TTIP, comments on the claimed benefits

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Origins and overview

• Idea from US in 1990s, impetus from deadlock in WTO, and from trade conflicts, and from business lobbies,
• EU more recent convert, linked to post-2008 recovery,
• paraded as big issue, extent of trade, weight in world,
• restore EU-US leadership in world trade negotiations
• negotiating from July 2013, details secret, 15 working groups,
• themes; tariffs, non-tariff barriers, investment protection,
• aim to reach a full agreement (2014..2015...), then for approval by Council of Ministers, parliament, unclear on national parliaments,
• so far, press releases with no detail.
Benefits and costs

• Always can be benefits from trade and integration...
• quite specific claims of GDP growth, less clear on employment, claims of absolutely no costs
• claims exaggerated, poor and inaccurate information on points very easy to check, so what confidence on other points?
• take in order; claimed benefits, possible costs, how negotiated.
Exaggerating the benefits

- Key findings: ‘could bring significant economic gains as a whole worth EU (€119 billion a year) and US (€95 billion a year). This translates to an extra €545 in disposable income each year for a family of 4 in the EU, on average, and €655 per family in the US’.
- Quoted by Commissioner (Karel De Gucht) and on Commission website...
- Conclusion: ‘The results indicate positive and significant gains for both the EU and the US. GDP is estimated to increase by 68-119 billion euros for the EU and 50-95 billion euros for the US’.
- Less promised in conclusion (correctly), equivalent to less than 0.5% of GDP, and to be the final one-off gain, after 10 years.
- Study that is full of guesses, used as if scientifically beyond question, and then seriously misquoted.
Economic benefits

• Note – small - no gain in employment, because of theory used,
• ariff barriers already low, not much to gain here,
• gains from removing non-tariff barriers, regulations and standards,
• results depend on quantifying these barriers and hence benefits of their removal in terms of more trade
• most obviously where they duplicated with trivial variations (who could object?), but who judges what regulations are beneficial?
• examples given such as crash tests for cars (quite prominent)
• bigger concerns; chemicals, food, finance
CEPR study, for EU

• Enormous catalogue of possible trade barriers and estimates of how high they are
• Combination of ‘experts’ and companies to assess how serious a barrier is (rough and unreliable estimate, not asked to quantify in terms of money), then used to guess equivalent in terms of a higher price,
• then estimate how much more trade would follow from equivalent to price reductions
more guesses and estimates

• Crash test is absolutely unavoidable, therefore judged quite high, but how much is it really worth?
• motor vehicles come out as major area for gains from removing barriers because there are so many standards,
• different tastes in cars (actually quoted as a barrier!!),
• Commission documents quote examples of possibly significant barriers in motor industry, but not between US and EU, need to guess where they have no evidence,
Exaggerate benefits?

• already highly integrated economies, firms manufacture in both EU and US, so why should trade increase at all?
• not all regulations can/will be removed, so they give a guess at how many could go (?), wide margin of error in estimated benefits to guess how much is ‘actionable’ (25-50%?)
• NB not for sweeping them all away...
Ignore costs?

• Treats all NTBs as costs, allows for some being beneficial by saying not all will be removed,
• what of costs from removing barriers?
• climate change, hazardous chemicals, financial regulation...
• reassurances that this is not the aim, depends on how negotiated...
No worsening of standards?

• Increasingly clear assurances from De Gucht that there will be no reductions in safety (18 Feb 2014, press statement),
• will allow no worsening; there is no ‘give and take’ on standards; just getting rid of double testing, and ensuring new regulations are harmonised too...
• (so what could come of it if there is no dealing?)
• but... ‘create an innovative set of rules that could become leading examples for future trade agreements’
Other studies

• Another important study from Bertelsmann Stiftung, using a completely different method(s),
• does not look at any specific barriers and does not need to estimate their scale,
• complex method of calculating, comparing volume of EU-US trade with free-trade zones (incl transport costs, income levels etc),
• implausible predictions (huge increase in UK exports to USA, follows from their method) and also require a lot of guesses along the way,
• 3.27% ‘average’ growth in incomes for world, unweighted (0.29% GDP, unweighted average for world)
• CONCLUDE expect some gains (for somebody) from trade anyway, but absolutely nothing to quantify beyond saying that the benefits will probably be very small.
How do they negotiate?

• Secret mandate, 21/5/13, leaked,
• secretive talks content (has to be? If they are making deals?)
• claim to be consulting widely, but 93% with business lobbyists ... points of detail could only be with business?
• ‘clear democratic oversight every step of the way by all EU member state governments and the European Parliament’ (as inaccurate as his reading of the expert study?)
• very sensitive, worried about attention attracted,
• face demands for publication, for equal access to negotiators
Investment protection

• Further element, without claims of particular benefits
• company investing in another country has protection against arbitrary expropriation, mutually agreed,
• has extended to taking legal action against governments that change policies
• Germany; nuclear power. Australia; smoking. Egypt; minimum wage.
• proposal to regularise and systematise this with right of MNCs to sue gvt in a special court, could challenge new regulatory rules,
• privileged position for foreign company over gvt and over domestic firms,
• adequate safeguards already?
What is the/our agenda?

- Political will for it to succeed, but not backed by economic gains
- Plausible view that nothing will come of it? Drag on with endless discussions...
- Example to be used elsewhere? More concerned with rest of the world?
- Chance to reduce regulations anyway? How it is negotiated makes that possible?
- Respond by opposing (esp inv protn), by proposing alternative (ILO conventions), by hoping to influence course?