

Think in The Interest of the People

Why we should have the courage to seize the real transatlantic opportunity

By Klaus F. Zimmermann

In the world of global commerce, two insights stand out: First, the global trading system badly needs a shot in the arm, all the more so as the World Trade Organization's (WTO) so-called Bali round, agreed to in December 2013, has run into trouble. And second, at a time when it is increasingly difficult to arrive at growth-enhancing global agreements, regional agreements rise in importance as an alternate route for progress on trade liberalization.

The launch of the new Transatlantic Trade and Investment Partnership (TTIP), announced in June 2013, represents a promising step in that direction. But even though governments and business organizations were keen to get going, the negotiating process had not even started in full when the bickering about what's "on the table" and "off the table" was already in full swing.

As a result, the negotiations got bogged down quickly in ever more mind-numbing details. The movement toward an agreement had slowed even before the NSA scandal arose. The latter incident offered some politicians in Europe a platform to call for a timeout on any new trade agreement with the United States.

At the same time, there are those who question the value of any such agreement by arguing that the economic benefits which an eventual transatlantic deal may yield are rather small. They point to the existing intensity of bilateral trade and the extensive presence of US firms in the European market, and vice versa. The worry that lies behind these concerns is that only large corporations would benefit, but not the populations at large.

As a labor economist and someone who has long believed in the vitality of the transatlantic relationship, I can only warn against such thinking. In my view, we are not thinking big enough.

A special convention of the Social Democrats, Chancellor Angela Merkel's coalition partner, recently decided to back the project. It laid down, however, a number of red lines: The transatlantic free trade agreement must not infringe on workers' rights, consumer protection, social, cultural and environmental standards. Special courts for corporations suing states will not be accepted. In the same vein, Merkel promised: "Chlorine-washed chickens won't enter Germany, nor will it be possible in the future to import genetically modified foods into the EU."

In fact, when it comes to the various negotiating dimensions of TTIP, we have already failed to include in the negotiating framework what is perhaps the most important dimension from a

human perspective – the creation of a genuinely integrated transatlantic labor market.

It is true that people simply don't care about endless fights over what they see as small-fry items that many large corporations have on their trade agenda. What people do care about is their freedom of movement, pursuing opportunities and contributing their economic energies where they fall onto fertile soil.

The framework envisioned for TTIP shows that we did not have the guts to go for the real prize – true labor mobility across the Atlantic.

That is all the more regrettable as that prize would have led to more economic stimulus than is on the cards right now. Furthermore, it would be truly future-oriented and precedent-setting.

In suggesting a common migration policy and, specifically, the creation of an integrated transatlantic labor market, I realize that migration issues are sensitive matters in both Europe and the United States.

But it is important to remind everyone of this pivotal economic fact of life: Removing restrictions on the mobility of labor has been proven to exceed the economic benefits that can be expected from a further reduction of trade barriers across the Atlantic.

In short, few solutions are better suited to increase human welfare by creating jobs and strengthening trade as well as the exchange of services than open labor markets and true labor mobility. Never mind that this would do much to draw the transatlantic partners ever closer – and do so on the all-important human level.

This is especially relevant since, in terms of economic history, we now live in the age of "information capitalism." What is increasingly shaping our lives, professional careers and overall economies is people who supply the key ingredient to growth – knowledge.

And, to be sure, higher knowledge levels go hand in hand with human mobility. That is how labor mobility supports innovation and growth and how lasting economic value is created.

But while we can freely exchange emails across the globe at a moment's notice, can skype and have real-time online collaborations working on the same documents on our computer screens, the ability to pack up and leave, even for a short-duration professional stint, remains very limited. As long as this situation prevails among the transatlantic partners, we will undershoot our economic potential.

Take Europe's labor markets. They are not as dynamic and integrated as they need to be.

Defensiveness in this context is not a virtue. It only cements slow-growth scenarios.

But defensiveness is not just a European trait. It has become an American one as well. In the US, there are concerns that immigration is not diversified and high-skill enough.

Both Europeans and Americans need to embrace openness, and hence shed our joint customary caution, for one simple reason. The key challenge to the West's future is coping with the growing shortage of skilled labor. If this issue is not dealt with forthrightly and courageously, it will lead to considerable distortions of future growth patterns.

This fact alone should convince admittedly hesitant and overly cautious Europeans and Americans that now is the right time for much improved labor mobility across the Atlantic. It is a first, critical step toward more open labor markets globally.

How could this be accomplished? We should move toward a transatlantic world where governments issue temporary green cards for people with job offers as well as permanent work permits for highly skilled workers. To promote more transatlantic careers later on, we should also facilitate and promote transatlantic student exchanges and apprenticeship systems.

How futuristic is all of this? Political realists will argue that the horse is out of the stable and that there is no chance for an integrated transatlantic labor market since it is not part of the TTIP negotiating mandate.

That may well be so. But as an economist, I find it worth pointing out this simple political calculation. Any agreement on a free trade zone that deserves that name faces a lot of political resistance on both continents. It thus requires spending a considerable amount of political capital anyway. So why not aim for a prize that is worth the effort?

The economic as well as the political arguments in favor of creating a freer transatlantic labor market are compelling. I may be a dreamer, but I know this: An integrated transatlantic labor market is pivotal to removing inefficiencies and truly stimulating economic activity across the Atlantic. Nothing would better attest to the Europe's and America's future optimism and dynamism.

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