any fact, one reality is clear: its effects, most especially the negative “*trickle down*” will be felt harder in the economies of the global South- thanks to the current mode of globalization¹!

The TTIP aims at enhancing cooperation between the U.S.A and the EU for the development of rules and principles on global issues of common interests and also for the achievement of shared global economic goals. Let us focus on the words “shared global economic goals”. A critical and objective cross-examination of the effects of the globalization train on the lives of the people and economies of the global South may lead to one probing whether global economic goals are shared. “How can they be shared when there is a lot of agenda influence, setting, and arm-twisting of the global South by their North counterparts?” one may ask. True, the goals may be shared, but the effects which they produce vary and are not mutually shared. The globalization train is in motion but is crushing the poor in the global South under its wheels. The elites of the global South, who “participate” in the designing of these global “shared” goals are sitting in the first class compartment of the globalization train, yet they are accountable to the people lying on the tracks. “How can these elites who lack touch with the reality on the ground design global goals that are meant to be shared by everyone?” These are the questions one may dare to pose on the aim of the TTIP.

¹ The current globalization train is crushing the poor in the global South under its wheels. However, there is another form of globalization-alternative globalization based on putting the needs and human rights of the people above corporate profit and greed.

The onslaught of the EU-USA TTIP on the global South development prospects.

According to Sandrey (2013), there are facts on negotiations that need to be understood; i.e. during negotiations, there are gains that are sought and positions that must be protected, any negotiations will end up with both winners and losers, and negotiations are about what interests you push for, not what you really desire or deserve. Unlike Sandrey, it would have been more prudent of him to add that any negotiations can affect non-parties to the agreement, and perhaps in a more negative way, like the TTIP is headed to do to economies of the global south. Nalunga (2014) argues that the TTIP is meant to serve the world's first and second biggest markets the EU and USA respectively, deepen transatlantic relationship, assert global trade policy leadership and advance a rules-based system for global governance. However, the TTIP is wide in scope, deep in ambition and is laden with implications for non-party states (global South in this case) and the global trading system. These implications extend from the loss of potential market space through preference erosion and institutionalisation of new standards to international trade governance and acquiring a largely unfamiliar orientation. The TTIP therefore, in its current content, poses far reaching ramifications on future development plans and prospects of economies of the global South.

The geopolitics of the TTIP can be derived from the factors driving the partnership. These include among others the global financial crisis and the excessively slow progress of the World Trade Organisation (WTO)'s Doha Round (European University Association, 2014). This argument is supported by Dolan (2015) who stresses the importance of understanding the TTIP in the context of the waning relevance of WTO negotiations. According to Dolan (2015), ten years and multiple formal negotiations after the Doha WTO Ministerial Declaration, all momentum in the Doha development round had evaporated, though the talks dragged on and the U.S. trade triage negotiating teams tried in vain to resuscitate them. Dolan's claim is almost coming to pass- Today, a closer analysis on the WTO and the current agenda setting, agenda influence and politics embedded in the negotiations, one may conclude that the WTO is becoming less relevant to global rule-making. And therefore, given the nature of the complex world, if one system fails, another system is sought, or to be more precise, created. This argument is nailed by Dolan (2015):

“The WTO’s decline has been very frustrating for big business and its client politicians and trade bureaucrats. The TTIP is an expression of those frustrations”. Froman (2015) argues that Trade initiatives outside the WTO have become the norm, with hundreds of agreements signed by scores of countries since Doha was launched. The TTIP is one of these mega agreements. The threat of such agreements to the negotiating arm of the WTO, which some prognosticate as “broken” does not come as good news to the global South. Indeed, while the WTO has been anathemised as a war machine², it is important to note that the WTO still remains an important institution for ensuring that global trade rules are fair and non-discriminative. The TTIP should therefore be negotiated in a way that it compliments, and not supplements the WTO, nor should it set a global trade footprint that will be too big for the WTO to fill. This is critical if the global South is to improve on her current meagre share of global trade.

Herfkens (2014) stresses that much less consideration has been given to the impact of the TTIP on the global South and the global trading system, despite the likelihood of the TTIP to erode and devalue the current trade preferences that the global South currently has with the EU and USA. It is critical to note that poor non-TTIP members of the global South, currently enjoying preferences with the EU and USA will see their preferential margins erode, as overall levels of protection are reduced. This is because Preferential Trade Agreements (PTAs) discriminate against non-participants, as they may divert trade from cheaper non-member to more expensive member sources, and subsequently result into global trade diversion. Taking Africa for example, Mthembu (2015) argues that the highly concentrated nature of exports from Sub-Saharan Africa (SSA) implies that the erosion of preferences in a small set of specific product categories (textiles, clothing and footwear and specific agricultural products such as fish, bananas and sugar) can have important negative consequences for these countries. Mthembu (2015) further argues that more rigorous standards set by the TTIP might be more difficult to comply with or even lock out SSA exporters. For example, more advanced intellectual property rules might affect the introduction and production of generic drugs and their supplies to SSA. Therefore, by providing preferences to U.S. and European exporters, the TTIP, would undercut SSA’s access to both markets—a replica of geopolitics. Of course, how big the effect on the global South will depend on the TTIP design.

² According to Yash Tandon, the WTO is the principal instrument of global trade war. If small and middle sized countries do not ‘follow the rules’ as dictated by the Big and Powerful who effectively control the WTO, then they are—collectively and individually—subjected to sanctions. Sanctions are acts of war.

The looming global trade diversion stemming from the TTIP is also likely to have negative consequences for GDP growth potential in low income countries of the global South. Herfkens (2014) projects that the TTIP could result into real GDP decline in Latin America (-2.8%) and Sub-Saharan Africa (-2.1%). He further stresses that the most immediate impact for the global South is likely to come from trade diversion or the erosion of preferences currently received under schemes like the EU's Everything But Arms (EBA) or Generalised System of Preferences (GSP) and the US African Growth and Opportunity Act (AGOA). Taking Africa as an example, Felbermayr et al. (2013a) assesses the impact of TTIP in both a 'tariff-only' and a 'deep liberalization' scenario. Under a tariff-only scenario, he projects that most countries outside of the EU and USA will see a reduction in per capita income: with the major losers in Africa being Sudan (-4.1%), Ethiopia (-3.3%), Ghana (-4.1%), Cote d'Ivoire (-6.4%), Guinea (-7.4%), Senegal (-4.4%), Namibia (-4.4%) and Madagascar (-4.4%). The African Development Bank (AfDB) (2015) suggests that the poorer countries would suffer, particularly Africa, as their exports to Europe would be pushed out by goods from the United States. African countries will also be among the largest net losers from reduction in non-tariff barriers if the TTIP succeeds in creating "deep liberalization." This impact is a replica of the EU and USA giving to the global South with one hand while taking away with the other, and further lays bare the gruesome geopolitics of the TTIP and its implications on the economies of the global South.

Lastly, discrimination against the global South is a central problem of preferential agreements like the TTIP. Contemporary literature on Free Trade Agreements (FTAs) indicates that one particular problem of preferential trade agreements is that they contain many different and contradictory rules. This applies to the rules of origin in FTAs, which define which goods are granted preferential treatment. According to Herfkens (2014), the multiplicity of preferential trade agreements has produced a confusion of different Rules of Origin (RoO) that tangibly obstruct trade. Currently, TTIP RoO require at least 50% of the value added of a product to be produced in a TTIP state in order to benefit from the tariff reductions. In such a case, small and medium enterprises in Africa will suffer from high transaction costs. This is because RoOs under the EU's GSP and EBA have been very restrictive (SEATINI 2008). The non-simplification of RoOs in the TTIP, especially for the non-parties therefore stands a major threat to the development of the global South. This further unveils the geopolitics of the EU and USA in the TTIP, that while they simplified RoOs, like in the

EU-ACP Economic Partnership Agreement (for apparel products), they are eroding this under the TTIP to the detriment of present and prospective global South exports to both the EU and USA.

Conclusion

The EU has a commitment to Policy Coherence for Development embedded in the European Consensus on Development³. According to Trade Justice Movement (2014), this commitment is born of a recognition that certain policies have a significant impact outside of the EU and can contribute to or undermine development policy; it therefore seeks to minimise contradictions between these policies and development cooperation. However, the current practise by the EU in the TTIP is visibly incoherent with this commitment.

A critical analysis of what is at stake with the conclusion of the TTIP is given by Tandon (2015). According to him, the TTIP adds a series of layers under the WTO with even more far-reaching inroads into the independence and sovereignty of states (global South states in this case) than the WTO. Tandon (2015) argues that the TTIP is promoted essentially by the American and European governments and Corporate Capital. According to EU Trade Commissioner, Cecilia Malmstrom:

“.....this agreement was worth the effort, worth it economically, worth it strategically. We did so because we knew that for all our transatlantic differences we actually agree on most things, from first principles like human rights to their most complex implementation in high quality regulation. We did so because we knew that this bed of shared principles, combined with the size of the prize, would help us find our way forward when it counted” Tandon (2015).

This is pure reflection of geopolitics and vested interests of the USA and EU. The TTIP is an agreement meant to promote the strategic interests of the USA and EU. As earlier quoted, the global South should not address its development not to the TTIP. Quite the contrary-the current language of the TTIP will even make it harder for the global South to increase her global trade share.

For many years, the global South has been tangled in a trade liberalisation war with the USA and EU. Trade liberalisation has failed to work for the structural transformation of the economies of

³ http://ec.europa.eu/europeaid/what/development-policies/policy-coherence/index_en.htm

the global South. This is stressed by Stiglitz (2000) and his *Four steps to Damnation* where he criticises privatisation, capital market liberalization, market-based pricing, and free trade as lying at the root of increasing impoverishment of the countries of the South. To cherry pick the component of free trade, reality has proved that free trade is a myth and the theory of comparative advantage which it preaches has been replaced by comparative subsidies. The bigger the subsidies have culminated into the bigger the clout in the global trade. It is important to stress that Trade protectionism in key strategic sectors and goods is undeniably critical in promoting infant industries in the global South and strengthen their capacity to upgrade on their value chains. Thus, as the Africa Europe Faith and Justice Network (2015) argues, the exclusion of the global South in TTIP negotiations which aim at elimination of economic barriers means a disaster treat for the global South economies because in the long term, her goods will have to compete with the world's largest free trade zone.

The Africa Europe Faith and Justice Network (2015) stresses that as any agreement which is intended to fatten non-parties and ready them for the kill by the parties to the agreement, the TTIP is largely being negotiated in secret. The TTIP, it can be argued, is a complex agreement and its implications on the global South's development are not so evident at first sight. In order to evade the looming negative implications of the TTIP on the economies of the global South, the USA and EU should craft the TTIP agreement in a way that it ensures that the benefits are not exclusive to them, but also extend to the non-signatories; the global South. This, according to AfDB (2015) could be achieved through a policy of mutual recognition of standards extended to the global South with flexible Rules of Origin. This, the AfDB argues, would help reduce trade diversion concerns for the global South, while signalling that the TTIP signatories are still committed to an open global trading system, and are not fattening the global South economies for their kill.

One may argue that the EU and USA are not as strong as they make the global South believe, especially in the fast –changing geo-political situation. The world is “de-globalizing” and the rest of the world – outside of the US and Europe – is “decoupling” from the US and EU, and creating a new world economic order.” Nonetheless, in the Euro-global South “partnership”, the scales are tipped towards the former's side. The former has got an ace up her sleeve and it is up to the latter to beware of this and look for solutions to ensure a mutually beneficial partnership. Therefore, the

global South has to exercise resilience dynamism. The World Economic Forum (2013) defines resilient dynamism means tackling immediate problems and long-term challenges at the same time. The global South should make better use of existing preferences with the EU and USA like the EU's Everything But Arms (EBA) scheme for LDCs and the USA's African Growth Opportunity Act (AGOA) extension to countries in Sub Saharan Africa. To do this, they should address their production, infrastructure and standards challenges. The onslaught of the global South by the EU and USA continues, and this time round, in the TTIP. One thing should be clarified: whereas the global South is not party to these negotiations, whereas the global south, especially ACP appears to pay little attention to the TTIP, the negative slipover effects of the TTIP will bite harder in the global South. The negative effects will trickle down to the global South and they will affect her development prospects, unless the contents of the current TTIP text are changed to be pro-development, and most especially, if they ensure that the TTIP does not risk arresting the development prospects of the global South.

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