

# What's behind this trade deal?

**UK unions are expressing fears over the Transatlantic Trade and Investment Partnership, a major bilateral trade deal involving Europe and the United States which may limit the role of governments to act in the public interest.**

**T**he latest round of negotiations to create a free trade deal between the two largest trading blocs in the world, the United States and the European Union, begin this month. Supporters of the Transatlantic Trade and Investment Partnership (TTIP) agreement say it will drive growth and create jobs, boosting the EU economy by €120 billion.

But a number of UK unions and campaign groups remain unconvinced of its benefit for workers, citizens or consumers. They fear that it will instead mean a "race to the bottom" in terms of social and environmental standards and will limit the role of governments to act in the public interest.

The European Commission, which is the negotiating body for the TTIP, says the agreement aims to remove trade barriers in a wide range of economic sectors to make it easier to buy and sell goods and services between the EU and the US.

## **Differences**

As well as cutting tariffs (import taxes) across all sectors, it will also address differences in technical regulations, standards and approval procedures.

"These often cost unnecessary time and money for companies who want to sell their products on both markets," it says. "For example, when a car is approved as safe in the EU, it has to undergo a new approval procedure in the US even though the safety standards are similar.

"The TTIP negotiations will also look at opening both markets for services, investment, and public procurement. They could also shape global rules on trade."

The Commission points to independent research showing that the TTIP could boost the EU's economy by €120 billion; the US economy by €90 billion;



## **The threat to the NHS is of particular concern to UK trade unions**

and the rest of the world by €100 billion. It claims that every EU household will be €545 a year better off due to cheaper goods and services.

America's AFL-CIO trade union federation believes that increasing trade ties with the EU could be beneficial for both American and European workers, but cautions that "as with all trade agreements, the rules matter".

The TUC's head of European Union and international relations, Owen Tudor, told *Labour Research* that like the AFL-CIO and the European Trade Union Confederation (ETUC), "we are in favour of a trade deal if it creates jobs and results in higher pay, higher skills, higher labour standards (in the US) and higher living standards".

## **Deliver**

However, he explained that there are currently some very big "buts" about whether the TTIP in its present form can deliver these benefits.

In March, the general secretaries of the GMB general union, education unions NUT and UCU and the public services union UNISON, together with develop-



DOMINIC LIPINSKI (IPA WIRE)

ment and environmental organisations War on Want, Friends of the Earth, the World Development Movement and People and Planet, wrote to business secretary Vince Cable calling for the TTIP negotiations to be abandoned.

They say there is little evidence that the TTIP will bring the promised benefits of growth and jobs. And they say that the deal is not about reducing trade tariff barriers between Europe and the US.

Instead, says the GMB, it is primarily “about lowering standards of social and environmental regulation and negotiating ‘investment rights’ in public services and procurement which would limit government’s abilities to oversee and regulate vital services like health and education”.

## Big business

According to the UCU, trade deals like the TTIP are “fundamentally about creating a positive, secure investment environment for big transnational businesses”.

The unions have a very long list of concerns about the TTIP. The inclusion of an Investor-State Dispute Settlement (ISDS) mechanism is at the top of that list – with the GMB describing it as “an extremely dangerous provision”.

The union says that the ISDS “effectively limits the power of national govern-

ments and public authorities whilst giving unelected and unaccountable foreign businesses and investors unprecedented control to challenge state actions which they perceive to be a threat to their private investment”.

And it gives a number of examples of where foreign investors have used this mechanism. These include: French transnational Veolia challenged the Egyptian government’s increases in the minimum wage; tobacco giant Philip Morris challenged Uruguay and Australia over anti-smoking laws; and Achmea, one of the largest suppliers of financial services in the Netherlands, challenged the Slovak Republic’s reversal of health privatisation policy.

According to figures compiled by the United Nations Conference on Trade and Development, 62 new ISDS cases were initiated in 2012 alone, increasing the total number of known cases to more than 500 across 95 countries.

And a joint report by international think tank Transnational Institute and the Corporate Europe Observatory, points out that investors are claiming more than €1.7 billion in compensation from Greece, Spain and Cyprus in private international tribunals for measures implemented to deal with economic crises.

The threat to the NHS from ISDS is of particular concern to UK unions. UNISON says that following the large-scale privatisation of the NHS as a result of the *Health and Social Care Act*: “The danger is that any subsequent governments seeking to bring elements of the health service back into public control would lay themselves open to expropriation litigation under the Investor-State Dispute Settlement (ISDS) mechanisms that the TTIP will set up.”

## Not just the NHS

But their concerns go beyond the controversial ISDS mechanism. A UCU briefing, *The Transatlantic Trade and Investment Partnership – what it is and why we should be worried*, explains that is not just the NHS that is under threat.

It says TTIP represents “a profound threat to public services in general, including education, leaving them wide open not only to greater privatisation but making it harder for any further government to regulate foreign private sector companies operating in our public services”.

UNISON says that TTIP threatens the ability of local authorities and other public bodies to source and employ locally because it will undermine their ability to use public money to achieve “social and environmental outcomes” through their supply chain and employment practices. (In the US, the AFL-CIO is also concerned that this explicitly threatens “Buy America” polices that allow states to recruit local workers for publicly-funded projects and to source goods from US enterprises.)

And although the TUC would support a trade agreement that “levels up” standards, there is considerable concern among a number of its affiliates, as well as green groups and social NGOs that the TTIP will instead lead to a levelling down of standards and a “race to the bottom”. They are worried that this may happen in relation to health and safety standards, financial services regulations, consumer protection, product standards, workers’ rights and labour standards.

## Health and safety

“Health and safety standards are generally higher in Europe than in the US,” UNISON head of health and safety Tracey Harding told *Labour Research*. “The agreement could mean that large US multinationals could challenge attempts to enforce national standards in their UK operations.” And GMB European officer Kathleen Walker Shaw said that the US has not ratified a number of core International Labour Organisation conven-

tions, "including the right to freedom of association and collective bargaining".

She added that around half of US states have now passed so-called "Right to Work" laws which restrict unions' collective bargaining capacity and their right to organise (see *Labour Research*, November 2012, pages 17-18).

The GMB has also pointed to strong EU laws on dangerous chemicals (known as REACH) and the EU's flagship emissions trading scheme aimed at fighting climate change as being at risk of being watered down.

And unions are unhappy that the TTIP proposes further liberalisation of financial services and say that the ISDS would make re-regulation more difficult.

This trade agreement is particularly important because it involves the world's two largest economies and could therefore set a "gold standard" for future

trade deals that would have an impact beyond the EU and US.

The ETUC argues that any TTIP agreement must set a gold standard in social and environmental as well as technical terms.

## Poor standards

UNISON says: "A poor deal from our perspective could lock in poor standards in future global trade negotiations, but on the other hand, levelling standards up, as in the case of labour law might have knock-on benefits in trade agreements covering workers in even more desperate straits."

The ETUC and AFL-CIO have adopted broadly similar positions on the TTIP negotiations. These incorporate a core set of trade union demands. These demands include:

- ensuring that a future deal does not

limit the US, EU or member states from adopting and enforcing higher standards for consumer, worker or environmental protection;

- ensuring that there is a "positive" (only services specified in the agreement can be liberalised) rather than a "negative" (only services that have been specifically excluded are safe) list for liberalisation – which would enable unions to campaign to ensure that public services are fully excluded from the negotiations;

- protecting the right of governments to regulate in the public interest by excluding the ISDS mechanism from any future deal; and

- extending the EU social model to the US (or at least European companies operating in the US).

But several unions are urging their national, European and international union confederations to take a firmer stand against the TTIP. For example, UNISON says that unlike the ETUC, AFL-CIO and to some extent the TUC, it does not welcome TTIP and does not believe it is in the public interest. The GMB has made its opposition and concerns clear in a recent hearing in the House of Lords.

And the UCU reports that it is lobbying its global union federation, Education International, for a critical position on TTIP and education, and has been doing the same in relation to the TUC.

## Grassroots action

In addition, some are encouraging action at grassroots level. Unions including the GMB, UNISON, UCU and the nurses' RCN union will debate branch motions on TTIP at their conferences and in fringe meetings this summer.

The GMB will be encouraging members to write to MPs and MEPs expressing their concerns, and UNISON's International Workers Memorial Day activities included urging members to sign online petitions against the TTIP.

"Normally people's eyes glaze over when it comes to international trade agreements because they seem very remote," UNISON international officer Nick Crook told *Labour Research*.

"But the threat to the NHS has caught people's attention and galvanised a broad groundswell of opposition right across UK civil society."

Crook said that the launch of the ISDS consultation (see box opposite) "is significant and shows the pressure the European Commission is coming under as a result of widespread opposition to its inclusion in the deal".

And, he added: "We think there is now a real chance to get major changes to this agreement."

## ■ WHAT IS THE TTIP?

The Transatlantic Trade and Investment Partnership (TTIP) is a bilateral free trade agreement between the United States and the European Union.

It is being negotiated through the European Commission. But the final deal will be ratified by the council of ministers of the European Parliament.

The trade talks began in July 2013 and the Commission originally signalled that the intention was to conclude the negotiations by the end of this year, although this timescale is looking increasingly unlikely as a result of opposition to a "fast track" approach in the US Congress.

TTIP is designed to:

- remove tariffs (or import taxes) on goods traded between the EU and US. These currently average around 5% for the EU and 3.5% for the US;
- harmonise rules on trade, business and environmental standards;
- open markets in the

service sector, particularly transport, to delivery from outside;

- open up access to government procurement markets and eliminate preferential treatment to local suppliers; and
- introduce investment protection provisions including Investor-State Dispute Settlement (ISDS) mechanisms.

A number of trade unions, environmental campaigners and consumer groups are worried that harmonising rules will mean lowering standards in the EU rather than increasing standards in the US.

The ISDS is of particular concern as it would allow foreign investors to challenge government decisions they perceive as "expropriation" that threatens their investment.

Both the German and French governments have expressed their opposition to the inclusion of ISDS and, in March, the

Commission launched a consultation on the ISDS following "unprecedented public interest in the talks". This is aimed at securing "the right balance between protecting European investment interests and upholding governments' right to regulate in the public interest" and will run for three months.

While the US unions have access to the negotiations as "privileged stakeholders" in the negotiations, GMB European Officer Kathleen Walker Shaw told *Labour Research*: "European unions want to see their legitimate concerns on a number of levels regarding this trade deal taken seriously.

"There is a lot of talk by negotiators about jobs and growth benefits of this deal and raising of labour standards.

"None of it is substantiated. We see it more as a threat to jobs, standards and public interest protection."