



TTIP: not just a trade agreement

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This is not a free trade agreement and you should not sign it!

With these words, Nobel Prize winning economist Joseph Stiglitz branded TTIP on 24th of September 2014 [during a meeting at the Italian Parliament](#). As already explained in a [previous post](#), TTIP is the *Transatlantic Trade and Investment Partnership* currently negotiated between Europe and the USA.

One of the most controversial points of the treaty, cited also by Stiglitz in his speech, is the “Investor state dispute settlement” (ISDS), which recognises the right of corporations to sue sovereign governments through arbitration tribunals in case (according to them) specific laws or government policies damage their profits. Similar mechanisms are already in action in USA and at international levels through the International Centre for the Settlement of Investment Disputes of the World Bank. The potential impact of ISDS on citizens could be considerable and in fact, when European citizens were asked to give an opinion in a public consultation conducted by the EU between March and July 2014, the result was – with 97% of 150,000 respondents giving [a negative opinion on ISDS](#) – striking. The very likely risk of this procedure is that corporations will gain substantial power and be able to sue governments in case laws hamper their interests. In other words, social interests and people’s welfare will be subject to profit and private interests of corporations. Even UN human rights campaigner Alfred de Zayas publicly stated: “We don’t want a dystopian future in which corporations and not democratically elected governments call the shots. We don’t want an international order akin to post-democracy or post-law.” In light of this, on the 6th of May 2015, EU Trade Commissioner Cecilia Malmström presented to the European Parliament a reform of ISDS including the proposal to replace it with a permanent international investment court. However, this rather weak and timid proposal was strongly rejected by all parts. The United States consider it useless to create another international court, whereas opponents of TTIP criticise the proposal for being absolutely insufficient to guarantee citizens rights and instead ask to stop the ratification of both TTIP and CETA (Comprehensive Economic and Trade Agreement between Europe and Canada).

Another Nobel Prize winning economist expressing concern about the entire range of free trade agreements under discussion in current times is Paul Krugman. On [his blog](#), he tackles the issue of TPP, which is the Trans-Pacific Partnership between the United States and several countries (1). Some of his considerations can be extended also to TTIP. In fact, in one of his posts he states that ‘*The first thing you need to know about trade deals in general is that they aren’t what they used to be. (...) Basically, old-fashioned trade deals are a victim of their own success: there just*

isn't much more protectionism to eliminate. Average U.S. tariff rates have fallen by two-thirds since 1960. But the fact remains that, these days, "trade agreements" are mainly about other things. What they're really about, in particular, is property rights — things like the ability to enforce patents on drugs and copyrights on movies. And so it is with TPP. ‘

Also for TTIP, the main concerns are not about trade tariffs, which are already very low, but instead they regard the so called ‘non tariff barriers to trade’, including a broad range of regulations on the quality of products, on the definition of standards (also minimum wage), on the production process, environmental protection and consumers’ health and safety.

Clearly, the level of interests behind these negotiations is enormous and the weight and pressure exercised by corporations can be concluded clearly from the fast, agitated and undemocratic approach adopted by governments.

In the USA, for instance, Obama’s attempt to accelerate the approval of the TPP by adopting a ‘fast track’ initially faced many obstacles because of strong opposition from several democrats among which [Elisabeth Warren](#) who are concerned about the impact of TPP on the US economy. Less than a week ago, the Senate voted in favour of the adoption of a ‘fast track’, concluding the debate with 62-38 votes and the paradoxical situation of Republicans supporting Obama and several Democrats voting against.

Moreover, as in the case of TTIP, the discussion about and the real content of the treaties have been kept secret until this secrecy was publicly denounced. Thus, in both cases a problem of democracy and transparency has emerged. Behind the layer of technical procedures laws and institutions that will affect people’s welfare are negotiated upon in secret rooms by politicians, [lobbies](#) and [corporations](#).

Together with ISDS, another crucial aspect of TTIP is the aim to ‘harmonise standards’. Given the huge differences in the approaches adopted by EU and USA for what concerns consumers’ protection, the harmonisation of standards will probably lead to a ‘race to the bottom’. According to [Friends of the Earth Europe](#) ‘*the analysis of the draft published by the EU raises a number of concerns about the impact on food safety and animal welfare, including: the priority given to maximizing trade, the shift of power from national governments to a new trade committee, the threat to the ability of local authorities to set higher standards, the risk of minimal health and safety checks for novel foods (including GMOs, cloned animals, and nano materials), non-binding provisions for animal welfare, and the required adoption of international food standards established through the World Trade Organisation (WTO).*’

Furthermore, it is still not clear which will be the effect of TTIP on services in general (apart from audiovisual services which have been excluded due to strong French opposition). Indeed, there is the possibility that public services, such as health and education, will be object of privatisation and opened to US investments and management and are going to constitute a new attractive market for profits.

Until now, we have focused on the most controversial aspects of the treaty, but there is another missing point, the estimation of its expected effect in economic terms! Even on this aspect, there

is no clear and shared opinion. A rather intense discussion among economists has taken place recently. On one side, the economist Capaldo [in his paper](#) (2014) simulated ‘the impact of TTIP on the global economy in a context of protracted austerity and low growth especially in the EU and US using the United Nations Global Policy Model’. His results appear very different from the one obtained by other economists using World Bank-style Computable General Equilibrium (CGE) models. Capaldo projects that ‘*TTIP will lead to a contraction of GDP, personal incomes and employment.*’ He also projects ‘*an increase in financial instability and a continuing downward trend in the labour share of GDP.*’

Capaldo’s paper was widely criticised by [economists of ECIPE](#) according to which ‘*Capaldo has chosen a model that is by and large a demand-driven model that does not make efforts to capture the supply-side effects of trade, which are the effects that are proven to be the core positive effects of trade liberalisation. Equally problematic, the model is not designed to assess the effect on trade from trade agreements – in fact, the model is profoundly ill suited for such an exercise.*’

This debate, still open and unsolved, underlines how important the choice of the conceptual framework is in economics, specifically the model and its assumptions, as was also pointed out in Capaldo’s [reply](#).

The famous sentence of the eminent economist Samuelson comes to mind: ‘Let those who will write the nation’s laws if I can write its textbooks.’ Models can reflect different views of society and their results and their policy implications may be very different. Thus, we should always enlarge our perspective, considering historical examples and evaluating not only the mere economic effects, but the broader range of effects in terms of equity, welfare, sustainability and people’s rights.

However, there is also a positive aspect behind TTIP: the rediscovered sense of political participation and awareness among European citizens explicitly represented by the creation of the [STOP TTIP network](#) that keeps expanding day by day.

Through this network, people around Europe have been informing the public opinion about the treaty, which was almost unknown by the vast majority one year ago, they pressured and forced the EU to release some of the documents and they have organised campaigns to collect signatures against the treaty, created local groups and organised a big manifestation on the 18th of April 2015 in many European cities.

Still, Europe and the USA go on with their negotiations and on the 9th of June the Members of the European Parliament will have to bring out their final vote on TTIP, even if this will not yet be the final round on ratification.

[In a recent article](#), Michael Schwartz and Kevin Young underline the necessity for social movements of targeting corporations, recognising the powerful role they play in our society and in order to promote bigger changes also at institutional level. TTIP represents in some way a synthesis of the two: we have corporations and governments negotiating lower standards,

enhancing market freedom and neglecting any room for citizens' opinions. Thus, it is, indeed, not simply a trade agreement, it is much more than this and we should all make our voices heard.

With thanks to Simone Esposito (Stop TTIP Italy) for his suggestions.

Endnote

(1) Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.