

**Report of Economic Development Service**

**Report to Director of City Development**

**Date: 15<sup>th</sup> February, 2016**

**Subject: Leeds Against the Transatlantic Trade and Investment Partnership (TTIP) Deputation – Response**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): City Wide	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. A Deputation to Full Council was presented by *Leeds Against the Transatlantic Trade and Investment Partnership* on 11<sup>th</sup> November, 2015.
2. The Transatlantic Trade and Investment Partnership (TTIP) is a trade agreement currently being negotiated between the EU and the US. Much of the negotiation centres around barriers to trade, such as harmonising product regulation and standards, and on measures to protect the rights of investors.
3. TTIP negotiations were launched in June, 2013 and were due to last up to 24 months. This timeline has slipped and negotiations are still ongoing with no deadline reached.
4. Leeds Against TTIP wish Leeds City Council to declare Leeds a “TTIP free zone”. They note that 26 Councils in the UK have already done this, including Sheffield and Bradford.
5. The main concerns from Leeds Against TTIP include the lack of transparency and media attention in the process; harmonization of regulations leading to reduced standards; harm to local contracts through opening up local procurement to international competition; the Investor State Dispute Settlement allowing corporations to sue governments over projected profit losses through a private court system; harm to local planning regulations and ‘ratchet clauses’ preventing Leeds from ever rolling back on privatisation.

6. The council shares the concerns of Leeds Against TTIP particularly in relation to the potential harm to local contracts and potential impacts on the NHS. Our vision for Leeds is to be a compassionate, caring city that helps all its residents benefit from the city's economic growth. This can only be achieved through a strong economy and trade is clearly important to the health of the economy and we want to encourage investment, creating good growth that reaches everyone in society. However, whilst we recognise the positive effects trade can achieve, we do not believe this should come at any cost.

## **Recommendations**

The Director of City Development is asked to note the contents of this report and approve as the response to the Leeds Against the Transatlantic Trade and Investment Partnership.

## **1 Purpose of this report**

- 1.1 The report provides a response to the deputation to Full Council from Leeds Against the Transatlantic Trade and Investment Partnership on 11<sup>th</sup> November, 2015. The deputation was referred to the Director of City Development for consideration in consultation with the relevant Executive Member.

## **2 Background information**

- 2.1 The Transatlantic Trade and Investment Partnership (TTIP) is a proposed trade agreement between the EU and US. These two economies account for nearly half of global GDP and almost a third of world trade.
- 2.2 Negotiations for TTIP were launched at the G8 summit in June 2013. Eleven negotiating rounds have taken place so far and were originally due to last 18 – 24 months, however, this deadline was missed and the agreement is still not finalised. The negotiations have largely been held in secret and this has led to difficulty in accessing information about the agreement and its impacts.
- 2.3 Average tariffs on trade between the EU and US are relatively low. Much of the negotiation therefore centres around non-tariff barriers to trade, such as harmonising product regulation and standards, and on measures to protect the rights of investors.
- 2.4 A study for the Department of Business, Innovation and Skills estimated that the gains to the UK would be £4 billion to £10 billion annually (0.14% to 0.35% of GDP) by 2027. Critics of TTIP argue that these estimates overstate the gains, and that alignment of regulatory standards in areas such as consumer safety, environmental protection and public health could have social costs.
- 2.5 A copy of the full deputation is available in Appendix 1.

## **3 Main issues**

- 3.1 Leeds Against TTIP have submitted a deputation to the council outlining a series of concerns and asking the council declare Leeds a “TTIP free zone”. They specify that 26 Councils in the UK have already done so, including Sheffield and Bradford. Furthermore, over three million EU citizens have signed a petition against TTIP and many MEPs have come out against it too.
- 3.2 In response to the deputation the council shares many of the concerns with TTIP particularly as many of the final details are unknown. Improving trade relations between the EU and US could have a significant benefit to the Leeds economy but any agreement should not affect local services or trading standards. This includes potential impacts for the NHS if investors are able to seek compensation in private tribunals when services are transferred from private business to the public sector. The council notes the issues set out in the deputation and is following the current TTIP negotiations with interest.
- 3.3 The detailed issues in the deputation are set out below, firstly is the concern that TTIP is being drafted in secret with over 90% of the advisers being consulted representing corporate interests. The council is also concerned with the secrecy

surrounding much of the negotiations leading to difficulty in weighing up the costs versus benefits. Whilst there is some improvement such as the publishing of fact sheets and negotiating texts on the agreement, this is still not sufficient. In October, 2015 the Department for Business, Innovation and Skills announced that it is working to explore whether classified TTIP information could be shared, while preserving the confidentiality of sensitive documents and the council hopes this will improve transparency.

- 3.4 Secondly, Leeds Against TTIP consider that trading standards and regulations could be “pushed into a race to the bottom”. Areas which could be affected include food production, environmental legislation and welfare. The government’s view is that TTIP aims to reduce the barriers and costs created by regulatory differences between the EU and the US without lowering levels of protection and has written to the council offering assurances that the “trade deal will not lower standards of environmental, employment or consumer protection.” Whilst this is welcomed we would like more detail to be made available, any changes in regulations due to TTIP will impact on the local area and we would urge the government to ensure that there is greater transparency.
- 3.5 The third issue raised is that TTIP could tie our hands at a local level. Leeds Against TTIP is concerned that the EU Commission wants to open up local procurement to international competition. This appears to be the case but the Commission has defended this aspect as being beneficial; public procurement markets in the EU are considered to be more open than those of many of its trade partners, and they state that the US is more concerned with this aspect of the legislation causing potential harm.
- 3.6 The next issue is arguably the most controversial element of TTIP. The Investor-State Dispute Settlement (ISDS) is a system of tribunals that could award compensation to an investor if they had lost money as a result of a breach of the rules in the agreement. ISDS could potentially have an impact on NHS services currently privatised if these were returned to public control, potentially resulting in the private sector providers being able to claim compensation. The NHS and the care that it provides is one of the top priorities of the council and any mechanism that could jeopardise this service will be met with strong opposition.
- 3.7 The government considers the potential impact of ISDS to be low and highlights that no successful ISDS action has been brought against the UK to date despite currently having over 90 investment protection agreements with other countries. Whilst this is welcomed the council would urge the government to continue to listen to growing concern with the ISDS and continue to push for the alternative Investment Court System (ICS). This categorically states that private investors could not bring a claim on the sole grounds of lost profits due to government regulation. The government has also made specific assurances the NHS will be protected under TTIP but it needs to be clearer on protections against further privatisation in public services.
- 3.8 Leeds Against TTIP also raise concerns that local planning regulations, such as Lancashire County Council’s recent denial of planning permission for fracking would be extremely difficult to push through under TTIP. Similar to the environmental issues above the council would need to see more details before

taking a view whilst welcoming the EU Commission's response reaffirming the right of governments to regulate on labour and environmental protection. The UK government has also made it clear that TTIP "will not decrease environmental standards and targets which we have in place or hold back action on climate change. TTIP will not prevent either side from introducing new environmental and low carbon legislation".

- 3.9 Trade is crucial for our region which exports £17bn worth of goods each year, added to this 14% of all firms in Leeds export. Our economy is growing with Leeds having the largest number of fast-growing "scale-up" firms outside London and the South East. Leeds City Region is also home to the UK's largest manufacturing employment base with 135,000 people working in the sector.
- 3.10 Future growth should be sustainable and inclusive for the benefit of all, Leeds as a compassionate city urges the government to keep its promises regarding TTIP and moreover, it is crucial the Government presents the case that both the scope and delivery of local services are determined by elected representatives and a future trade deal ensures that necessary safeguards are in place to mitigate concerns, some of which have been mentioned above.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 This report is in response to a Council deputation and does not require any further consultation specifically in relation to the deputation.
- 4.1.2 The Leader of the Council and the Deputy Leader/Executive Member for Resources and Strategy at Leeds City Council has been consulted on this report.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The deputation response does not have any impacts on equality and diversity in this instance as the council is reserving its position on TTIP. If approved the trade agreement may have equality implications and a screening will be undertaken should the council make any further responses to TTIP.

### **4.3 Council policies and City Priorities**

- 4.3.1 The vision from the Best Council Plan is for Leeds to be a compassionate, caring city, which promotes sustainable and inclusive economic growth. TTIP could have future implications for the economy if it comes into force.

### **4.4 Resources and value for money**

- 4.4.1 There are no direct resources or value for money implications from this deputation.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 There are no direct legal implications from this deputation response.

## **4.6 Risk Management**

- 4.6.2 Specific financial risks, including fraud, and risks in relation to safeguarding, business continuity and information governance are not considered to be impacted by this deputation response.

## **5 Conclusions**

- 5.1 The main concerns from Leeds Against TTIP include the lack of transparency and media attention in the process; harmonization of regulations leading to reduced standards; harm to local contracts through opening up local procurement to international competition; Investor State Dispute Settlement allowing corporations to sue governments over projected profit losses through a private court system; harm to local planning regulations and 'ratchet clauses' preventing Leeds from ever rolling back on privatisation.
- 5.2 The council is reserving its position on TTIP until the full agreement is made public. It shares the concerns of Leeds Against TTIP particularly in relation to the potential harm to local contracts and potential impacts on the NHS, but also acknowledges the importance of trade on businesses and the economy.

## **6 Recommendations**

- 6.1 The Director of City Development is asked to note the contents of this report and approve as the response to the Leeds Against the Transatlantic Trade and Investment Partnership.

## **7 Background documents<sup>1</sup>**

- 7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.