

The Transatlantic Trade and Investment Partnership (TTIP) and Labour

KEY FINDINGS

- Given the global weight of the EU and US trade and investment relationships, labour provisions in the TTIP have the potential to become a model. Negotiations on the text will start in 2015. The European Parliament considers a more integrated transatlantic market to be crucial and is being regularly involved in all discussions.
- As recent analysis shows, trade-labour linkages in agreements have been evolving over the last two decades and, more recently, also in bilateral investment agreements. They refer mainly to ILO labour standards (ILO Declaration 1998 on Fundamental Rights and Principles, ILO Fundamental Conventions and more recently the Decent Work Agenda of the ILO Declaration 2008).
- Both the EU and US are already integrating labour provisions in their agreements to a high extent; these provisions showing a number of similarities. The main differences remain with regard to the Decent Work Agenda and the Fundamental Conventions which have become a standard for the EU, but not in US agreements. These refer to 'internationally recognised workers' rights' as defined in the US Trade Act. To enhance enforcement, the EU tends to count on reporting and political dialogue, while the US agreements contain provisions on economic sanctioning, which hitherto rarely have been applied.
- Due to their potential implications for labour, a number of other areas are in the focus of public attention: services, public procurement and the investment dispute settlement mechanism. The Council Mandate calls for the exemption of public services and a comprehensive liberalisation of public procurement, while making investment protection mechanisms dependent on the results of negotiations.
- Estimates on the potential of job creation differ depending on the economic model and assumptions used for simulation. They range from job gains to job losses.

1. TTIP - RELEVANCE, STATE AND SCOPE

Trade agreements and investment partnerships aim to create wealth by facilitating and intensifying economic activities through the reciprocal opening of markets for goods, services, public procurement, establishments and investments. Given rather low custom tariffs, the focus in trade agreements tends to be on removing non-tariff trade barriers and on agreeing a common set of rules. Bilateral investment agreements ensure fair and equitable treatment of foreign private investments and protect these from direct or indirect expropriation.

The intensification of economic relationships between the EU and the United States (US) is of particular relevance due to **high volumes of trade and investments between the EU and the US**, increasing global competition and also due to the potential it has to set ambitious global trade standards, including those for sustainable development and labour.

The EU is the US' largest economic partner. Both economies together represent **about half of the global gross domestic product and a combined market of 800 million consumers**. Looking at foreign investments shows that EU and US are the two leading investors and also the largest investors in each other with an EU investment stock in the US of EUR 1.6 trillion and an US investment stock of EUR 1.5 trillion in the EU in 2012.¹

Trade in goods and commercial services 2013, Euro billions²

Country	Imports	Exports
EU	2 188	2 415
United States	2 079	1 688
China	1 716	1 817
Japan	750	648
South Korea	468	506

By the end of 2013, the **EU had trade or economic partnership agreements with some 50 partners and a number of negotiations are on-going.**³ Furthermore, the European Union is negotiating the multilateral Trade in Services Agreement (TiSA) with 22 other members of the World Trade Association (WTO).⁴ Following the entry into force of the Lisbon Treaty, the EU has exclusive competence on foreign direct investment (Article 207 TFEU). In a very long-term perspective, EU investment agreements or combined trade and investment agreements such as the Comprehensive Trade and Economic Agreement (CETA) will gradually replace investment agreements concluded bilaterally by individual Member States providing for transition periods.

The **US currently has Free Trade Agreements (FTAs) in effect with 20 countries** (mainly in Central or Latin America), including a number of **regional trade agreements**. In addition to TTIP, it is currently also negotiating the Trans-Pacific Partnership Agreement (TPP) as a regional Asia-Pacific trade agreement with 11 countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam).⁵ Furthermore, the US has concluded 42 bilateral investment treaties (BITs) all over the world; including with 9 EU Member States (BG, CZ, EE, HR, LV, LT, PL, RO, SK).⁶

Detailed work on the text of labour provisions ahead

Since November 2011, a High Level Working Group on Jobs and Growth⁷, chaired jointly by the EU Trade Commissioner Karel de Gucht and the US Trade Representative Michael Froman prepared the launch of official negotiations. In its **final report of 11 February 2013**, the group stressed that the envisaged agreement between the two substantially open economies *'should establish new trade rules that are globally relevant'* including a high level of liberalisation of services, improved access to government procurement at all levels, whilst taking account of EU approaches on sustainable development and the U.S. approach in Environment and Labour Chapters in trade agreements.

On 17 June 2013, the **Council of the European Union** in accordance with the Treaty on the Functioning of the European Union (Art. 207, 218 TFEU) authorised the opening of negotiations to be led by the Commission and issued **directives for the negotiations**. These define the **scope as well as the set of underlying values and general principles**: The agreement shall encompass trade in goods, trade in services and establishment, investment protection and public procurement, and shall define (a) market access, (b) regulatory issues and Non-Tariff Barriers and (c) rules (e.g. intellectual property rights, labour standards).

The directives also say that the transatlantic trade and investment partnership should be based on **common principles and values consistent with the principles of the EU's external action**: such as human rights, fundamental freedoms, the commitment of the Parties to sustainable development and *'the contribution of international trade to sustainable development in its economic, social and environmental dimensions, including economic development, full and productive employment and decent work for all'*. Furthermore, TTIP shall take into account the particular challenges faced by small and medium enterprises.⁸

Seven rounds of negotiations have taken place since July 2013, while concrete negotiations on the text of the labour provisions have not yet started. Despite considerable progress, a number of issues will require further negotiations; such as market access to services, access to public procurement, different regulatory safety or other standards for goods, investment protection and investor-to-state-dispute settlement (ISDS). Further issues

are competition policies (e.g. anti-subsidy rules, rules for state-owned enterprises, ways to help small and medium enterprises) and access to the US energy and raw materials market.

Labour provisions in trade agreements make a difference

The CETA for which negotiations between the EU and Canada were concluded in September 2014 may serve as an example: the **section on Trade and Labour encompasses 8 of 1634 pages**.⁹ However, even if small, the commitment to an agreed set of labour standards is being increasingly regarded as a substantial component putting the liberalisation of trade in competitive markets into a framework of standards which ensure and promote workers' rights.

2. INVOLVEMENT OF THE EUROPEAN PARLIAMENT

In its Resolution of 23 May 2013¹⁰ on EU trade and investment negotiations with the United States of America, the European Parliament (EP) *'considers that it is crucial for the EU and the US to realise the untapped potential of a truly integrated transatlantic market, in order to maximise the creation of decent jobs and stimulate ... growth'*. It fully endorses the launch of negotiations as proposed in the report by the High Level Working Group (460 votes in favour, 105 against and 28 abstentions), and reiterates its conviction *'that an EU-US comprehensive trade and investment agreement has the potential to lead to a win-win situation, beneficial for both economies'*. The EP supports essential points of the report, such as improvement of reciprocal market access for goods, services, investment and public procurement at all levels of government, the reduction of non-tariff barriers, increasing compatibility of the regulatory regimes, as well as the development of common rules to address shared global trade challenges and opportunities. At the same time, it calls upon the negotiators *'not to rush into a deal that does not deliver tangible and substantive benefits to our businesses, workers and citizens'* and mentions a number of sensitive fields for negotiation, such as agriculture.

As regards **labour**, the Resolution welcomes in particular the High Level Working Group's recommendation that the EU and the US address the environment and labour aspects of trade and sustainable development. The TTIP is envisaged to strengthen the development and enforcement of labour and environmental laws and policies, to promote the ILO core standards and benchmarks as well as decent jobs, and to promote Corporate Social Responsibility standards.

In accordance with the Lisbon Treaty, the **EP has to be continuously involved** and it has to give its consent to the agreement as a whole. During the negotiations, the Commission *'shall regularly report to the special committee appointed by the Council to support the Commission and to the EP on the progress of the negotiations'* (Art. 207 TFEU).

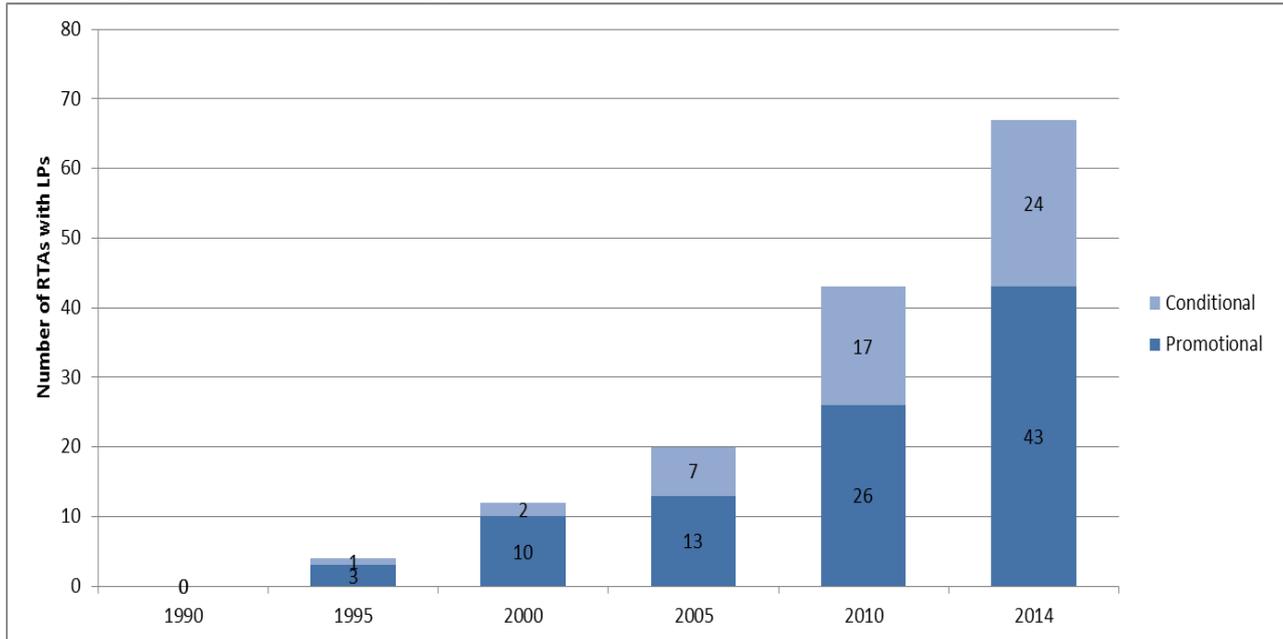
The EP has been closely following the negotiations involving a large number of committees. The responsible committee in the EP is the Committee on International Trade¹¹ (INTA). INTA has established an informal **INTA Monitoring Group for the US** (in camera) which is normally briefed by the Commission's chief negotiator, Mr Ignacio Garcia Bercero, before and after each negotiation round. Given the broad range of policy fields concerned the chairs of eleven other committees are invited to these meetings (AGRI, LIBE, CULT, ECON, EMPL, ENVI, AFET, ITRE, IMCO, JURI, TRAN) as well as the Chair of the US Delegation.¹²

3. LABOUR - AN EVOLVING ISSUE IN FREE TRADE AGREEMENTS AND INVESTMENT PARTNERSHIPS

Commitments to human rights, including labour rights are a relatively new phenomenon in trade agreements. Such commitments are still largely concentrated in the agreements adopted by the US, the EU (and its Member States) and Canada; with most of these being North-South agreements. Others are gradually adopting labour rights criteria in their arrangements, North-North agreements as well as South-South agreements.¹³

Over the last two decades, a **broader acceptance of the trade-labour linkage** and labour clauses appeared resulting in an impressive increase in the number of trade agreements with labour provisions from zero in 1990 up to 78 in 2014:

Labour provisions in trade agreements

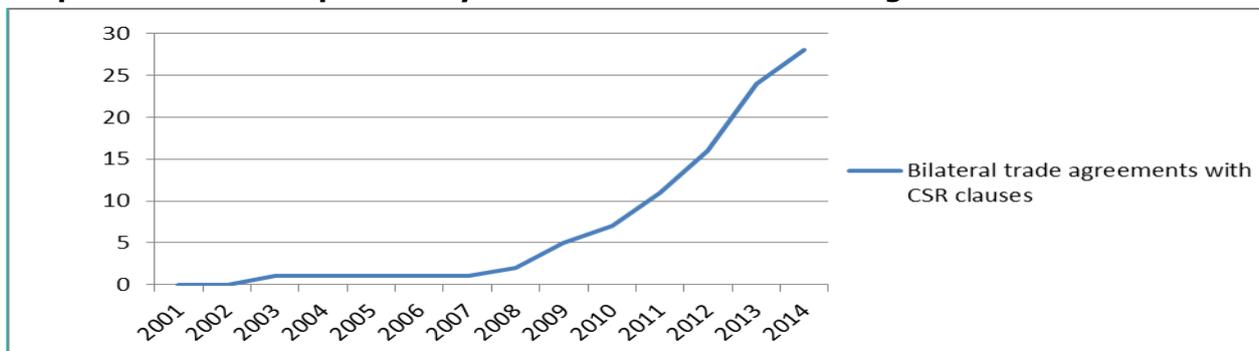


Source: ILO, presentation for EESC Roundtable on labour rights and civil society participation in TTIP, Brussels, 12.11.2014

Labour provisions tend to be promotional in nature (60 %), i.e. they provide a framework for dialogue, cooperation and/or monitoring. About 40 % have a **conditional dimension**; implying that compliance with labour standards entails economic consequences (economic sanctions or benefits). A certain standard of labour legislation and practice can also be set as a pre-condition for ratification, e.g. in US agreements with Oman and Peru.¹⁴

In line with a stronger commitment to employment and social aspects, trade agreements since 2008 have been **increasingly taking up Corporate Social Responsibility clauses** for enterprises. These were up to 28 in 2014 compared to two in 2008.

Corporate Social Responsibility clauses in bilateral trade agreements



Source: ILO, presentation for EESC Roundtable on labour rights and civil society participation in TTIP, Brussels, 12.11.2014

Most of the commitments refer to ILO Declarations: mainly the ILO Declaration (1998) on the Fundamental Principles and Rights at Work. Recently, a number of agreements (e.g. CETA) have gone further by promoting the ILO Declaration (2008) on Social Justice for a Fair Globalization. This supports the Decent Work Agenda including social protection, social dialogue and job creation.

In a number of trade agreements, including those of the EU, labour provisions relate to the ILO’s Conventions which are international treaties. Ratification entails submitting regular reports on implementation of these conventions for review by the ILO’s supervisory bodies.

The ILO Declaration (1998)¹⁵ covers four Fundamental Principles and Rights at Work:

1. Freedom of association and the effective recognition of the right to collective bargaining
2. Elimination of all forms of forced or compulsory labour
3. Effective abolition of child labour
4. Elimination of discrimination in respect of employment and occupation

The related eight ILO Fundamental Conventions¹⁶ include:

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29) and Abolition of Forced Labour Convention, 1957 (No. 105)
- Minimum Age Convention, 1973 (No. 138) and Worst Forms of Child Labour Convention, 1999 (No. 182)
- Equal Remuneration Convention, 1951 (No. 100) and Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

The ILO Declaration (2008) on Social Justice for a Fair Globalization¹⁷

puts **full and productive employment and decent work** at the centre of economic and social policies to be implemented through actions along four strategic objectives:

1. Promoting employment by creating a sustainable institutional and economic environment
2. Developing and enhancing measures of social protection (social protection floors¹⁸)
3. Promoting social dialogue and tripartism
4. Respecting, promoting and realising the fundamental principles and rights at work

Labour provisions less developed in bilateral investment agreements

According to ILO analysis, labour provisions are also gradually being included in International Investment Agreements (IIAs), although still far from mainstream investment policy and less developed than the trade counterpart.¹⁹ According to Vogt (2014), very few BITs contain principles that require a state party or an investor to respect fundamental labour rights.²⁰

Since 2004, the model **US model BIT** included a non-derogation clause that requires each party to *'strive to ensure that it does not waive or derogate from ... such laws in a manner that weans or reduces adherence to international labour rights ... as encouragement for the establishment, acquisition, expansion or retention of an investment in its territory'*²¹. Attempts to make labour rights more binding led to a **new model BIT** under the Obama administration, which states an **obligation not to waive or otherwise derogate from labour laws or core labour rights**.

In line with the provisions for the Union's external policies, the Post-Lisbon **international EU investment policy** is guided by rule of law, human rights and sustainable development (Art. 205 and 21 TFEU) taking account of the OECD Guidelines for Multinational Enterprises.²² Recently concluded bilateral trade agreements (e.g. South Korea, Central America, Colombia and Peru, Singapore) include adherence to key international labour and environment standards and agreements, the prudent use of natural resources, and the promotion of practices favouring sustainable development such as Corporate Social Responsibility.²³

Recent EU approach: broader concept compared to the US

EU and US-trade agreements show a number of similarities regarding the content: ILO Declaration 1998, reference to Corporate Social Responsibility (e.g. annex to the labour chapter of the US agreement with Peru 2009²⁴, all recent EU trade agreements), involvement of civil society in the negotiation phase, implementation, monitoring and dispute settlements (e.g. promotion of labour standards through bilateral and multilateral channels, inter-ministerial meetings, independent expert panels and inter-governmental dispute settlement, reference to ILO supervisory mechanism as indirect source²⁵).

In the **EU trade agreements**, labour provisions have recently developed substantially using a broad concept of labour not being limited to the promotion of core labour rights. In a new generation of FTAs launched in 2007 as part of the 'Global Europe' initiative labour provisions encompass the ILO Decent Work Agenda (e.g. trade agreements with Korea and CETA).²⁶

US trade agreements: No consistently lower level of ambition

On the one hand, **all EU Member States have ratified the eight Fundamental Conventions** and the EU refers to these in its trade agreements. The **US neither refers to the ILO Decent Work Agenda, nor to the Fundamental Conventions**. So far, the US has **ratified only two of the eight conventions** (Abolition of Forced Labour Convention, Worst Forms of Child Labour Convention). A third convention on discrimination has been submitted to the Senate for consent in 1998, but has not yet been considered.²⁷

According to the ground rules set by the US President's Committee, the US will not ratify any ILO convention 'unless or until U.S. law and practice, at both the federal and state levels, is in full conformity with its provisions'. The legal review process is in all cases complex and lengthy. For five of the Fundamental Conventions full conformity has apparently not yet been achieved including those on the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No.87) and the Right to Organise and Collective Bargaining Convention, 1949 (No.98).

Labour aspects in trade and investment agreements		
	EU approach	US approach
Content	ILO Declaration of 1998 on Fundamental Principles and Rights at work Reference to Corporate Social Responsibility	
	ILO Fundamental Conventions, sometimes with recommendation to ratify (e.g. – EU-Korea) ILO Declaration 2008 - Decent Work Agenda (CETA)	Internationally recognised worker rights (e.g. working hours, safety and health at work, minimum wages)
Promotion	Promotion through cooperation	
Implementation mechanism	Monitoring by the Parties (inter-ministerial meetings) Mechanisms of dispute settlement via independent expert panels and government consultations ILO supervisory mechanism as indirect source	
	Political pressure, in principle no sanctions Mandatory establishment of advisory bodies and dialogue between civil societies of both parties	Potential sanctions Third parties can file a complaint including investors' and civil society submissions

Source: Based upon ILO reports

On the other hand, commitments to 'internationally recognised workers rights' as defined in the U.S. Trade Act are broad, covering similar aspects: a) the right of association; b) the right to organise and bargain collectively; c) prohibition of the use of any form of forced or compulsory labour; d) a minimum age for the employment of children; e) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.²⁸ Furthermore, enforcement is stricter, including (rarely applied) economic sanctions in case of non-implementation of certain labour standards.

It is worth noting that the US as **all members of the ILO are obliged to respect and to realise the fundamental rights and principles contained in the 1998 Declaration**. However, **the fundamental conventions** are different in nature; being international treaties undergoing a regular supervision procedure. If labour provisions rely on the Declaration alone, according to recent ILO analysis, this can result in legal uncertainty and an application of labour provisions that is inconsistent with the application of the ILO supervisory machinery. This can create difficulties when the compliance of a party with such a labour provision is challenged before a dispute settlement body.²⁹

Given the current situation it is not probable that all fundamental conventions will be ratified in the near future. This may result in aspirational language in TTIP labour provisions (e.g. to strive for ratification of the Fundamental Conventions) in combination with good monitoring and policy dialogue.

4. TTIP and labour – current EU and US positions

EU position - thematic core labour standards articles as new element

In its initial position paper of 16 July 2013, the European Commission states that, in addition to the recognition of sustainable development as a horizontal principle that should underline TTIP in all areas, an integrated chapter is envisaged on labour and environmental aspects as well as their inter-linkages.³⁰ Therefore it can be expected that labour aspects will be cross-referenced to in other chapters (e.g. investment chapter, services and public procurement) and, furthermore, that principles for sustainable development will also be part of the preamble similar to the CETA.³¹

The European Commission presented an **issue paper** on 12 November 2014³² which sets out a promotional approach for the TTIP negotiations on labour provisions **to prepare the negotiations on the text**. Continuing the line taken in previous agreements (e.g. CETA), the EU proposal focuses on commitments *'to promote the mutual supportiveness between trade and labour policies and to ensure that increased trade does not come at the expenses of worker protection, but rather supports it'*. To solve any conflict concerning the implementation of labour provisions, the EU in its recent Trade and Development chapters has a dedicated settlement mechanism establishing a clear, mandatory and time-bound procedure; not providing for sanctioning, but for dialogue and follow-up actions.

To further evolve an effective commitment to labour provisions in trade and investment agreements, the EU proposes a **new element** which is different from CETA and other preceding agreements: **'thematic core labour standards articles'** for each of the four areas of fundamental rights and principles as defined in the ILO declaration 1998. These shall describe in more detail the commitments by each partner; including concrete actions planned for implementation.

Key building blocks for future negotiations on the text of labour aspects:

Multilateral labour standards: the ILO Decent Work Agenda, respect of all the ILO core labour standards and support to on-going efforts towards ratification of fundamental ILO conventions; thematic core labour standards articles recalling relevant international instruments, listing key principles to which Parties are committed, and defining specific commitments on actions to achieve those principles which can serve as benchmarks for monitoring; other ILO labour standards, e.g. in the area of health and safety at work, including by ratifying relevant ILO Conventions.

Domestic law: Protection of each party's right to regulate and to set its own levels of protection in accordance with internationally recognised standards and agreements; continuous improvements of domestic labour policies and laws to ensure high level of protection; prevention of a race to the bottom by ensuring domestic labour laws are not relaxed as a means to attract investments.

Cross-cutting issues: Promotion of Corporate Social Responsibility (CSR) in accordance with internationally recognised principles and guidelines (UN, ILO, OECD).

Promotion and cooperation: Identification of priority areas for joint work through bilateral and multilateral channels to strengthen governance for trade and labour issues and labour protection worldwide.

Conflict resolution: Each party can trigger the dispute settlement process in case of concerns; settlement through consultations among governments (set-up of a senior officials committee) and, as a second step, through a panel of independent experts preparing a report with recommendations; follow-up actions are agreed by the Parties (e.g. action plan) including monitoring; involvement of civil society stakeholders at all stages; integration of ILO as an authoritative reference point.

Participative mechanisms for civil society: Set up of independent domestic advisory groups; yearly meeting of a 'civil society forum' as a platform for joint dialogue.

The report of the most recent negotiations allows for drawing preliminary conclusions on **other points having a potential impact on domestic employment:**

Services: According to the Council Mandate³³, Member States' laws, regulations and requirements regarding work and labour conditions shall continue to apply and the EU commitments in the area of Services of General Interests should be taken into account. The Commission stressed that the TTIP leaves EU governments free to regulate whatever they consider to be public services, such as public education, public health and water distribution. These will be exempted from liberalisation.³⁴

Public procurement: The Council mandate says that that TTIP *'shall aim at enhanced mutual access at all administrative levels, and in the fields of public utilities'*³⁵ ensuring treatment no less favourable than that accorded to locally established suppliers. Public procurement was not discussed during the seventh round of negotiations.

Investment Protection: The Council Mandate makes the inclusion of investment protection and investor-to-state dispute settlement dependent on the result of negotiations: *'After prior*

consultation with the Member States (report available by the end of 2014) and in accordance with the EU treaties the inclusion of investment protection and investor-to-state dispute settlement (ISDS) will depend on whether a satisfactory solution, meeting the EU interests is achieved'. The mandate sets out that investment protection should be 'without prejudice to the right of the EU and the Member States to adopt and enforce, in accordance with their respective competences, measures necessary to pursue legitimate public policy objectives, such as social, environmental, security, stability of the financial system, public health and safety in a non-discriminatory manner'. The mandate provides for an effective investor-to-state dispute settlement mechanism and states that the possibility of creating an appellate mechanism should be considered.

Following increasing public debate and criticism, the European Commission in March 2014 launched a public consultation on the investment protection provisions and received 150 000 replies. Results will be available by the end of 2014.³⁶

CETA AGREEMENT - AN EXAMPLE, NOT A TEMPLATE

The CETA can serve as an illustration of how the European Union conceives sustainable development and labour provisions. It is not only the most recent one (with negotiations having finished in September 2014), it is at the same time the EU's first one with another highly industrialised country. All the same, it should not be regarded as a blueprint for the **TTIP negotiations, which require an individual approach**. After legal verification and translation, CETA is expected to be sent to the Council of the European Union and the European Parliament later in 2015 for ratification. It will replace the eight existing bilateral agreements between individual EU Member States and Canada.

In line with the EU approach, the section on labour provisions is closely connected with the preceding chapter on sustainable development, but has not been formally integrated. Both Parties *'underline the benefit to considering trade related labour and environmental issues as part of a global approach to trade and sustainable development'*. ... The Parties *'aim to promote sustainable development through enhanced coordination and integration of their respective labour, environmental and trade policies and measures.'* For example, a monitoring body on Trade and Sustainable Development and contact points will be established.

The labour section encompasses 11 Articles: 1) Context and objectives (e.g. contribution of international trade to decent work, high levels of labour protection, importance of social dialogue on labour matters; 2) Rights of each party for regulation; 3) Multilateral standards and agreements (ILO declaration on Fundamental Principles and Rights at Work and its Follow-up of 1998, ILO Declaration 2008 commitment of each Party to effectively implement in its laws and practices the fundamental ILO Conventions which EU Member States and Canada have ratified); 4) Upholding levels of protection, i.e. inappropriateness of lowering levels of protection to encourage trade and investments; 5) Enforcement procedures, administrative proceedings; 6) Promotion of public information and awareness of labour law and standards; 7) Cooperative activities for the promotion of the objectives of this chapter; 8) Institutional mechanisms, e.g. national point of contact for implementation; 9) Government consultations regarding any matter and procedures; 10) Panel of experts to regulate all matters in case government consultation is not sufficient; 11) Dispute resolution mechanism (not providing for sanctioning).

US position - TTIP labour provisions may become a model

In the United States, the Office of the United States Trade Representative is responsible for administering US trade and investment agreements. The Congress has an important role to play. According to the Constitution, the Congress exercises oversight, legislative and advisory functions in negotiations for external trade agreements. It can, however, decide to grant the US president 'trade promotion authority' (TPA), the so-called 'fast track negotiating authority' as in this case the Congress cannot make amendments to the agreement.

Similar to the EP, the relevant Congressional committees are regularly debriefed by the US Trade Representative and other high officials mandated by the US Constitution. Ultimately, the US approves an agreement with a majority of both houses or rejects it.³⁷

In its **position paper on US Objectives and US benefits of TTIP**, the Office of the United States Trade Representative underlines that **labour provisions** of this agreement **may**

become a model; given the shared commitment by both partners who already maintain high levels of protection for their workers. The US stresses the need for commitment to internationally recognised labour rights in the agreement and the wish to establish procedures for consultations and cooperation to promote their respect. Continuing the line taken in other US trade agreements, TTIP shall prevent a race to the bottom of labour protections. It is also stressed that workers in the partner countries should have the same levels of protection afforded to the workers in the US; which indirectly refers to the diversity across the EU Member States. The US stresses that trading partners must enforce the laws and regulations that recognise labour rights.³⁸ No recent position has been made publicly available.

As the **service sector** counts for four out of five US jobs, the US seek to obtain improved market access in the EU on a comprehensive basis and to address the operation of any designated monopolies and state-owned enterprises, as appropriate. Reacting to the public debate and stakeholder concerns about the **privatisation of public services**, at the opening of the seventh round of the negotiations (3 October 2014), the US Chief Negotiator, Dan Mullaney, confirmed that the US *'do not include such provisions in its trade agreements and will not do so in the future'*.³⁹

A shared consensus in initial objectives also holds true for **government procurement**. The US seek to ensure that US suppliers of goods and services receive treatment as favourable as that accorded to domestic and other foreign providers suppliers.

As regards **investment dispute settlements**, the US like the EU are aiming to ensure that governments maintain the discretion to regulate in the public interest.

5. TTIP - POTENTIAL IMPACT ON JOBS

Results for job effects are mixed depending on the method applied

Based upon a **study** carried out by the **CEPR** (Centre for Economic Policy Research), **the TTIP agreement would lead to a growth of 0.5 % GDP (Euro 120 billion) and the US by Euro 95 billion (or 0.4 % of GDP)**. Sectors which are likely to benefit most from TTIP include metal products (+12 % exports), processed foods (+9 %), chemicals (+9 %), other manufacturing goods (+6 %), other transport equipment (+6 %), and especially motor vehicles (+40 %). Effects on agriculture, forestry and fisheries are expected to be close to zero (+0.06 %). However, for a number of subsectors, limited negative impact is probable, and a small number of jobs will move between sectors (7 jobs in every 1 000 over 10 years). The study also predicts that wages may rise by 0.5 % for both skilled and less-skilled workers.⁴⁰ The standard models used do, however, not allow for quantifying the number of jobs created. The European Commission suggests that the study rather underestimates the gains. According to its own rough calculations, several hundred thousand⁴¹ or even million⁴² new jobs dependent on exports may be created.

The study used a **computable general equilibrium (CGE) model** and makes assumptions about the content of a likely agreement; with tariffs being reduced to zero, non-tariff barriers in goods and services being reduced by 25 % and public procurement barriers being reduced by 50 %. It assumed that the number of jobs is fixed and that these are simply reallocated.

In its **appraisal of this study and of the Commission's Impact Assessment** of April 2014, **the EPRS (European Parliamentary Research Service)** confirmed that the CGE model represents the 'state of the art' in economics; even if it has caveats (e.g. an unrealistic flexibility of the labour market, peculiarities of how investments are included, the lack of innovation growth and productivity effects). Furthermore, the EP appraisal says that TTIP is rather a regulatory agreement, with some elements of a classical trade agreement which makes it difficult to assess its impact as changes in trade costs related to an increase in regulatory compatibility (removal of non-tariff barriers) are exceedingly hard to assess⁴³.

Using the United Nations Global Policy Model to simulate the impact of TTIP on the global economy (in a context of protracted austerity and low growth especially in the EU and US) **changes results**. Simulations by Capaldo (2014)⁴⁴ find that TTIP would lead to net losses in terms of GDP, personal incomes and employment in the EU (income decrease between Euro 165 and Euro 5 000, approximately 600 000 job losses, a continuing downward trend of the labour share).

- 1 <http://ec.europa.eu/trade/policy/countries-and-regions/countries/united-states/>.
- 2 <http://ec.europa.eu/trade/policy/eu-position-in-world-trade/>.
- 3 http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149622.jpg.
- 4 <http://ec.europa.eu/trade/policy/in-focus/tisa/>.
- 5 <http://www.ustr.gov/tpp>.
- 6 <http://www.ustr.gov/trade-agreements>;
- 7 http://tcc.export.gov/Trade_Agreements/Bilateral_Investment_Treaties/index.asp.
- 8 http://trade.ec.europa.eu/doclib/docs/2013/february/tradoc_150519.pdf.
- 9 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/145014.pdf.
- 10 <http://trade.ec.europa.eu/doclib/html/152806.htm>.
- 11 <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2013-0227&language=EN&ring=B7-2013-0187>.
- 12 <http://www.europarl.europa.eu/committees/en/inta/home.html>.
- 13 [http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536397/EXPO_BRI\(2014\)536397_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536397/EXPO_BRI(2014)536397_EN.pdf).
- 14 Jeffrey S. Vogt (2014): Trade and Investment Arrangements and Labor Rights, in: Lara Blecherr/Nancy Kaymar Stafford/Gretchen C. Bellamy: Corporate responsibility for human rights impacts, Chicago, Illinois: American Bar Association, p. 121-175, and ILO report:
- 15 http://www.ilo.org/wcmsp5/groups/public/---dqreports/---inst/documents/publication/wcms_228965.pdf.
- 16 http://www.ilo.org/wcmsp5/groups/public/---dqreports/---inst/documents/publication/wcms_228965.pdf.
- 17 <http://www.ilo.org/declaration/lang--en/index.htm>.
- 18 <http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>.
- 19 http://ilo.org/global/meetings-and-events/campaigns/voices-on-social-justice/WCMS_099766/lang--en/index.htm; <http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--de/index.htm>.
- 20 <http://www.ilo.org/secsoc/areas-of-work/policy-development-and-applied-research/social-protection-floor/lang--en/index.htm>.
- 21 <http://www.ilo.org/inst/projects/labour-standards-in-trade-and-investment-arrangements/lang--en/index.htm>.
- 22 Vogt 2014, see endnote 13.
- 23 Vogt 2014, see endnote 13.
- 24 Vogt 2014, see endnote 13.
- 25 <http://ec.europa.eu/trade/policy/policy-making/sustainable-development/>.
- 26 http://www.unep.ch/etb/publications/CSR%20publication/UNEP_Corporate%20Social%20Responsibility.pdf.
- 27 Gravel and Delpech, 2014:
- 28 http://www.ilo.org/wcmsp5/groups/public/---dqreports/---inst/documents/publication/wcms_207860.pdf.
- 29 http://trade.ec.europa.eu/doclib/docs/2009/october/tradoc_145203.pdf.
- 30 <http://www.dol.gov/ilab/diplomacy/PC-ILO-page2.htm>.
- 31 Vogt (2014), see endnote 13.
- 32 http://www.ilo.org/wcmsp5/groups/public/---dqreports/---inst/documents/genericdocument/wcms_237940.pdf.
- 33 <http://trade.ec.europa.eu/doclib/press/index.cfm?id=943>.
- 34 http://trade.ec.europa.eu/doclib/docs/2014/september/tradoc_152806.pdf.
- 35 <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-ttip-labour-rights-documents.33727>.
- 36 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/145014.pdf.
- 37 [http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536397/EXPO_BRI\(2014\)536397_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536397/EXPO_BRI(2014)536397_EN.pdf).
- 38 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/145014.pdf.
- 39 <http://trade.ec.europa.eu/doclib/html/152693.htm>.
- 40 [http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536395/EXPO_BRI\(2014\)536395_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2014/536395/EXPO_BRI(2014)536395_EN.pdf).
- 41 <http://www.ustr.gov/tpp/Summary-of-US-objectives>.
- 42 <http://www.ustr.gov/about-us/press-office/speeches/2014/October/Opening-Remarks-by-US-and-EU-Chief-Negotiators-for-TTIP-Round-Seven-Press-Conference>.
- 43 http://trade.ec.europa.eu/doclib/docs/2013/september/tradoc_151787.pdf.
- 44 Study: http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf.
- 45 <http://ec.europa.eu/trade/policy/in-focus/ttip/about-ttip/>.
- 46 http://trade.ec.europa.eu/doclib/docs/2013/september/tradoc_151787.pdf.
- 47 [http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/528798/IPOL-JOIN_ET\(2014\)528798_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/528798/IPOL-JOIN_ET(2014)528798_EN.pdf).
- 48 http://ase.tufts.edu/gdae/policy_research/TTIP_simulations.html.

DISCLAIMER

The content of this document is the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. It is addressed to Members and staff of the EP for their parliamentary work. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

This document is available at: www.europarl.europa.eu/studies

Contact: Poldep-Economy-Science@ep.europa.eu

Manuscript completed in November 2014

© European Union

EMPL-2014-09



ISBN: 978-92-823-6296-9 (paper)

ISBN: 978-92-823-6297-6 (pdf)

CATALOGUE: QA-06-14-158-C+N

doi:10.2861/513156 (paper)

doi:10.2861/388034 (pdf)