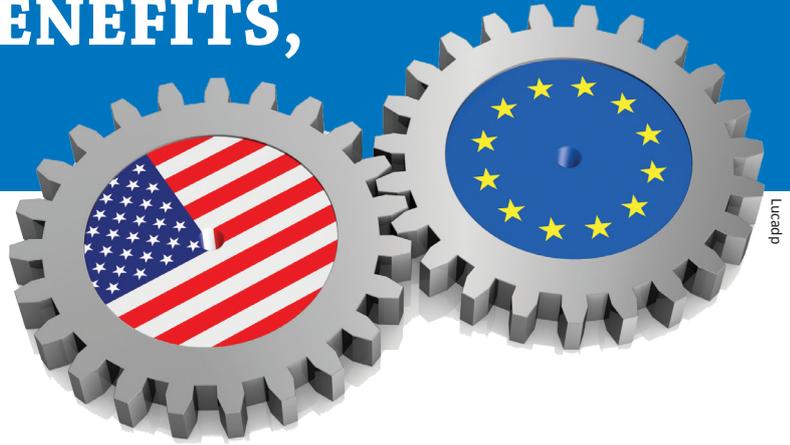


TTIP: NO PUBLIC BENEFITS, BUT MAJOR COSTS



SOME ECONOMIC TRUTHS ABOUT THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP) TAKEN FROM THE IMPACT ASSESSMENTS COMMISSIONED BY THE EU AND UK GOVERNMENT

1. GROWTH AND PROSPERITY? NOT LIKELY (CEPR)

One commonly cited claim for the economic benefits of TTIP comes from a study commissioned from the Centre for Economic Policy Research (CEPR) by the European Commission, whose extreme hypothesis suggested that the EU's annual economic output could rise by 0.5% by the year 2027 as a result of an EU-US deal.¹ The hypothesis was based on a scenario of deregulation across all sectors of the economy which has already been ruled out as implausible by European negotiators; the chemicals sector, for instance, was singled out as the second most important contributor of gains in the CEPR's calculations, but the European Commission has now admitted there is no prospect of regulatory harmonisation in that sector, given the very different legislative frameworks that exist in the EU and USA.²

The CEPR estimates have been dismissed as "mere opinion" by renowned trade economist Professor Jagdish Bhagwati.³ The figures have also been described as "misleading" by independent researchers at Manchester University, while the actual gains that can realistically be expected from TTIP have been dismissed as "trivial" by the expert responsible for developing EU free trade assessments over 10 years.⁴

The CEPR was commissioned by the UK government to conduct a parallel study into the possible impacts of TTIP on the UK economy. The study produced a figure of £10 billion as its most far-reaching estimate for the annual gains a deal might bring to UK by the year 2027. Yet this scenario would require the elimination of 75% of all actionable non-tariff barriers in the chemicals, automotive and business/ICT sectors – well beyond anything contemplated in the current TTIP negotiations. Indeed, even the 'modest' scenario postulated by the CEPR study is highly implausible given the repeated statements from the European Commission that key EU regulations will not be surrendered in the negotiations. The former UK government minister responsible for TTIP, Ken Clarke MP, confirmed to trade unions and campaign groups at a House of Commons meeting on 3 April 2014 that the £10 billion figure is not credible.

2. AT LEAST 1 MILLION TO LOSE THEIR JOBS (CEPR)

The CEPR report for the European Commission was unable to predict any net impact on employment levels from TTIP, as the model that was used in its analysis assumed a fixed supply of labour. It did, however, recognise that at least 1.3 million European workers would lose their jobs as a result of the labour displacement arising from TTIP under the European Commission's preferred 'ambitious' outcome, and that over 680,000 European workers would lose their jobs even under a less ambitious outcome. According to the CEPR report, over 715,000 US workers also stand to lose their jobs under the 'ambitious' TTIP scenario, and more than 325,000 under a less ambitious outcome. Whatever new opportunities these workers may or may not be able to find afterwards, therefore, the CEPR study predicts that TTIP will cause at least 1 million people to lose their jobs in the EU and USA combined.⁵

Based on these findings, the European Commission's own internal impact assessment acknowledged that there would be "prolonged and substantial" adjustment costs as a result of the displacement of labour caused by TTIP. At a time when unemployment rates in Europe already stand at record levels, the European Commission further recognised that there are "legitimate concerns" that those workers who lose their jobs as a result of TTIP will not be able to find other employment.⁶

The only study to have predicted a net increase in jobs from TTIP comes from the IFO Institut in Munich.⁷ European politicians have regularly misquoted the findings of this report to the effect that TTIP could bring 400,000 new jobs to the EU over time. Yet this figure was presented **not** as a possible result from TTIP but as a hypothetical estimate of what might happen were the USA to be fully integrated into the EU's internal market. The report's lead author has publicly criticised the European Commission for misrepresenting its findings, noting that even on the most optimistic estimates (now increasingly unlikely) any employment gains to come from TTIP would be "small".⁸

TTIP: NO PUBLIC BENEFITS, BUT MAJOR COSTS

The historical record shows the real impact of free trade agreements on employment – most notably the North American Free Trade Agreement (NAFTA) which came into force in January 1994 between the USA, Canada and Mexico. Despite the “false promises” of hundreds of thousands of extra jobs, NAFTA caused the net loss of over one million US jobs and a significant decline in the value of wages for millions more workers.⁹

3. NO EXTRA INVESTMENT, BUT MAJOR COSTS (LSE)

The introduction of an investor-state dispute settlement (ISDS) mechanism into EU-US relations is one of the most controversial aspects of the TTIP negotiations, and there has been widespread public outrage at the prospect of transnational corporations being granted the power to bypass domestic courts so as to take advantage of special treatment at the hands of international arbitration tribunals. The more than 500 ISDS cases that have already been brought under existing bilateral or regional investment treaties (including NAFTA) have exposed how these privileges can undermine national policy choices and challenge democracy itself.

The London School of Economics was commissioned to undertake an impact assessment for the UK government of the costs and benefits of including ISDS as an element of investment protection in an EU-US agreement. The assessment concluded that such a move would expose the UK to an even greater number of disputes and costs than Canada has suffered under NAFTA, while being “highly unlikely” to bring in any additional investment, as no bilateral agreement with any industrialised nation has ever resulted in increased US investment flows. The authors of the assessment suggested that the UK government should rethink the wisdom of including investor protection within TTIP – a suggestion picked up by many MPs on both sides of the House of Commons during their debate on TTIP on 25 February 2014.¹⁰

The European Commission announced in January 2014 that it would be suspending the TTIP negotiations on ISDS in order to undertake a consultation with the European public. The consultation, which concluded in July, saw a record 150,000 responses, the vast majority from members of the public calling for ISDS to be taken out of TTIP. Yet the US government has insisted on ISDS as an integral part of TTIP, following strong representations from the US Chamber of Commerce,

and the European Commission has repeatedly stated that it was only consulting on how to improve the ISDS provisions in the treaty, not whether to include them. The German government, by contrast, has already stated its opposition to the inclusion of ISDS provisions in TTIP, on the grounds that foreign investors enjoy sufficient legal protection in the domestic courts.¹¹

4. PUBLIC SERVICES AT RISK

The public benefits of TTIP are illusory, while the threats are all too real. In particular, there is grave concern at the recent confirmation that health services, education, postal services and sewerage services are all included in the TTIP negotiations, with only audio-visual services (at the insistence of the French government) excluded. For these and many other reasons now in the public domain, we join our voices with those of other trade unions and campaign groups across Europe in demanding that the TTIP negotiations be brought to an immediate halt. We call on our elected representatives in the UK and European parliaments to carry this demand to the EU Council of Ministers.

1. 'Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment', London: Centre for Economic Policy Research, March 2013
2. 'The Transatlantic Trade and Investment Partnership Regulatory Issues: EU position on chemicals', Brussels: European Commission, 14 May 2014
3. The transcript of the January 2014 broadcast in which Professor Baghwati is interviewed is available at <http://www.wdr.de/tv/monitor/sendungen/2014/0130/freihandelsabkommen.php5>
4. 'EU-US trade deal claims “vastly overblown”', University of Manchester press release, 19 November 2013; Clive George, 'What's really driving the EU-US trade deal?', *Open Democracy*, 8 July 2013
5. 'Reducing Transatlantic Barriers to Trade and Investment: An Economic Assessment', London: Centre for Economic Policy Research, March 2013, section 5.2.3. In each case, we have used the lower (more skilled) figures for the two scenarios given in Table 38 and applied them across the EU labour force of 243.2 million (2013 figure) and US labour force of 155.6 million (May 2014 figure). Weighting to include the figures for less skilled workers would give even higher figures for the number of jobs to be lost under TTIP.
6. 'Impact Assessment Report on the Future of EU-US trade relations', Strasbourg: European Commission, 12 March 2013, section 5.9.2
7. 'Dimensionen und Auswirkungen eines Freihandelsabkommens zwischen der EU und den USA', München: IFO Institut, January 2013, section III.6
8. The transcript of the January 2014 broadcast in which Professor Gabriel Felbermayr accuses the European Commission of misrepresentation is as cited in note 3, above.
9. 'Revisiting NAFTA: Still not working for North America's workers', Washington DC: Economic Policy Institute, September 2006; see also 'NAFTA at 20', Washington DC: Public Citizen, January 2014
10. 'Costs and Benefits of an EU-USA Investment Protection Treaty', London: London School of Economics, April 2013
11. Letter from Germany's Minister for Economic Affairs Sigmar Gabriel to EU Trade Commissioner Karel De Gucht, 26 March 2014