

The Transatlantic Trade and Investment Partnership (TTIP)



How the EU-US deal threatens people and planet.

April 2014

Negotiations on the Transatlantic Trade and Investment Partnership (TTIP) between the EU and USA began in July 2013. If agreed, it would be the world's biggest trade and investment deal outside of those negotiated within the World Trade Organisation (WTO). The deal will reduce tariffs (taxes on imports and exports), but the major focus is likely to be on reducing 'non-tariff barriers to trade', which is the part that has elicited most concern from trade unions, and social justice campaigners. This could mean making it easier for multinationals to sue governments

and the slashing of environmental and safety standards. TTIP could also extend privatisation of public services like the NHS. If TTIP is agreed, it will be used to subject countries in the global south to radically neoliberal global trade standards.

The evidence shows that TTIP could have a detrimental impact in the UK, and become the new model for future trade agreements worldwide. TTIP negotiations should be stopped.



Photo: Frederick Sadones

Protestors throw milk at the EU-US free trade negotiations earlier this year. TTIP will make farmers compete against each other in a race to the bottom in environmental, health and animal welfare standards.

Why TTIP?

Officials and businesses on both sides of the Atlantic are trying to promote TTIP as a path to stronger economic recovery after the financial crisis. However, for multinational companies, the deal is really about moving towards a global trade and investment framework that will give them even greater power.

The WTO used to be the primary focus of these efforts. However, thanks in part to successful campaigning and resistance by activists worldwide, the WTO's Doha Development Round has stalled since its inception in 2001.

Faced with deadlock at the WTO for much of the last decade, rich countries such as the UK and US decided to push their neoliberal agenda through bilateral trade agreements and investment treaties, for example the EU-India and EU-Canada trade agreements. This method of signing deals

with countries one by one, bypassing the WTO (where, for all its faults, at least every country has a voice), has meant that there are increasing numbers of bilateral trade deals and over 3,000 bilateral investment treaties worldwide (the UK has 98).

TTIP, however, is set to take this process to a new level, bringing together the world's two biggest economic superpowers to introduce a new gold standard model for trade and investment agreements which can then be applied to the rest of the world.

Proponents of TTIP view the deal as an opportunity to boost economic growth in the aftermath of the global economic crisis. However, while the evidence for its effect on boosting growth is very uncertain, the reality is that TTIP will extend and consolidate the creeping market liberalisation achieved through bilateral trade deals.

The £100 billion myth

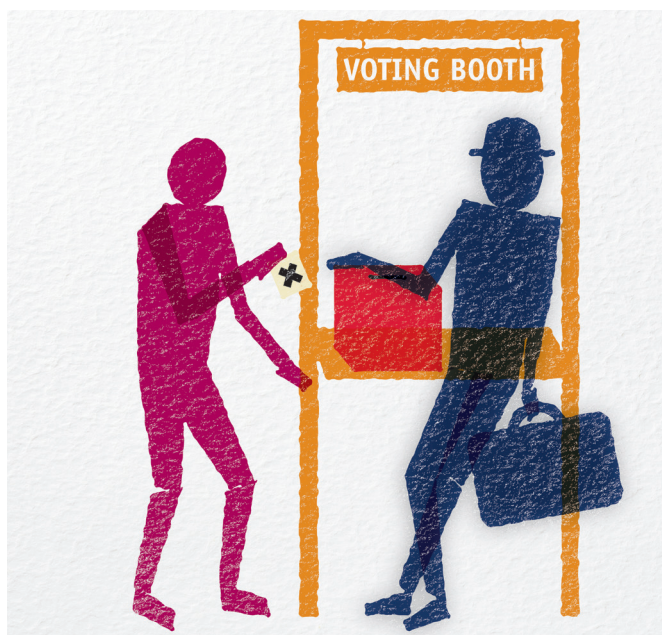
Proponents of TTIP say that it will lead to £100 billion in extra growth for the EU and act as “the cheapest stimulus package imaginable”.¹ However, a recent study commissioned by the UK government actually concluded that the investment section of TTIP would have “few or no benefits” for the UK.² Much doubt has been cast on the £100 billion figure itself, with a recent study by academics from Manchester and Ghent universities estimating that the likely effect on growth will be a small fraction of this amount.³

Official claims about trade deals boosting growth have a history of being quite spectacularly wrong. For example, the North American Free Trade Agreement (NAFTA) was predicted to create many jobs when, in reality, it is estimated that it actually cost over 870,000 jobs in the USA.⁴ Even if TTIP does create growth in the EU and US, there is no guarantee that any of the benefits will be seen by ordinary people. Such growth could also come at the expense of countries in the global south who may be forced to apply TTIP standards and lower prices to retain their export markets in the face of cheaper competition from the US and EU.

Bad for democracy

TTIP is far more than just a trade deal. Indeed, the main focus is not around reducing the already low tariffs that exist between the US and EU, but about creating an economic environment that will favour multinational companies and deregulation, at the same time as making it riskier for countries to adopt new regulation.

The main mechanism for this would be the inclusion of an investor-state dispute settlement (ISDS) clause. ISDS is already a core part of many bilateral trade deals. It involves granting companies the right to sue governments, if governments make decisions which reduce a company's profits, through an international arbitration process that



completely bypasses and overrides states' domestic judicial systems. The system can only be used by companies suing states, not vice versa. Cases are decided not by judges but by a small group of lawyers paid by the hour, who have a vested interest in encouraging companies to open more cases to increase their own incomes.

ISDS has been used by tobacco giant Philip Morris to challenge Australia's decision to introduce blank cigarette packaging. It was also used to extract \$1.5 billion from Argentina after it froze utility prices and devalued its currency following its economic crisis in 2001.

Also, because the state has to pay the costs of the case even if it wins, and because the compensation to be paid if it loses is so astronomical, even the threat of being taken to arbitration can be enough to persuade governments to abandon plans to introduce regulation. Each case costs each side an average of just under £5 million to fight. If the state loses, it can be forced to pay much more. For example, US company Occidental Petroleum was awarded compensation of over a billion pounds as a result of its claim against Ecuador.

“We can't let little countries screw around with big companies like this – companies that have made big investments around the world.”

Unnamed Chevron lobbyist, quoted by Michael Isikoff in Newsweek⁵

Bad for poor countries

TTIP is being seen as the new gold standard for all future trade agreements. This means that any new bilateral trade deal, including with developing countries, or future multilateral deals, will likely be modelled on TTIP. Countries in the global south will be subject to huge pressure to apply TTIP standards to avoid losing trade from the US and EU after TTIP is implemented.⁶ Indeed, some analysts are already calling for TTIP to be expanded to encompass more countries for this reason.⁷

While much of the public discourse on TTIP is focussed on the perceived benefits to the EU and US economies, one of the main arguments put forward in documents written by the business lobby is the prospect of using TTIP to force deregulation and neoliberal economic policies on poorer countries. TTIP is even being talked about as an “economic NATO”⁸ that will unite the US and EU in order to secure “global convergence toward EU-US standards which could then become de facto global standards”.⁹

“A future deal between the world's two most important economic powers will be a game-changer. Together, we will form the largest free trade zone in the world. This deal will set the standard – not only for our future bilateral trade and investment but also for the development of global rules.”

Trade Commissioner De Gucht on the Agreement (to the Committee on International Trade [INTA] of the European Parliament in February 2013)¹⁰

Bad for the climate and the environment

A major impetus for the deal on both sides of the Atlantic is securing EU market access for US companies involved in fracking. The US would gain access to a huge new export market, while the EU hopes to benefit from cheaper gas from the US shale gas boom.

Another major US demand is for the EU to drop the Fuel Quality Directive which currently means that oil from Canada's notorious tar sands cannot be imported into Europe. The tar sands are one of the most environmentally destructive projects on the planet, and could produce a carbon footprint equal to seven years of global carbon emissions if all the oil is extracted.

In terms of the environment, TTIP could also be bad news for the precautionary principle that means any new technology or product has to be proven to cause no harm before being used. While the precautionary principle is enshrined in EU law, there are no such safeguards in the USA, meaning that regulatory convergence could pose a significant threat to this key environmental principle.

The ISDS dispute mechanism is another tool that is already used to undermine environmental regulation. For example, Swedish energy giant Vattenfall sued the German government for introducing environmental regulations that made the company's planned coal-fired power plant near Hamburg "uneconomical". Vattenfall is also taking Germany to the arbitration tribunal for its decision to move away from nuclear power following the Fukushima disaster.

Bad for public services

TTIP could be disastrous for public services such as the UK's NHS by forcing further deregulation and liberalisation. It could also entrench existing levels of privatisation, because a government that attempted to regain public control would risk being sued by multinational companies, through ISDS, for breach of TTIP provisions. While on paper the deal might pay lip service to the right of governments to run public services, in practice, the definition of what constitutes a public service in other similar deals has been vague enough to allow companies to argue that once a market has been set up, it is no longer a public service. Former UK health secretary Andy Burnham has called for health to be explicitly exempted from TTIP for this reason.¹¹

All of this means that TTIP would also be likely to further encourage the entry of big US health multinationals into service provision for the NHS.

A recent report by the University and College Union¹² has also argued that TTIP could pose a significant threat to public education in the UK by encouraging the entry of US private education companies. Regulation of private providers around issues such as quality assurance could suffer as US educational multinationals lobby and threaten litigation in order to reduce levels of regulatory oversight.



Liberalising public procurement, so that companies are allowed to tender for public service contracts rather than the services being delivered in-house, is central to TTIP. In fact, the £100 billion benefit that TTIP could bring to the EU assumes that 50 per cent of all public procurement will be liberalised.¹³

Bad for the food system

TTIP could undermine EU food safety regulations through regulatory harmonisation, as US food safety standards are far less stringent than those in Europe. Products such as hormone-treated beef and pork, currently banned in Europe, could make their way onto supermarket shelves in the UK. The deal could also lead to greater penetration of genetically modified food and branded seed, owned and controlled by the major agribusiness corporations like Monsanto and Cargill, into UK agriculture.

TTIP would give American food multinationals increased access to the EU market, possibly leading to big agribusiness companies becoming even more dominant in the food system and driving smaller producers out of business.

All of this means that TTIP could make achieving positive alternatives to corporate food systems, like food sovereignty, a lot more difficult. Food sovereignty is a holistic approach developed by food producers, activists and social movements in opposition to the dominant model of corporate agriculture. It puts control over food systems in the hands of people who produce, distribute and consume food.

TTIP could also undermine the recently adopted EU regulations, fought for by WDM, which imposed limits on food commodity speculation (see below).

Great for big banks and financial speculators

The City of London is one of the strongest lobbyists for TTIP. It is not hard to see why, as TTIP could mean a complete reversal of all the hard won regulatory reforms achieved since the onset of the financial crisis.

Despite the fact that 'light touch' regulation of the financial sector contributed to the biggest economic crisis in living memory, banks and financial speculators are keen to get rid of even the small steps taken since then to rein in big finance. Although these steps are nowhere near sufficient, the crisis prompted politicians to increase regulation of the finance sector. Such regulations include the US Dodd-Frank Act, and the EU's Markets in Financial Instruments Directive (MiFID) that imposed limits on food commodity speculation. These rules could now be threatened by TTIP if the financial lobby, led by UK based lobby groups like TheCityUK, gets its way.

We can stop TTIP

Activists have successfully stopped or hindered unfair trade deals many times in the past. Here are some examples to show that the adoption of TTIP is far from a foregone conclusion:

- Helping kill MAI. Back in 1996, the 29 developed countries in the OECD were preparing to agree a massive deal called the Multilateral Agreement on Investment (MAI). Protests by activist groups including WDM were instrumental in mobilising wider resistance. MAI was eventually defeated.

- Stalling EPAs. A strong push by trade justice campaigners including WDM against the EU's harmful Economic Partnership Agreements (EPAs) with poor countries has helped ensure that, 10 years on from their inception, the vast majority of EPAs remain unsigned.
- EU backtracking on TTIP. Widespread indignation at the prospect of TTIP has already forced the EU to call a public consultation on investor-state dispute settlement (ISDS).

Take action

To stop TTIP, we have to act now. Negotiations are scheduled to rush forward at breakneck speed in order to finalise the deal while President Obama remains US president. The current target date for finalising TTIP is early 2015, with the bulk of the negotiation happening in 2014.

The UK is a major supporter of the deal, so by making our concerns heard in the UK we can influence the outcome. Unfortunately, many MPs and MEPs are not aware of the dangers of TTIP, having heard only vague predictions of benefit to the UK economy. It is important that critical voices are heard in parliament.

1. Contact your MP, MEP and prospective European parliamentary candidates and raise these concerns about TTIP. Ask them to oppose the deal.
2. Spread the word about the dangers of TTIP. You can find more resources to help you at www.wdm.org.uk/trade

- 1 http://europa.eu/rapid/press-release_SPEECH-13-147_en.htm
- 2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/260380/bis-13-1284-costs-and-benefits-of-an-eu-usa-investment-protection-treaty.pdf
- 3 For example see: <http://blogs.lse.ac.uk/usappblog/2013/12/17/eu-us-free-trade/>
- 4 http://www.epi.org/publication/webfeatures_snapshots_archive_12102003/
- 5 <http://www.foe.org/news/blog/2013-05-chevron-fracks-europe-transatlantic-trade--investmen#sthash.dwvWFxL5.dpuf>
- 6 A recent report predicted that Latin American countries would lose around 3 per cent of GDP as a result of TTIP unless they agreed to apply the same standards. <http://semancha.com/2013/06/27/just-the-ttip-the-effect-of-us-eu-free-trade-on-latin-america/>
- 7 <http://www.atlantic-community.org/-/does-the-ttip-create-winners-and-big-losers->
- 8 http://www.atlanticcouncil.org/images/files/publication_pdfs/403/tar130221economicnato.pdf
- 9 http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf
- 10 http://europa.eu/rapid/press-release_SPEECH-13-147_en.htm
- 11 <http://www.newstatesman.com/politics/2014/02/andy-burnham-nhs-must-be-exempted-eu-us-free-trade-agreement>
- 12 http://www.ucu.org.uk/media/pdf/6/n/ucu_transatlantictradebriefing_jan14.pdf
- 13 http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150759.pdf

Take action

To find out how you can campaign on trade issues, and challenge corporate power visit www.wdm.org.uk/trade or call 020 7820 4900



The World Development Movement campaigns against the root causes of poverty. Working in solidarity with activists around the world, we oppose injustice and challenge the policies and institutions which keep people poor.

World Development Movement, 66 Offley Road, London SW9 0LS
t: 020 7820 4900 e: wdm@wdm.org.uk w: www.wdm.org.uk