

Segreteria Confederale

THE TTIP IS MEANINGFUL ONLY IF IT CREATES NEW QUALITY JOBS AND SUSTAINABLE DEVELOPMENT

The CGIL position paper on the Transatlantic Trade and Investment Partnership (TTIP) negotiations between the European Commission and the USA.

International trade and development

After the WTO negotiations in Seattle were blocked thanks to mobilisation by trade unions, civil society, and the firm position of governments in developing countries, and after international mobilisation and the opposition of several governments stopped the approval of the Multilateral Agreement on Investments (MAI), the WTO governments meeting in Doha solemnly declared their intention to improve the trading prospects of the least-developed countries through the so-called Doha Development Agenda.

That round of negotiations slowly broke down primarily due to the refusal by Europe and the United States to remove their massive agricultural subsidies, thereby ensuring - should they have taken this step - the food sovereignty of less developed countries, and a freer and more equitable trading system. On the other hand, huge changes in the global economy and the irresistible rise of the economies of the so-called BRICs, and other "intermediate" countries, have modified the balance of powers within intergovernmental WTO bodies, making it increasingly complicated to reach multilateral agreements regulating international trade, while development goals remain a sort of 'fig leaf' veiling the overriding drive to neoliberal globalisation through free trade.

Although the limited and modest Bali compromise on trade facilitation appears to ensure the food sovereignty of developing countries, in actual fact it forces poorer countries to invest huge amounts of their scarce resources in the modernisation of trade and customs procedures and free circulation of imported goods. It does not, however, ensure any mandatory return in terms of the economic, technological or knowledge-based aid required to implement these improvements, and has no real effect on their ability and capacity to export towards richer countries.

Bilateralism versus multilateralism

Meanwhile the more industrialised countries in the global world were intent on negotiating an increasing number of bilateral and multilateral agreements in all geographical areas and for all production and service sectors (for example, NAFTA in 1994 and, as regards the EU, European Partnership Agreements with countries in Africa, the Caribbean and the Pacific). Industrialised countries were focusing in particular on opening up and liberalising all public services seen as a source of new competitive investment possibilities for the private sector, export and growth. Considered as a way to weaken and influence multilateral negotiations, these bilateral and interregional Free Trade Agreements (FTA) have helped prolong the WTO negotiating deadlock which in turn has been used as "justification" for further proliferation of bilateral negotiations and agreements.

The economic and financial crisis began in 2007-2008 and remains severe and ongoing in many advanced countries, thus contributing to the relative decline in growth rates of emerging and developing economies; it has prompted western governments to focus increasingly on bilateral agreements as a possible way to increase exports and therefore growth, and as a tool to establish new regulations (or rather de-regulations and liberalisations) which they then bring to bear during multilateral negotiations.

Although these free trade agreements promised to provide positive results for all the actors involved, none of the agreements were based on any ex-ante employment and social impact assessment – as instead requested by the trade unions. Post-agreement results (see NAFTA) now show a steady loss of jobs in competitively vulnerable sectors and countries, while no stable or quality employment growth has been recorded in “counterpart” countries.

In recent years the European Commission has been conspicuous in its efforts to expand bilateral trade agreements and negotiations, clearly stating that the way out of recession and stagnation in Europe, and especially in the Eurozone, is to increase exports towards other geographical areas.

International trade is clearly a zero-sum game; if one country increases its exports, another has to increase its imports. Obviously this is a multifaceted and complex situation: a country may increase its exports in some sectors and increase its imports in others. But in the end not everyone is a winner. If some countries have a surplus, others will have a deficit. Furthermore, in the last ten years all international organisations and even the G-20 – albeit using the suave language of diplomacy – have encouraged China to rebalance its growth model by reducing its large foreign trade surplus and shift towards its domestic market, capable of absorbing Chinese and foreign capitals and products. In turn, this would benefit other economies which constantly have trade deficits with China.

However the same problem exists in Europe. An export-based economic policy will only increase the imbalance within the EU between the strongest economies and biggest exporting countries and the weakest which, if anything, are negatively influenced by some of the trade liberalisation agreements.

TTIP: remove “non-tariff barriers”, in other words environmental, social and labour laws

This is the context in which the TTIP negotiations between the EU and the USA are taking place.

The European Commission has presented several preliminary studies on the consequences of the agreement. The first remark to be made is that, based on the best hypotheses proposed and promoted by the Commission, the agreement will produce a modest macroeconomic impact, with a theoretical 0.5% increase in the GDP when fully implemented, i.e., not before 2027. It's true that given the current crisis we should welcome any positive increase in growth, but using this modest figure to convince actors of the need for this agreement should be evaluated very carefully and balanced against all potential risks.

Not least because the much-touted increase in jobs ensuing from this increase in GDP is not based on any serious preliminary impact assessment per sector and country.

Negotiators are aware and acknowledge that Europe-USA trade already represents a major proportion of global trade and that tariff barriers are already at significantly low levels.

In fact, the benefits cited by the Commission and the US Administration depend almost exclusively on the removal of so-called non-tariff barriers; the latter are none other than the laws, regulations and procedures now freely decided by each country, the European Union and the United States Congress. The overriding

issue in these negotiations is regulation (or more precisely deregulation, at least in the intentions of large transnational companies and several political sectors of the two parties): in other words, the aim of these negotiations is to facilitate trade exchanges by intervening on phytosanitary rules, environmental and labour laws, regulations enacted by local and national authorities, product safety and energy efficiency standards, etc.

The TTIP negotiations must respect democratic rights and processes

Trade Unions once again find themselves asking a fundamental question: whether or not it is acceptable that only two administrations - albeit democratic and governing strong and important countries or Unions in the global arena - can openly decide to determine rules which will apply to all countries in our global multilateral world.

This poses an immediate and tangible problem of internal democracy:

- In essence, secret negotiations have been ongoing for months. The European Parliament and the Parliaments of the 28 EU Member States – at least on this side of the Atlantic – are basically excluded from any information, debate, or possibility to influence the negotiations. Even governments declare they are unaware of the real contents of the proposals on the table, even those put forward by the European Commission. The Parliaments involved will probably be asked to vote on the outcome of the negotiations with a “take it or leave it” formula.
- Moreover, trade unions and civil society are basically excluded from receiving any information and participating in effective consultation. In fact, the meetings organised by the Commission with civil society are short and sporadic (roughly ten minutes) and participating representatives are only given very general information about negotiation topics. On the contrary, powerful entrepreneurial and business lobbies have daily access to the European negotiators, are informed about all discussed details, and significantly influence the way the negotiations move forward.

However, the danger for democracy and the government’s policy space (according to each country’s democratic procedures) is much more far-reaching and long-lasting, at least for two of the mechanisms that the TTIP intends to promote: the establishment of a Regulatory Cooperation Council (RCC) and an Investor to State Dispute Settlement body (ISDS).

- The Council – a body nominated by the European Commission and US Administration – is intended to supervise the “harmonising” measures of the legislation and regulations of the two parties and “prevent” any future modification which may negatively impact on the trade liberalisation decisions specified in the TTIP. In other words, current EU legislation and regulations will be harmonised or made more compatible with US laws and regulations. Every future legislative initiative of the European Union will be subject to prior examination by this technical and self-referential body not legitimised by any democratic mandate. The recent European elections have confirmed that a majority of European citizens support a more democratic and participatory Europe with elected bodies accountable to its citizens. Instead the Council would be an intercontinental super-body that abuses the legislative powers of democratically elected institutions!

- The so-called ISDS is an international arbitration mechanism that stands outside all the norms and controls of a normal judicial system. In the late fifties it was introduced in many Bilateral Investment Treaties (BIT) as a way to “protect” western investors in countries in which the legal system was alleged to be particularly inequitable and inefficient. Its introduction was justified by the need to avoid any discrimination against foreign investors and grant them the same opportunities as local investors vis-à-vis the host State and its laws. In actual fact, assuming that these reasons were indeed valid, in the last ten years the huge increase in cases brought by powerful multinationals against several States – including advanced democracies – has shown that only multinationals can exploit this provision (due to the enormous costs charged to take on these cases by four or five well-established law firms based in London or Washington) and sue States and governments to the tune of hundreds of billions of euro. The reason for this is that legal provisions democratically established in the interest of citizens would either directly or indirectly trim down the profits envisaged by said businesses when they invested under certain legal conditions. A few examples will suffice: Vatterfall took on the German government seeking massive damages for the country’s phase-out of nuclear power; Marlboro demanded compensation for Australia’s plain cigarette packaging anti-smoking legislation; Egypt has to face a compensation claim for having increased minimum wage.

Faced with the refusal of several governments (Germany and France; the Italian government – according to a recent statement by Deputy Minister Calenda – is now favourable after initially stating its opposition), the Commission has launched a public consultation on ISDS in the TTIP (after having already agreed to it in the CETA with Canada).

The CGIL fully supports the ETUC position paper regarding the consultation in which it clearly opposes the inclusion of any ISDS provision in any future TTIP agreement. The CGIL demands that any attempt to include “new ISDS models” be forcefully rejected. There is absolutely no reason to envisage any special “protection” for US investments in Europe; nor are there any grounds to support the statement that European and US legal systems do not afford foreign investors adequate protection against potential discrimination. States must not be hindered in their right to pass laws and regulations in the interests of their citizens without being held hostage to possible legal actions by a business or private financial group.

Environmental, social, labour rights, and public services must prevail over any trade agreement

Further political and social safeguards must become inalienable provisions in the TTIP negotiations and in any trade-oriented negotiations:

- Exclusion of public procurement policies and basic public services (education, health, water, energy, public transport, postal service, etc.) from any liberalisation provisions; countries must be granted full decision-making policy space regarding these issues;
- Exclusion of any attempt to regulate migratory flows and labour market mobility which fall within the scope of fundamental human rights and the social and labour standards of the ILO;
- All trade regulations must be coherent with environmental treaties and standards and the international labour standards of the ILO, and ensure respect by foreign investors and businesses of the UN Principles on Businesses and Human Rights, the ILO Declaration, and the OECD Guidelines for Multinational Enterprises;

- In light of the negative experiences relating, for example, to the FTA between the European Union and South Korea, any future agreement must contain, in the chapter on sustainability, binding and enforceable clauses regarding environmental, social and labour standards, applicable in the same manner as trade clauses in case of violation.

The Italian government must provide information, ensure transparency, and consult social partners and civil society regarding the real impact of the TTIP negotiations

The CGIL demands that the Italian government initiate serious consultation with social partners and civil society for proper information and discussion regarding the ongoing negotiations based on a joint comprehensive and credible assessment of its possible effects on employment – sector by sector, region by region – and especially on small and medium sized enterprises. Emphasising the importance of exports for Italy is not enough: it is common knowledge that only a very small proportion of the tens of thousands of exporting companies have the solidity and structure to compete globally. On the contrary, most enterprises export either to Europe or neighbouring countries and have problems regarding access to credit and – more generally – modern technological tools and know-how. In addition, the government’s “offensive” regarding “geographical denominations” has hit a steel-clad veto by the US negotiators to modify denominations, a request perhaps submitted by the entrepreneurial world of our fellow citizens who have emigrated to the US.

Only fulfilment of these conditions will make the TTIP a positive turning point for workers and citizens alike. On the contrary, should negotiations proceed along the lines adopted so far – so deeply affected, under a veil of secrecy, by the full thrust of industrial and financial lobbies which discuss and influence the official negotiations on a daily basis – then it will only serve to further progress the neoliberal policies of the past two decades and bring with it destructive and insidious consequences for employment and society at large.

As stated by the ITUC and the ETUC, trade must benefit workers and citizens, not the logic of profit.

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