EXECUTIVE SUMMARY

Talks between the EU and the USA on a Transatlantic Trade and Investment Partnership (TTIP) took off this summer with many political and business leaders hailing the deal as a silver bullet against the difficult economic recovery affecting both sides of the Atlantic. The consolidation of trade relations between the two partners into a single transatlantic market has been sold to European and US citizens as a powerful vehicle for boosting economic growth, with some enthusiasts predicting up to 1% increase in GDP. EU and US officials are adamant that, by eliminating import tariffs and harmonising regulation across the Atlantic, trade between the two regions will increase and, as a result, millions of new jobs will be created.

Yet, as this preliminary analysis of the socio-economic, environmental and geo-political implications of a transatlantic trade deal suggests, not only the faith in trade liberalisation & deregulation – which underlines the present negotiations – has been misplaced, but the economic benefits predicted have been misjudged (whilst the wider risks have been seriously downplayed or altogether ignored).

What emerges then is the understanding of TTIP as the political project of a transatlantic corporate and political elite which, on the unfounded promise of increased trade and job creation, will attempt to reverse social and environmental regulatory protections, redirect legal rights from citizens to corporations, and consolidate US and European global leadership in a changing world order.

EXAGGERATED BENEFITS AND DOWNPLAYED RISKS

As this report details (chapter 1), EU Trade Commissioner Karel De Gucht, has been making grossly exaggerated claims about TTIP’s economic benefits. On the basis of industry-funded research, a 1% increase in GDP growth has been promised together with the creation of “hundreds of thousands of jobs”. Yet, the European Commission’s very own impact assessment of TTIP concluded that a growth rate in the region of 0.1% would constitute a more realistic expectation. This would equal a growth rate of just 0.01% of GDP over a ten-year period, which economists have already dissed as ‘trivial’.

Yet, the socio-economic and environmental risks associated with such trivial economic benefits could be catastrophic. The increased competition associated with the liberalization of trade between the EU and the USA could trigger economic restructuring that may even lead to job losses (chapter 1). The added competition between European and US sectors could further increase the gap between the core and the periphery in Europe, as the US’s main offensive export interests lie precisely in those sectors where the European periphery has defensive interests, such as agriculture (chapter 3).

Furthermore, in a number of policy areas, US laws and regulations offer significantly less protection than in Europe. The proposed harmonization of legislation between the EU and the USA means that the level of consumer protection in Europe could be greatly undermined, for example in the areas of market access for genetically modified organisms (GMOs), hormone-treated meat and chicken disinfected with chlorine (chapter 3). As a result, a sustainable agricultural policy could further disappear from view, were Europe forced to open up its markets to US products that are not subject to the stricter rules on animal welfare, or to rules for the use of harmful agricultural pesticides to which European producers are bound (chapter 3).

As the two trading partners move towards a lower common denominator, environmental policies
in Europe (chapter 2) and financial regulation in the US (chapter 6) could also suffer. For example, TTIP may threaten existing European moratoria on the controversial extraction of shale gas (chapter 2), whilst also undermining Europe’s iconic chemical regulation REACH by circumnavigating the testing requirements for thousands of toxic chemicals (chapter 5).

US financial regulation, currently stricter than in the EU, could be jeopardised, as the big banks are hoping to use the trade negotiations to undermine post-crisis efforts to introduce more stringent financial regulations (chapter 6). At a time when even the International Monetary Fund (IMF) and the World Bank have begun to recognise that capital controls represent a useful way to prevent and stop speculative and destabilising capital flight, TTIP is proposing the liberalisation and deregulation of ALL service sectors, including financial services – with the risk of encouraging, rather than preventing, another international financial crisis.

A THREAT TO CIVIL RIGHTS AND EUROPE’S SOCIAL MODEL

Through the deep restructuring of social relations inherently entailed within the proposed trade partnership, TTIP stands to pose a real threat to civil rights and the foundations of Europe’s social model. Whereas in the USA companies enjoy a virtually unlimited access to the personal data of citizens, in Europe some degree of privacy protection is still guaranteed by law. TTIP, however, could change this if the negotiations were to include the controversial intellectual property rights’ (IPRs) chapter that is currently being proposed.

Earlier efforts to undermine Europeans’ right to privacy through the Anti-Counterfeiting Trade Agreement (ACTA) were successfully fought back in the European Parliament when the proposal was squashed following mounting public opposition. However, as TTIP is being negotiated behind closed doors, and out of parliamentary oversight, there is a serious risk that this time round citizens will not be able to protect their civil rights (chapter 4).

The inclusion of an ACTA-inspired IPR chapter also could seriously undermine European patients’ right to affordable healthcare (chapter 5). Increased patent protection for pharmaceuticals under TTIP could potentially cut access to life-saving generic drugs (currently a growing European industry sector). Moreover, through the proposed harmonisation of rules and regulations between the EU and the USA (which would include the ‘mutual recognition’ of each other’s existing regulatory framework as being ‘equal’) the commercialisation of public services and utilities (US-style) could be further encouraged in Europe, therefore raising the health costs for European patients.

The harmonisation of rules and regulation could also seriously impact labour and union rights, as the right to free association and collective bargaining in the USA is much weaker than in Europe. Should the negotiations therefore succeed in finding an agreement on TTIP, we might see in the future European and US workers compete against and undercut each other in a desperate attempt to attract private investment. Failure to do so could see European companies relocating to the USA where they would enjoy fewer obligations vis-à-vis their workers (chapter 1).

IMPORTING THE US LEGAL-CLAIM CULTURE

TTIP also stands to further restrict the possibilities for regulatory intervention if an investment chapter is included in the negotiations as currently proposed (chapter 7). If, as expected, such a chapter should include a dispute settlement mechanism, foreign investors will be able to take governments before an international court and sue them for policies deemed potentially adverse
to a company’s (projected) profits.

A number of such cases have already taken place under the North American Free Trade Agreement (NAFTA) and other bilateral trade deals in which democratic laws, designed for the protection of consumers and the environment, have been challenged by private companies for hundreds of millions of dollars in compensation. The recent case of US tobacco giant Philip Morris suing both the governments of Uruguay and of Australia over their anti-smoking laws is a taste of what is to be expected should TTIP vest corporations with such legal powers.

As a result, US companies investing in Europe could skirt around European courts and directly challenge EU governments at offshore tribunals whenever they felt that laws in the area of public health, environmental or social protection interfered with their profits. As such, it is possible that the simple threat of a costly legal dispute would be sufficient to prevent governments from enacting progressive legislation in the future: a serious drawback for any political system that wishes to appear democratic.

REACHING BEYOND THE ATLANTIC

With over one third of all global trade currently flowing through the USA and the EU, TTIP would create the world’s largest free trading bloc, the implications of which would reach well beyond the Atlantic, as TTIP would de facto restructure trade rules internationally (final chapter). As such, TTIP would enable the EU and the USA to overcome the political deadlock currently affecting negotiation at the multilateral level, where developing countries have been resisting the demands of the USA and the EU to further liberalise their economies (with a view to grant European and US companies free access to their markets and raw materials).

TTIP could thus become the vehicle to force the Global South on a development path defined by EU and US interests. In particular, TTIP could become the strategy for European and US corporate elites to trump emerging economies, such as India, Russia, China, Brazil, South Africa and the ASEAN region, with a view to regain international leadership in a changing world order that threatens European and US hegemony.

Whether these should be the objectives of a trade agreement of the 21st century however is questionable. By offering a critical analysis of the socio-economic and environmental implications of TTIP the present report hopes to contribute to a much-needed public debate on the nature and objectives of trade and of international trade rules.