



**Special report: TTIP – The Transatlantic Trade and Investment Partnership**

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Is the largest free trade deal in history an instrument for increased prosperity or a threat to European and American democracy?

# FROM BACKROOM TRADE DEALS TO TRANSATLANTIC MOBILISATION

BY BRYAN CARTER

Since its inception, the idea of a free trade agreement between the United States and Europe – the world’s two largest economies – has resulted in a lot of spilled ink on both sides of the Atlantic and has sparked a series of controversies, unnerving trade negotiators that are used to working discreetly.

France struck one of the first blows, even before the official launch of the negotiations, when it successfully pushed for a “cultural exception” in favour of its film industry, which relies heavily on public subsidies. France feared that without it Hollywood blockbusters would quickly trample on French *cinéma*.

At the G8 summit in June 2013 that kick-started the negotiations, US President Barack Obama called on those gathered to “look beyond the narrow concerns to stay focused on the big picture: the economic and strategic importance of this partnership”. Meanwhile the outgoing European Commission President José Manuel Barroso argued that: “huge economic benefits are expected from reducing red tape and avoiding divergent regulations for the future”.

As globalisation usurped the old order of international diplomacy and commerce, the anxiety of suddenly being left behind has pushed advocates of liberalism to ditch the Doha Round and focus on bilateral and regional free trade agreements.

For businesses and governments, the Transatlantic Trade and Investment Partnership, or TTIP, is an efficient way to boost growth through enhanced trade, therefore creating jobs in countries badly hit by the economic crisis, budget cuts and high unemployment.

Of course, free trade can create jobs. But the opposite can also happen, as previous free trade agreements such as NAFTA have shown.

## ■ GROWING DISSENT

More than a year and six rounds of talks later, TTIP is now facing staunch opposition from tens of thousands of American and European citizens, NGOs, labour unions and civil society organisations that are alert to the potential dangers of a bad trade deal of such a vast scale.

Instead of protecting them against the uncertainties of the economy, campaigners are concerned that TTIP will materialise into a race to the bottom, in which the social, labour and environmental rights of the people will be sacrificed at the altar of the free market for the profit of shareholders and CEOs.

Since the beginning of the talks, promoters and opponents of TTIP have been throwing statistics at each other to bolster their respective arguments. Relying on a controversial study, the then-aspiring European Commission President Jean-Claude Juncker argued during a debate that each European household would earn an extra €545 (US\$740) per year thanks to the deal. The same study also suggested that TTIP would contribute €120 billion (US\$ 160 billion) to the European economy, and €95 billion (US\$ 130 billion) to the United States.

But as this *Equal Times* special report points out, this is largely based on vague assumptions and ‘guesstimations’ that are used to sell the idea of TTIP to workers who can barely make it to the end of the month.

Eliminating all tariffs on trade, as TTIP aims to, is hardly a contentious issue since they are already extremely low and contribute to a daily exchange of goods and services between both blocs of roughly €2 billion (US\$ 2.7 billion).

Rather, it is the non-tariff barriers that are rocking the debates around TTIP. Will European supermarkets suddenly be flooded with genetically modified Organisms (GMO) products and American stores with unpasteurised cheese? Will shale gas exploration moratoriums be lifted across Europe and banking rules for Wall Street scrapped?

No one outside of the negotiating table really knows, and that is the problem. The discussions are mostly carried secretly behind closed-doors, and those who have the ears of the negotiators are not NGOs or trade unions but powerful lobby groups that defend the interests of big business.

These organisations unapologetically defend the ISDS, or Investor-State Dispute Settlement, which is perhaps the most divisive clause of the trade deal. Behind this technical term hides the potential for corporations to sue democratically-elected governments if they claim that a piece of legislation hurts their profits. There have been many instances in the past, such as when Veolia sued Egypt for voting a minimum-wage increase or when Philip Morris dragged Australia in front of the courts for passing measures against tobacco branding.

The impact that TTIP could have on every single person living in the United States or Europe is too colossal to be left to the sole discretion of governments and businesses.

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Civil society organisations and citizens need to step up to the challenge of making their voices heard in this important debate.

This *Equal Times* special report provides the necessary information for readers to make up their own minds about this deal which could come into force as early as 2016.

The lives of 800 million people depend on the outcome of these negotiations.



© Photo/Pete Riches

Protesters in London rally against the TTIP on 12 July 2014.

# WHAT DOES TTIP REALLY MEAN FOR EU AND US WORKERS?

BY CLARE SPEAK



© AP Photo/Yves Logghe

*EU chief negotiator Ignacio Garcia Bercero, right, shakes hands with US Assistant Trade Representative for Europe and the Middle East Daniel Mulaney, left, at the start of talks in Brussels on 11 November 2013.*

As public awareness increases about the Transatlantic Trade and Investment Partnership (TTIP), an EU-US trade deal being negotiated behind closed doors, so too do concerns about its potential impact.

Along with doubts about the supposed economic benefits of the deal, there are serious concerns among trade unions and civil society organisations about what the deal will mean for workers on both sides of the Atlantic.

Negotiations over the treaty began in July 2013. The European Commission says the treaty will promote economic growth and create jobs. The most commonly cited figure, from research done on behalf of the Commission last year, is that the EU's economic

output could rise by 0.5 per cent by the year 2027 as a result of the deal.

This figure however has been dismissed as “misleading” by independent researchers.

If passed, the bill will have “enormous implications” for workers regarding employment policy, social security, environmental protection, occupational health and safety protection and the protection of minority rights, according to the European Trade Union Confederation (ETUC).

"The opening of trade can create jobs, but on the other hand, we have concerns that the studies on which the European Commission has based their TTIP analysis are open to question," said Tom Jenkins, a senior advisor at the ETUC.

Some campaign groups have completely rejected the European Commission's analysis.

"There have already been a number of critical assessments of the numbers the European Commission uses to back up their claims of economic growth, and it turns out to be hot air," said Olivier Hoedeman, Research and Campaign Coordinator at Corporate Europe Observatory.

"It's really propaganda. Unfortunately, those figures are being taken quite seriously," he continued.

John Hilary, Executive Director of the anti-poverty charity War on Want, said that the treaty could actually lead to a "massive loss of jobs."

"In their own impact assessment, the European Commission said absolutely clearly that they recognise there will be 'prolonged and substantial dislocation' of jobs under TTIP," he told *Equal Times*.

"So people are going to lose their jobs in one sector, even if there may not be jobs in another sector."

"Even if there may be gains for the big corporations, free trade agreements of this sort have always brought massive job losses."

"The idea there's a positive or even a zero-sum equation here - that someone will lose out but others will gain - is simply not true."

## ▬ LABOUR RIGHTS VIOLATIONS

The ETUC has raised concerns about what it calls "violations of fundamental labour rights" in the US, "notably on the right to organise and negotiate collectively, and particularly but not exclusively, in Right to Work states".

As well as affecting trade unions, Hilary said, the relatively low labour standards in the 24 US states which currently have anti-union 'Right to Work' laws in place could have wider implications.

"As we know in those states labour costs are cheaper, people are getting far less in terms of their wages, their pensions and

all of their other auxiliary benefits such as healthcare, which makes it cheaper for companies to produce, so you could find that you have people trading out of those states and so being able to undercut prices in Europe."

"But there's also the possibility of European companies relocating through investment, setting up plants in Right to Work states, so they won't have to meet any of the labour standards that we have in Europe," he continued.

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The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) agrees with the ETUC that the goals of the TTIP should include full employment, decent work, and rising standards of living for all, and should not allow deregulation.

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"It's just another step in the race to the bottom."

Jenkins said the ETUC is pushing for the inclusion of a labour chapter and enforcement mechanisms in the treaty, hoping to create what they call a "gold standard" agreement which would ensure "the improvement of living and working conditions on both sides of the Atlantic and safeguards from any attempt to use the agreement to lower standards."

The American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) agrees with the ETUC that the goals of the TTIP should include full employment, decent work, and rising standards of living for all, and should not allow deregulation.

But Hilary thinks there is "absolutely no chance" of raising standards through the treaty.

“There is no possibility of turning around a free trade agreement which is specifically designed to lower standards and reduce barriers to business, to make it into something which is good for labour,” he said.

“TTIP offers benefits to business, because that's what it's designed to do, but that doesn't in any way mean it's going to offer benefits to workers.”

## SECRET COURTS

There are particular concerns about a set of controversial legal rules expected to be included in TTIP.

Known as Investor-State Dispute Settlement (ISDS), it gives large corporations the ability to sue national governments in secretive offshore courts when these companies feel they have not had “fair and equitable” treatment.

The inclusion of these rules under TTIP, campaigners say, opens the door for corporations to sue EU governments whenever national regulations are changed in any way that impede a corporation's “right to make profits” – and this includes labour standards.

In one recent example, Egypt was sued by the French multinational Veolia for raising the minimum wage.

“The legitimacy of the unaccountable ISDS mechanism has repeatedly been called into question,” says Bert Schouwenburg, International Officer for GMB, Britain's General Union.

“This is because it takes away the ability of member states to decide what should stay in the public sector, and hands power to unelected and unaccountable corporations.”

This, Schouwenburg says, is something that should be prevented.

“We know from the tax avoidance scandals what these corporations do when given free reign.”

He said such dispute cases are usually heard in secret and “arbitrated by a relatively small group of unaccountable specialist lawyers whose impartiality has been called into question.”

He added that the governments of countries which have signed up to deals that include this mechanism have faced claims of up to US\$116 billion and awards of up to US\$1.6 billion.

A coalition of more than 170 trade unions and campaign organisations from both the European Union and the United States also addressed a joint letter to EU and US trade representatives. They call for the removal of ISDS altogether, arguing that it “offers corporations a venue through which to challenge domestic court decisions, further undermining domestic decision-making.”

“In short, ISDS is a one-way street by which corporations can challenge government policies, but neither governments nor individuals are granted any comparable rights to hold corporations accountable,” reads the letter.

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TTIP offers benefits to business, because that's what it's designed to do, but that doesn't in any way mean it's going to offer benefits to workers.

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## UNDEMOCRATIC AND A BAD FOR WORKING PEOPLE: IT'S TIME TO REFORM THE ISDS

*Celeste Drake is a trade & globalisation policy specialist at the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO).*

*Here she spells out why the ISDS is so contentious.*

Trade unions and civil society organisations across Europe and the United States oppose the private justice system commonly called Investor-State Dispute Settlement (ISDS)—and they are calling for it to be excluded from the pending Transatlantic Trade and Investment Partnership (TTIP) agreement between the European Union and the United States. But why?

### What is ISDS?

ISDS is a special legal right that only those who invest in a foreign country can use to challenge a law, regulation, judicial or administrative ruling, or any other government decision. Investors are those who buy property—whether it's a hectare of land, a factory, or stocks and bonds. Without knowing anything else about ISDS, it's clear that there is something wrong with it. Systems of justice should be public, democratic, and available to all in a society on an equal basis.

### Why do people call the legal rights under ISDS “extraordinary”?



ISDS allows a foreign property owner to skip national courts, administrative procedures, legislative battles and all the processes that domestic property owners use to sue the host-country government before a panel of private ‘arbitrators’. Like judges, arbitrators have the power to make decisions in cases, but they are not democratically elected or appointed, and they are not subject to stringent conflict of interest rules. Not only that, but the foreign property owners don't lose access to domestic processes—they can ‘double dip’ to get what they want.

### What's at risk?

The risk is that foreign property owners can use this system to challenge anything from plain

packaging rules for cigarettes, to denials of permits for toxic waste dumps, to decisions expand public services, to increases in the minimum wage. If a foreign investor doesn't like a law, rule, judgment or administrative decision, all it has to do is argue that the decision or measure violated its right to “fair and equitable treatment” or that it might reduce its expected profits.

In response to the widespread protests against ISDS, the European Commission has instituted a public consultation process to provide an opportunity for public examination and debate of this undemocratic system. But the US has not yet followed suit.

ISDS isn't good for working people. That's why countries like South Africa and Ecuador have been working to reduce their exposure to ISDS and the United Nations Conference on Trade and Development (UNCTAD) has recommended reform.

The TTIP should not include a discredited system like ISDS. If the TTIP is to be a new, “gold standard” in trade agreements, as the outgoing European Trade Commissioner Karel de Gucht has stated, it must begin with a transparent review of ISDS on both sides of the Atlantic.

# GROSS 'GUESSTIMATIONS' AND ASSUMPTIONS DRIVE OUR TRADE AGENDA

## BY YORGOS ALTINTZÍS



© AP Photo/Patrick Semansky

*The assumption that opening trade automatically leads to job creation in the long term is no longer accepted as gospel.*

Australia is presiding over the G20 from December 2013 until November 2014, and from the very beginning it has put trade high on the agenda.

According to the leaders of the world's richest nations, trade agreements, whether negotiated in the World Trade Organisation (WTO) or through regional and bilateral trade agreements, enable the private sector to create badly-needed jobs and growth.

Opening trade would lead to an economic restructuring which in turn would lead to a more efficient reallocation of resources. Based on this assumption, economists until now have argued that people who lose their jobs in non-competitive sectors will find new ones in the exporting sectors that will flourish thanks to new market access.

The Australian presidency is not the only one making this argument. Previous G20 presidencies, as well as the negotiating parties of the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnerships (TTIP) claim the same.

Also in December 2013, the world press and governments cheerfully welcomed the Trade Facilitation Agreement concluded at the 9th WTO Ministerial Conference, which is supposed to increase our collective wealth by one trillion US dollars.



However, the assumption that opening trade automatically leads to job creation in the long-term is no longer accepted as gospel.

Recent research, including the International Collaborative Initiative on Trade and Employment (ICITE) and a joint European Union (EU)/International Labour Organisation (ILO) publication with the catchy title *Trade and Employment: From Myths to Facts*, has proved that the realities of the trade-and-growth nexus are much more nuanced.

In fact, “a reason why companies in expanding sectors do not increase their workforce is likely to be the increase of the average productivity in these sectors,” says the EU/ILO publication.

It also finds that, in few cases, policy reforms resulting from trade agreements may lead to the collapse of uncompetitive firms whilst giving little expansion to other firms.

Indeed, whether trade creates jobs depends on the level of diversification of the economy, the country’s institutional development and many other factors at national and regional levels.

For instance a study by John Haltiwanger in the WTO/ILO publication *Making Globalization Socially Sustainable* finds that the level of development in financial, transportation and communication infrastructure, problems with graft and corruption and the effectiveness of competition policy all play a role in whether trade creates jobs.

This list of factors is by no means exhaustive.

More importantly, the EU/ILO publication also finds flaws in the current economic modelling methodology used by economists to predict a trade agreement’s impact on employment.

Economic and sustainability impact assessments, for instance, have been found to overstate the benefits of opening trade; they do not take informal economic activity into consideration; and they base their results on “strong simplifying assumptions” about the functioning of labour markets – for example, the assumption that most or all of the labour force is employed or that productive assets are highly diversified.

In short, trade impact assessments are unreliable, based on ‘guesstimations’ and one can find little science in them.

Therefore, it is not surprising that although the WTO Trade Facilitation Agreement was said to create one trillion US dollars, *The Economist* quotes another assessment that puts the benefits considerably lower at US\$68 billion.

Yet, instead of investing time and resources to fix the economic modelling, the G20 presidency, the WTO secretariat, the Organisation for Economic Co-operation and Development (OECD) and several governments have made baseless public claims that trade agreements are always for the benefit of all of their citizens.

It is not all a big lie. Under certain conditions free trade does play a significant role in development.

## == MORE WEALTH FOR ALL?

Based on an impact assessment by the Centre for Economic Policy Research (CEPR), EU and US officials affirm that the TTIP will create an average €545 (US\$740) of additional wealth for each European family.

But in their rhetoric, they deliberately hide parts of the truth; that according to the impact assessment this value will accrue 10 years after and only if the agreement achieves zero tariffs and grandiose cutbacks of non-tariff barriers.

Whether trade creates jobs depends on the level of diversification of the economy, the country’s institutional development and many other factors at national and regional levels.

Furthermore, this figure is based on another obvious simplification: that the benefits will be equally divided among people.

Much of the illuminating and eye-opening new pieces of evidence sprang from the ICITE or from collaboration between major international organisations including the ILO and the WTO.

However, as often within international organisations, there is a great lack of cooperation between the research departments, the policy makers and the technical staff on the ground.

Many policy-makers have failed to inform their narrative with the outcomes of the new research conducted by ICITE, the EU/ILO and WTO/ILO. As a result, policy recommendations remain unchanged.

A brave and honest revisiting of trade's role in development based on these studies would help WTO negotiators from developed and developing countries grow understanding for each other's positions and possibly unlock a pro-development agreement that would conclude the Doha Round and deliver the Round's mandate: the Doha Development Agenda.

Incorporating those studies in trade policy-making could result in better trade agreements; the ones that really benefit all.

It would also enable governments to design accompanying policies to deal with economic adjustment cost.

Above all, it would make the trade discourse sound less ideological, rigid and naïve.

It is imperative that the global trade governance institutions engage in creating more research and agree on a new credible and reliable modelling for trade's impact on employment.

And it is equally important to feed this new knowledge to their staff members and representatives so that we can enjoy policy change on the ground in Geneva, Brussels, Washington and wherever trade agreements are being negotiated.

# HIGH-PROFILE LAW FIRMS JOIN CORPORATE LOBBYING ON TTIP

BY TANJA MILEVSKA

As the sixth round of talks between EU and US partners on the Transatlantic Trade and Investment Partnership (TTIP) took place in Brussels in mid-July, critics of the upcoming free trade agreement guided members of the public around the neighbourhood of the EU headquarters “to expose corporate lobbying around TTIP”.

Organised by Corporate Europe Observatory (CEO), the tour unveiled new corporate offensives, this time from law firms, in the lobbying in favour of TTIP and its highly controversial clause: the Investor-State Dispute Settlement (ISDS).

The ISDS has been so controversial in Europe that it led to a temporary suspension of the TTIP talks and forced the European Commission to launch a public consultation. More than a thousand organisations, citizens’ associations, NGOs and trade unions, were so keen to take part in the consultation that the Commission had to extend the deadline.



© Photo/Alter Summit

Protesters denounce corporate lobbying on TTIP by staging a symbolic action, representing negotiators manipulated by lobbyists, in front of the European Commission headquarters in Brussels, on 18 July 2014.

CEO estimates that by signing up to the ISDS, the number of legal cases brought by private companies against governments before an arbitration court “would explode”.

Already more than 500 cases have been brought against 95 countries, more often than not at the expense of government taxpayers, leading to a ‘dissuasive effect’ in other countries where such clauses have been signed.

For Tom Jenkins, a senior advisor at the European Trade Union Confederation (ETUC): “There is no doubt there is aggressive corporate lobbying around TTIP, in particular for ISDS. The fact that European multinationals are using the investor-to-state system to challenge decisions to phase out nuclear energy and raise minimum wages should cause serious concern. It is neither transparent, nor democratic and is against workers’ rights. TTIP must work for the people, or it won’t work at all.”

If the ISDS was to be approved, “some 75,000 companies in the EU and the US would be entitled to use investors-to-state dispute settlements,” said Olivier Hoedeman, research and campaign coordinator at CEO.

## ▬ CONFLICT OF INTEREST

Although large private corporations are to some extent ‘expected’ to lobby in favour of such agreements, the involvement of high-profile international law firms is more surprising.

One of them, Sidley Austin, has its headquarters in Brussels in the same building as Philip Morris - a company that previously sued Australia and Uruguay over unbranded cigarettes. The office is just a ten-minute of the European Parliament and just a ten-minute walk from the European Commission, which leads the talks for the European side.

“Sidley Austin is one of the law firms helping companies prepare the cases and deliver the ‘arbitrators’, or the judges of these private tribunals, with a massive conflict of interest because the same law firms that are representing the clients also deliver the arbitrators,” Hoedeman explained.

“Of course, the government that has to defend itself in these cases also has to hire a specialised lawyer.”

Knowing that the average rate of these firms is US\$1000 per hour, the costs rapidly become massive for the countries.

These stakeholders “demand from the Commission that the ISDS be kept in an undiluted form”.

To double the pressure over the EU institutions, law firms involved in the “arbitration business” have joined forces by setting up a brand-new think tank to “counter citizens’ campaigning”, under the name of European Federation for Investment Law and Arbitration (EFILA).

According to news reports, EFILA was established on 1 July 2014 but there is scarce information about it online. The EFILA does not have its own website; in fact its internet presence is thus far limited to the LinkedIn profile of its newly designated secretary general’s, Nikos Lavranos.

For Hoedeman, the think tank is “dedicated at convincing the EU policy makers that ISDS is indispensable and should not be watered down”.

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## ▬ AGRIBUSINESS – THE BIGGEST LOBBYIST

CEO has also published figures unveiling which sector has been the most active in lobbying the European Commission in favour of the transatlantic deal in the preparatory phase.

According to the NGO, the agribusiness sector has been by far the most active in pressuring the EU executive to go forward with TTIP, followed by the pharmaceutical and chemical industries.

CEO analysis also shows that there has been an absolute predominance of meetings with the private sector (92 per cent) compared to the public sector (4 per cent).

Figures also show that EU business lobbies such as Business Europe and the German business lobbies are the most supportive of TTIP. Of all the groups that have lobbied for TTIP, 30 per cent are absent from the European Transparency Register, which works on a voluntary basis.

As new information about the dangers of TTIP emerges, the public outcry is spreading to more and more countries, albeit for different reasons.

In the United Kingdom for example, the main concern is the privatisation of the National Health Service. In early July, this prospect triggered for the first time massive protests and actions in all major cities in the UK against the transatlantic partnership, demanding that it be “scrapped entirely”.

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CEO analysis also shows that there has been an absolute predominance of meetings with the private sector (92 per cent) compared to the public sector (4 per cent).

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© AP/Virginia Mayo

*Agribusiness has been most active in lobbying the European Commission around TTIP.*

## “TTIP WILL NOT UNDERMINE FUNDAMENTAL RIGHTS – BUT PEOPLE CONTINUE TO CRITICISE IT”

Tim Bennett is the Director General of the Trans-Atlantic Business Council (TABC), which represents more than 70 global companies with headquarters in the European Union and the United States.

According to its website, the TABC's prime mission is to “promote a barrier-free transatlantic market that contributes to economic growth, innovation, and security.”

“We stand out as the only transatlantic business organization uniquely placed to provide one voice for EU and U.S. companies in the Transatlantic Trade and Investment Partnership”.

In an interview with *Equal Times*, Bennett explains why his and other business organisations, united under the “Business Alliance for TTIP” are pushing for an “ambitious and comprehensive” agreement.

### Why are you in favour of TTIP?

The TABC has been calling for free trade agreement (FTA) for over a decade. But we want more than a simple FTA. The US and the EU already have an open trade relationship, but there are some obstacles and regulatory irritancies. They tend to be very expensive and prohibitive, especially for small and medium-sized enterprises (SMEs)

In the automobile sector for example, there are different regulations for headlights, bumpers, seat belts... They are costly and do not serve the fundamental purpose of the regulation, which is security.

Finally, the post-World War II period has shown that free trade increases GDP growth and job creation more than otherwise would occur.

**But some reports have indicated that NAFTA, for example, eliminated more than a million**



### jobs in Mexico and the United States.

That figure is not correct. All three governments (Canada, Mexico and United States) have stated how this FTA was beneficial for their respective economies. Sure, there were job losses but there were also some job gains. To point to only one part of the equation is not fair.

### ISDS, the Investor-State Dispute Settlement, is one of the main concerns of civil society organisations. Why have business organisations on both sides of the Atlantic been pushing for its inclusion in the TTIP?

It's investment protection. When huge amounts of money are involved, ISDS represents the ultimate protection, especially against potential political influence in courts. The concerns of civil society organisations are legitimate but I believe that governments have responded fairly. In Europe, there has even been a public consultation on this matter.

**But don't you think that the United States and the European Union already have efficient justice systems that can handle**

### investment disputes?

Yes, but we are hoping to bring additional signatories to TTIP in the future, like Canada, Turkey and Mexico. And to guarantee a 21st century trade agreement, we need ISDS.

### On the issue of public procurement, TTIP could potentially lift access restrictions at all legislative levels, including at the local and municipal level. Are you in favour of this?

We do support it because we believe that government procurement preferences are a protectionist policy, and we generally oppose any form of protectionism.

But it's a difficult topic. In the United States a lot of government procurement occurs at the sub-federal level, which means states and municipalities. The problem is that the federal state has no authority over these entities when it comes to procurement practices. And in times of high unemployment, it is hard to persuade politicians to open up preferential contracts.

It is true that preferential procurement at local level does provide jobs and protection for workers. But we need to also look at the overall economic gains that arise from lifting these preferences.

### Some of the fears in Europe have concentrated on Genetically Modified Organisms (GMO) reaching the supermarkets as a result of TTIP. In the United States, the concerns have been focusing on the impact of TTIP on the finance rules that were voted following the 2008 financial crisis. Should citizens be worried?

Both Michael Froman (US Trade Representative) and Karel De Gucht

(EU Commissioner for Trade) have made it clear that TTIP will not undermine environmental legislations, social and consumer protections or labour rights. But despite the reinsurance at the highest levels of governments and the fact that there isn't much text coming out of the negotiations, people continue to criticise.

On GMOs, it is true that the United States is annoyed that the restrictions in Europe are not based on science. Sure Europe likes to emphasise the "precautionary principle" but we in the United States have been eating GMOs for three decades and nobody has died from them.

Our organisation has been pushing for the inclusion of financial services in the TTIP. But it is unclear at this stage whether or not it will be the case. What we want is for both sides to consult each other during a regulation-development process. It does not mean that one party should automatically adopt the other party's rules, but there must be discussions to insure harmonisation and build a level-playing field in financial markets.

**According to figures released by NGOs, of the hundreds of lobby encounters that the European Commission had, 92 per cent of them were with business organisations, including yours,**

**compared to only 4 per cent with public interest groups. Doesn't this imbalance unfairly favour private companies in this trade deal?**

This is not unusual. Actually, you would expect that in a trade deal because of the thousands of different products, SMEs, industries, sectors and sub-sectors that are directly concerned.

They all have the right to explain their product, their competitors, the trade barriers that impact them and so on. They need to educate legislators on these issues. On the other hand, you do not have thousands of NGOs.

**By Bryan Carter**

# NAFTA: TWENTY YEARS OF A BAD DEAL FOR WORKERS

BY DAVID BACON



© Photo/David Bacon

*Trade union activists and other organisations protest in Mexico City's main square, the Zocalo, against the privatisation of electrical power and the sacking of 44,000 electrical public workers. They blame NAFTA for pushing forward these economic reforms. Mexico City, Mexico, on 1 September, 2013.*

In January 2014, in Mexico, Canada and the United States, workers and unions marked the 20th anniversary of the trade agreement that has set much of the pattern for the globalised economy.

It was not a happy anniversary, and marches and demonstrations on 31 January protested the way the North American Free Trade Agreement (NAFTA) has undermined the jobs, rights and living standards of workers in the three countries.

This pattern is set to be replicated on a larger scale, in the Trans Pacific Partnership (TPP), currently being negotiated among twelve countries around the Pacific rim, including the original NAFTA partners, and the Transatlantic Trade and Investment Partnership (TTIP), between the US and Europe.

Richard Trumka, president of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) called NAFTA only the first in a series of trade agreements that have undermined millions of middle-class American jobs and weakened our democratic structures.

## — JOB LOSS IN THE UNITED STATES

The job loss record in the US due to NAFTA was documented for years by a provision of US law that assured extended unemployment benefits for workers who



could show employers had moved their jobs to Mexico. The US Department of Labor (DoL) kept track of the claims.

When the total passed 500,000, however, US President George W. Bush ordered the Department of Labour to stop compiling these embarrassing statistics.

"By 2010, trade deficits with Mexico had eliminated 682,900 good US jobs, most (60.8 per cent) in manufacturing", according to Robert E. Scott of the Economic Policy Institute. Jobs making cars, electronics, apparel and other goods moved to Mexico, and job losses piled up in the United States, especially in the Midwest where those products used to be made."

In addition, Jeff Faux, former director of the Economic Policy Institute charges: "NAFTA strengthened the ability of US employers to force workers to accept lower wages and benefits."

In 1997 (three years after NAFTA went into effect), Cornell University professor Kate Bronfenbrenner found that one out of every ten employers facing a union drive said they'd move to Mexico. In 2009, she reported that 57 per cent of employers facing a union election threatened to close their worksite.

In Canada workers didn't do much better. The treaty "clearly has not delivered the goods, concluded Bruce Campbell, of the Canadian Center for Policy Alternatives. It is time to reconsider whether NAFTA is contrary to the well-being of Canadian workers (and indeed of workers in all three NAFTA countries)."

## ▬ DEVASTATION FOR MEXICAN WORKERS AND FARMERS

Linking the economies of the US and Mexico had a devastating impact on Mexican workers.

When the last economic crisis started in the US, some 400,000 workers producing for the US market in Mexican border factories (*maquiladoras*) lost their jobs, according to Martha Ojeda from the Coalition for Justice in the Maquiladoras.

NAFTA created an incentive for the Mexican government to hold incomes down to encourage corporate investment in factories producing for export.

"[Government] functionaries and businessmen tout Mexico as an 'export powerhouse,' but this has not diminished low wages or social inequality," warns Arturo Ortiz Wadygmar of the Institute for Economic Investigation at Mexico's National Autonomous University.

"Instead benefits are concentrated in 500 transnational corporations. They say Mexico has labour at a competitive price, but this is just an elegant way of saying that it's cheap."

In the 20 years since NAFTA was signed, Mexican labour protections have been rolled back. Former President Jose Calderon forced through "labor reforms" to legitimise contingent work and erode workers' rights.

Unions which opposed them have been attacked by both government and employers.

The head of the Mexican miners' union, Napoleon Gomez Urrutia, was forced to flee to Canada after he'd condemned as "industrial homicide" an explosion in a mine belonging to one of Mexico's wealthiest families.

In one particular case, 44,000 members of the Mexican Electrical Workers were fired and the state-owned company they worked for was dissolved.

The current Mexican President Enrique Peña Nieto has forced through an "energy reform" that sets up the national oil and electrical industries for privatization.

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Jobs making cars, electronics, apparel and other goods moved to Mexico, and job losses piled up in the United States, especially in the Midwest where those products used to be made.

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In the Mexican countryside, NAFTA's impact was even sharper.

Fernando Ortega, of the Democratic Farmers' Front of Chihuahua, charges that NAFTA forced small farmers to compete with huge agro-industrial enterprises in Mexico, the US and Canada, who all receive large subsidies.

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They say Mexico has labour at a competitive price, but this is just an elegant way of saying that it's cheap.  
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About eight million Mexicans migrated to the U.S. in search of work as a result.

Nevertheless, movements to oppose the treaty's effects have brought together workers and unions in all three countries.

Maria Elena Durazo, executive secretary of the Los Angeles County Federation of Labor, emphasises "international solidarity today encompasses more than just unions and worker organisations. It has become a movement of people."

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