

Economy, Jobs and Fair Work Committee
Economic Impact of Leaving the European Union
Global Justice Now

1. Global Justice Now is a social justice organisation that has been campaigning for trade justice for many years. We oppose TTIP (the trade deal between the EU and the US), CETA (between the EU and Canada, 'TTIP's little brother') and similar deals (TPP, TISA) as all these agreements go far beyond trade and into areas of public policy, with the potential to threaten the ability of governments to pass progressive legislation and protect our public services. We are a founding member of Scotland Against TTIPⁱ, a coalition bringing together Scottish trade unions, NGOs and local activist groups who oppose this new wave of trade deals.
2. Trade deals have a big impact on Scotland's exports, its inward investment and on worker's rights. As an EU member, the UK government has whole-heartedly supported TTIP and CETA, arguing that the deals would bring jobs and wealth to the UK economy. Yet these trade deals go far beyond negotiations on tariffs and taxes that have traditionally been associated with trade deals between countries. They also deal with other so-called barriers to trade, namely laws and regulations. Deals like TTIP and CETA, and also TISA (trade in services agreement) could cost jobs in Scotland, weaken labour and employment rights, make life more difficult for SMEs, and threaten public services. If we leave the EU, the UK government is likely to initiate similar deals with the EU, Canada, and the US as well as other countries around the world.
3. Millions of citizens across Europe oppose TTIP and CETA. Last year, a petition against them was signed by more than 3.5 million Europeans. Over the last couple of months, large demonstrations against TTIP and CETA have taken place across Europe. In Scotland, one third of local councils have passed motions in opposition to TTIP, and recently Fife Council was the first to pass a motion opposing CETA too. Due to the strength of public opposition, TTIP has now been dropped by negotiators, although there is no absolute guarantee that it will not be picked up again by future governments. CETA is still in the process of being ratified. TISA is also in the later stage of negotiations by the EU, and the UK is likely to sign up to the agreement whether we remain or leave the EU.
4. When TTIP was first being negotiated, the EU Commissioner announced that this deal would set the 'gold standard' for future deals. Global Justice Now is concerned that, whether we are in the EU or not, the UK government will want to negotiate trade deals like TTIP and CETA. In this briefing we argue that these deals are bad for Scottish business – particularly for SMEs, and bad for workers. We also argue that, in this time of transition, the Scottish parliament should be calling for more powers to influence trade negotiations, with the ability to veto UK trade deals it is unhappy with.

Economic argument for TTIP and CETA-style trade deals

5. The UK government has argued that trade deals like CETA and TTIP would bring wealth and jobs to our economy. However, even the European Commission's own impact assessment for TTIP suggested that the financial benefits the trade deal would have brought for EU workers was minimal and that 680,000 jobs

would be lost across the EUⁱⁱ. A recent TUFTS University report on CETA predicts that this smaller deal will also result in job losses: 200,000 across the EU and approximately 10,000 in the UKⁱⁱⁱ. The report also predicts a rise in inequality as wealth moves from labour to capital. That means that the amount of an economy's wealth going to ordinary workers in wages will fall proportionally to the share accounted for by profits, rents, interest and dividends. This has also been the experience of workers in the US under NAFTA, the trade agreement on which TTIP and CETA were most closely modelled. Twenty years on from NAFTA's ratification, a Public Citizens Global Trade Watch study found that one million job losses in the US could be attributed to the trade deal^{iv}.

6. The aim of TTIP and CETA was to increase trade between the EU and the US and Canada, and to make it easier for businesses to trade across continents. However, we have already argued that both deals are predicted to lead to job losses, and will be of little benefit to ordinary working families in Europe. So who will benefit from these deals? It will be large EU, US and Canadian multinational corporations who benefit first, and it is likely that the increase in wealth they accumulate, as the TUFTS university study argues, will benefit company profits more than it benefits employees. Small and medium sized businesses in Europe however, are much less likely to reap any benefits from deals like CETA and TTIP.

Impact on small and medium-sized businesses

7. According to Scottish government figures, small and medium sized businesses in Scotland account for 56% of private sector employment, providing 1.2 million jobs. As an important sector of our economy, trade deals negotiated by the UK government should have a positive impact on, or at least protect these businesses. However, only a small percentage of small businesses in Scotland, and across Europe export beyond the EU. A 2011 small business survey found that only 13% of small businesses exported beyond the UK^v and only a tiny minority of SMEs (0.7%) across the EU export to the USA. According to the European Commission's survey for TTIP, less than 0.5% of UK small businesses are engaged in the export of goods to US markets.^{vi} Protecting their own markets in the UK and the EU is therefore very important to SMEs, who will suffer increased competition from foreign multinationals under CETA.
8. Deregulation is a major feature of TTIP, CETA and TISA. Regulations are considered to be a 'barrier to trade' and there are plans in all three of these trade deals for some sort of regulatory cooperation, harmonisation, or a 'mutual recognition' of regulations. But small businesses creating products adhering to long-running EU rules will sell goods that are more expensive than equivalent goods created by a large US or Canadian multinational. In the US in particular, US companies face lower production costs, lower labour standards and also have cheaper energy costs^{vii}. The concern is that cheap US goods will flood the markets, and SMEs will be unable to compete.
9. In the agricultural sector, plans for deregulation under TTIP and CETA could mean, for example, more GM products in EU and UK markets. Also, meat products from hormone treated animals which are currently banned in the EU, or processed meat washed in chlorine, could be allowed onto our shelves. These products will be cheaper than UK and Scottish products, leaving our own farmers unable to compete and forsaking quality in order for consumers to have the choice of cheap, but poor quality imports. Alyn Smith MEP lodged an amendment

to the European parliament's Agriculture Committee's report on TTIP for this very reason, arguing that the deal would impact on the ability of Scottish farmers to continue to produce high quality goods^{viii}.

10. New trade deals like TTIP, CETA and TISA are also focussed on opening up a global market in services, including public services. For SMEs, the opening up of public procurement markets in particular will have an impact. Scotland's Procurement Reform Act 2014 allows local authorities to promote the environmental and social wellbeing of an area when buying goods and services. It also allows them to facilitate the involvement of small businesses by prioritising relationships with local suppliers. Procurement rules like this, that support the growth of local economies and shorter supply chains that will help to tackle climate change as well as benefitting SMEs are in danger because of trade deals like TTIP, CETA and TISA. Concerned with enticing foreign investors to our local services industries, these deals could stop Scottish local authorities from exercising any kind of discretion favouring the local over the global.

Workers' rights

11. Strong labour rights contribute towards a strong economy and society through higher average wages, lower earnings inequality and lower unemployment^{ix}. Trade deals can play a valuable role in encouraging high labour standards across the globe. However, the labour chapters in CETA and TTIP do not contain adequate provisions to stop labour standards dropping because companies in Scotland are competing with foreign investors for a space in the market. Although both TTIP and CETA recommend compliance with the core International Labour Organisation standards, there is no mechanism in the deals by which this can be enforced. One party can call for consultation on an issue, and this may be referred to an expert panel that will produce a report and recommendations. However, this has no real teeth. Particularly if we compare the powers that foreign investors have through the investor court system to challenge aspects of other government laws they do not like, labour rights clearly has second class status.
12. The lack of labour rights in the TISA (trade in services agreement) is even more concerning. TISA is a trade agreement that is purely about the opening up of a global market in services, including public services. It is being negotiated by 50 countries, including the EU at the moment, and it is likely that the UK will sign up to the deal whether we remain in the UK or not. Under proposals being considered for TISA, some categories of migrant worker may end up being categorised as 'independent service suppliers' and will consequently not enjoy the right to things like the minimum wage or be allowed to join a trade union. If you enter a country under this 'mode 4' visa, your presence in your new country may also be tied to your employer, so if you lose your job you would immediately have to leave the country. This sort of system is used in countries like Saudi Arabia, the UAE and Qatar and has resulted in working conditions that have been described as being close to slavery^x.

Scottish parliament consideration of trade deals

13. As this evidence makes clear, new trade deals like TTIP, TISA and CETA could impact on the ability of the Scottish government to pass progressive legislation. They will impact on Scottish SMEs in particular, as well as employees. Yet, the

Scottish parliament has very little power to influence these important deals. In fact, even the UK parliament has very little power to scrutinise these trade deals. UK government rules means it is not obliged even to hold a parliamentary debate at Westminster before signing CETA or TTIP. This lack of democracy compares negatively with the rest of Europe where, with the exception of Malta, CETA and TTIP will have to be debated and voted on by at least the national parliament. Some countries have the ability to hold referenda on trade deals. Other countries, like Belgium, must also consult regional parliaments. Wallonia's refusal to allow Belgium to sign CETA was in the news recently. Each regional parliament in Belgium, including Wallonia can veto a trade deal and so stop the Belgian government from signing a treaty. The Wallonian parliament's decision was based on 18 months of hearings on CETA, including a local impact assessment. The Wallonian parliament extracted a number of concessions from the EU Commission as part of a compromise deal, which will be of benefit to Wallonian farmers and its economy if CETA is ratified.

14. In this time of transition, the Scottish parliament should be calling for new powers to influence trade deals. If the UK government is negotiating deals that will have such a strong impact on the ability of our government to pass laws for the good of our citizens, as well as on businesses and workers in Scotland then the parliament should be properly consulted, there must be debate in the parliament and the Scottish government should be able to veto a deal it is unhappy with.

ⁱ For a list of members see: <http://scotlandagainstttip.org.uk/who-we-are/>

ⁱⁱ Rough Trade: the threat of TTIP to small businesses in the UK (War on Want report) http://media.waronwant.org/sites/default/files/Rough%20Trade%2C%202016.pdf?_ga=1.70218192.1978843760.1444221767 p.4

ⁱⁱⁱ <http://www.ase.tufts.edu/gdae/Pubs/wp/16-03CETA.pdf>

^{iv} <http://www.citizen.org/documents/NAFTA-at-20.pdf>

^v <http://www.gov.scot/resource/0043/00430019.pdf>

^{vi} Rough Trade: the threat of TTIP to small businesses in the UK http://businessagainstttip.org/sites/default/files/rough_trade_2016.pdf p. 3

^{vii} Ibid, p. 7

^{viii} http://www.alynsmith.eu/scottish_mep_calls_for_exemption_of_agriculture_from_ttip

^{ix} http://www.foeeurope.org/sites/default/files/eu-us_trade_deal/2016/12_labour_rights.pdf

^x Global Justice Now briefing on TISA <http://www.globaljustice.org.uk/resources/what-tisa-and-why-we-need-stop-it>