

30 June 2014

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Dear Jeffries,

Thank you for your letter of 18 June, responding to my concerns about the ongoing TTIP negotiations. However, I remain unconvinced that the potential gains of TTIP would be large enough to counter-balance the many extremely problematic aspects of the treaty.

You stated that the elimination of existing trade barriers between the EU and the US has been estimated to be worth a cumulative 1% to 3% of each country's GDP. I noted with interest your use of the word "cumulative", and I understand that the only econometric modelling which has yet been done on TTIP estimates that the possible gains to GDP would be only 0.4% per year in the US by the time that its effects are fully reached in 2027, and 0.5% percent in the EU. This means that the average yearly boost to GDP is in the region of 0.03% to 0.05% or, under the less ambitious projection in the study, just 0.015% per year. I do not believe that this is significant enough to risk abandoning important regulations which protect consumer health or the environment, and nor is it sufficient to create meaningful numbers of jobs.

I would also like to draw to your attention that the same projections on the impact of TTIP, which was examined by the Centre for Economic Policy Research, explicitly stated that it will not lead to higher employment since the modelling has been done on the rather optimistic assumption of full employment. In fact, some people who were employed may lose their jobs as a result of TTIP, as the regulatory changes lead to some jobs no longer being viable. TTIP may also result in higher prices for pharmaceuticals or other essential products, if stronger patent and copyright protections are included in the treaty.

TTIP will also result in reduced revenues to the Exchequer. Under the terms of the treaty, tariffs would be removed on imported goods. In 2013 HMRC received £14 billion in customs duty and VAT from US exporters on 22 different categories of goods, of which 75% went to the EU, leaving 25% for the UK. If these tariffs were removed, the result would be a loss to the UK revenue of £3.5bn, not to mention the money it receives back from the EU. I am sure that the removal of these tariffs would benefit the paycheques of the importing companies' CEOs, but I am at a loss to see any benefit to the UK consumer. Even if these import tariffs

were to be removed, what guarantees are there that companies would pass these price reductions on to the consumer, rather than raising executive remuneration or increasing shareholder value? I am aware of precisely no such guarantees. This would therefore effectively transfer that £3.5bn out of the UK public purse and into the pockets of multinational corporations. I can see no reason for doing this.

However, a wide-ranging agreement such as TTIP cannot be considered only in terms of GDP. It is important also to factor in the possible effects on the environment and human health. It will be of little consolation to the UK taxpayers that company profits have increased due to the opening up of new markets, if they are footing the bill for higher costs to the NHS caused by people suffering poorer health due to an influx of poor-quality, GM-heavy food products.

I am unconvinced by the implicit assumption behind much of TTIP that removing trade barriers is always beneficial. As I set out in my previous statement on TTIP, regulations to enhance public health, consumer safety and environmental protections are there for a reason. These regulations correct for existing market failures to protect the common good at the expense of private profits. To remove them will result in a cost to society, which will ultimately be picked up by the taxpayer rather than by the corporations which made a profit from lowering regulatory standards.

I am aware that you argue that the goal of TTIP is to prevent duplication of regulatory regimes in those areas where the EU and the US have the same standards, rather than to drag down those standards to the lowest possible common level. You must forgive me for finding this statement at best naïve and at worst disingenuous. This is because the areas of TTIP which are of most concern are those where the EU and the US have very different regulatory standards, such as the US's regulations on food safety, GM products and fracking. Here, the existing requirements are so widely different that, if the objective were only to remove duplication and double testing, they could not even have been discussed as part of the negotiations.

The Treaty on the Functioning of the European Union explicitly states that when it comes to food safety and other public health issues, the precautionary principle must be followed, and products must be proved to be safe before they can enter the market. Yet in the US, the government must prove that products are unsafe before they can be banned—for example, the EU bans 1,200 substances from use in cosmetics, while the US prohibits only 12. How can these two opposing principles possibly function under the same regulatory system?

As it seems safe to assume that US companies are not campaigning for tighter regulatory standards in the US, they must therefore be aiming for lower standards in Europe. This assumption is backed up by companies' behaviour. The North American Export Grain Association, for example, is pushing for TTIP to speed up the process of authorising GM products to be exported to Europe, and has commented that: "the gap between the authorization of a new biotechnology-enhanced events in the United States and their authorization or import and use in food, feed or processing (FFP) in Europe should be

among the highest of priorities for TTIP.”¹ In other words, a company that produces products containing genetically modified organisms wants Europe’s rules against GMOs to be loosened. This is hardly surprising, but I do not see why the EU should risk its citizens’ health to appease this company’s greed. The agribusiness industry is also campaigning for weaker safety tests on GM crops, and the replacement of compulsory labelling of GM products with a voluntary scheme, which of course would mean no labelling at all. Regardless, therefore, of anything that US or EU governments have stated about the levelling of regulations not being a goal of TTIP, that looks likely to be the outcome, whether intended or not.

I am of course in favour of supporting small and medium sized businesses. However, I am unconvinced that they rather than multinationals will be the ones to benefit from TTIP, and I would be interested to see your evidence for this. You state that it would be of benefit to those SMEs which are already involved in transatlantic trade, but these are only the minority of EU SMEs. Multinationals seem to me to be much more likely to benefit than SMEs, as they have the size, financial resources and international experience of operating in many different countries which would enable them to take advantage of openings in the market. How will huge US-based conglomerates, which are able to make full use of economies of scale, be prevented from pushing out small, local UK producers? How can British farmers compete with massive American agribusinesses that are able to take advantage of cheap GM animal feed and cheap energy? Why should we encourage a global conglomerate to sell food grown in the US to UK consumers, at the expense of the financial viability of local farms and at the addition of a huge number of air miles?

I am of course aware that, as you mentioned, the investor-state dispute settlement mechanism has not yet been agreed. However, I do not see this as a reason not to try to raise public awareness of its potentially disastrous effects if it were to be agreed. I agree with you that investment protection is necessary to encourage international investment, but as I am sure you are aware ISDS is designed for states without a strong rule of law or an impartial legal system. The EU already has perfectly adequate mechanisms to protect investment without resorting to secret legal hearings. The UK already has a strong, independent judiciary and legal system which, unlike ISDS, is open to public scrutiny and accountability, and companies also have access to the European Court of Justice. Where, therefore, is the need for a parallel system that operates outside the existing court structure?

You mentioned that negotiating positions and reports from each negotiating round are available on the European Commission’s website. However, in my view this is not a substitute for having the full text of the treaty available to view by members of the public, NGOs and governments. Unless the treaty in its entirety is publicly accessible, member states will be negotiating in the dark. I have still been given no convincing explanation for why it is not possible for the full text of the treaty to be made available, and I do not understand how the public can be expected to support something which is kept hidden

¹ <http://naega.org/wp-content/uploads/2012/05/NAEGA-NGFA-Joint-Comments-to-USTR-Trade-Policy-Staff-Committee-on-TTIP-May-10-2013.pdf>

from them. UK citizens have a right to see the entire text of TTIP before it is signed, not afterwards when it will be too late to modify the treaty or prevent it being implemented.

I am also concerned that TTIP might have a damaging effect on less developed countries, which could see a fall in US and EU demand for their exports. The European Union and the UK have made commitments to tackling poverty in the developing world, and these will not be fulfilled by damaging poorer countries' ability to trade on equal terms with the EU and the US.

Finally, it may be worth remembering that the US-Korea Free Trade Agreement was billed as increasing US exports by \$10bn and creating 70,000 jobs. The actual result was a fall in exports of \$3.5bn and a loss of 40,000 jobs.

As an organisation representing businesses, you are of course entitled to push for TTIP on the basis that it would be good for business. However, I have a duty to raise awareness of the many potential negative effects of TTIP on people's health, consumer protection, and the environment, and its potential to create a parallel legal system that operates for private profit rather than the public good.

Regards,

A handwritten signature in black ink, appearing to read 'Roger Godsiff', with a stylized flourish at the end.

Roger Godsiff MP