

Queries

◇◇◇◇ THE EUROPEAN PROGRESSIVE MAGAZINE ◇◇◇◇

FREE-TRADE AGREEMENTS

Yes, but not at all costs!



+ TTIP CONTRIBUTIONS

Lamy, Malmström, Gabriel, Defraigne, Herfkens, etc.

+ DEBATE

Towards the end of
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TTIP:

European and American progressive forces have a great responsibility

by Massimo D'Alema,
FEPS President, former Prime Minister of Italy

It would be a huge mistake to consider the Transatlantic Trade and Investment Partnership (TTIP) as a mere economic and trade agreement. Indeed, such trade agreements, as the TTIP and its Pacific equivalent the Trans-Pacific Partnership (TPP), could offer an extraordinary

opportunity to enhance global cooperation and set high standards for future trade negotiations. However, this would only be true if this type of trade agreements put at its core sustainable development and shared benefits. In other words, such agreements should be 'people-centred', respect democracy, ensure state sovereignty, protect workers' fundamental rights, and address climate and environmental challenges, among others.

We know that the European Union is currently conducting several negotiations for free trade agreements. This multi-pronged activity is very important for two main reasons. We consider the TTIP as a means of re-launching a multilateral approach, and perhaps of re-launching a multi-lateral negotiation as the one that was opened in Doha in 2001, but which has unfortunately stalled over major issues. At the same time, we shall not give the impression that this transatlantic agreement amounts to a Western alliance against the rest of the world.

TTIP DISCOURSE

So far, the debate on TTIP has often neglected the complexities of multi-level polity and how transnational processes of economic integration are understood and defined at political level. Instead, the debate on TTIP has mainly focused on the alleged advantages of free trade when there is no theoretical basis for the argument that free trade stimulates domestic production and employment. Indeed, free trade theories ignored risk, and assumed that the economy is at

full employment, so that workers displaced by globalization would quickly move from low-productivity sectors to high-productivity sectors. But where there is a high-level of unemployment, and especially where a large percentage of the unemployed have been out of work for a long term, there can't be such complacency.

FOR A TRANSATLANTIC NEW DEAL INSTEAD OF A WILD GLOBALIZATION

Negotiations to date have not focused on the creation of a new trade regime that puts the public interest first. Instead, using the words of Nobel Laureate Joseph Stiglitz, they have focused on creating a "managed trade regime that puts corporate interests first". No trade agreement should put commercial interests ahead of broader national interests, especially when non-trade related issues, such as financial regulation, intellectual property, and other regulations, are at stake. It is indeed true that harmonization of regulation could benefit society at large, but only when harmonization translates into strengthening regulation to the highest standards everywhere. However, when corporations call for harmonization, what they really mean is a race to the bottom towards deregulation.

We must create a transatlantic new deal where sustainable development and empowerment take centre stage. Such agreement between the two large areas of the world where the democratic tradition and the protection of individual and collective rights are stronger – could represent a point of reference. It would introduce a series of criteria from which to draw inspiration for the setting of global regulations, in order to avoid the kind of wild globalization, which has prevailed so far. A globalization, which has encouraged the logic of competition, leading to wage restraint, reduction of workers' rights, decline in the standards of environment and health protection.

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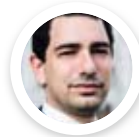


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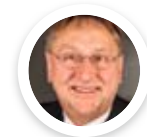
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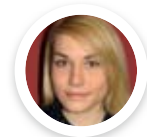
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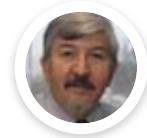
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A TIME FOR CULTURAL OUTRAGE!



© Maxime Grossier

*Europe's cultural industries are threatened by foreign digital giants.
European leaders must create European digital tools and protect
each member country's cultural variety.*



by Radu Mihaileanu

Today, artists and cultural representatives in Europe are once again outraged. The cause of this outrage is a letter that the President of the European Commission, Jean-Claude Juncker, wrote to Günther Oettinger, the Commissioner for Digital Economy & Society, asking him to “break

the national borders of copyright regulation.” The honourable goal of this appeal is to make artworks accessible to all European consumers. However, the wish to “break the national borders of copyright regulation” means to destroy the local production and distribution of art. Right now, every European artwork is translated and distributed according to the specific customs of each member country. If our artworks dispersed all over Europe at the same time, not only would creativity be in danger because financial resources would rapidly drain. But a crucial amount of Europe's cultural infrastructures (movie theatres, book shops, music and book publishers, television channels, etc.) would vanish sacrificing hundreds of thousands of jobs. Who would profit? US-American digital giants, free from competition, would be the only ones capable to finance and distribute our artworks throughout the continent.

THE DIGITAL REVOLUTION AND ITS DISCONTENTS

We are in the middle of a great digital revolution. It is humanity's next leap forward. This revolution is enchanting but it also controls, overpowers, and dominates us. What has initially been invented as a tool has now turned into the master and we are increasingly willing to yield to it. The digital revolution already dominates the global economy and is about to dominate politics, forcing our leaders and our citizens to adjust to its nature and rhythm.

What are Europe's challenges in a more globalised world? What kind of Europe do we wish to build for our children and future generations? I am afraid that economic and technological nightmares lead us away from our true goals: the depth of human knowledge and freedom. Technological revolutions have always contributed to the progress of humanity. But they humbly receded into the background leaving the stage to the creativity of the mind. The printing press revolutionised humanity but who remembers Gutenberg when reading Shakespeare, Kundera, Tolstoj, Kertész or Rilke?

When Beaumarchais invented copyright laws in 1791, they were meant to liberate artists who, at the time, were at the mercy of the rich and powerful. For centuries, those capable of affording art were also the ones owning it. Beaumarchais' idea is a visionary, ingenious, and democratic one: freedom of expression and creation has to be self-financed. The diversity of ideas should no longer belong to the powerful. Instead, ideas should be a property of their authors and through the authors, also of the citizens.

“THE DIGITAL REVOLUTION ALREADY DOMINATES THE GLOBAL ECONOMY AND IS ABOUT TO DOMINATE POLITICS.”

MAKING THE REVOLUTION OUR OWN

“Breaking the national barriers of copyright regulation” is a step backward from this idea. It weakens the financial and creative autonomy of the artist and puts art back into the hands and the good will of those in power: Google, Apple, Amazon, Netflix, Facebook. We may think that we defend the consumers who can now devour art ad nauseam. But they will consume American artworks because Europeans will have difficulties producing them; or they will consume European artworks that are made to please the taste

of the Americans or of future powers able to finance them. President Martin Schulz reminded us in a speech he gave at the Palais de Chaillot last year: “Cultural exception is neither a protectionist reflex nor an anti-American sentiment. We simply do not want to jeopardize the cultural and linguistic diversity of the European Union. Culture is a public good – and the European Parliament will defend it.” The European identity, which is meant to be universal and not closed on itself, may have a formidable capital. But it uses it unwisely. We do not exploit the tools we have to our benefits. Culture is one of these tools. We have to defend all local and national cultures in Europe; we have to support artistic creators, their wages, and their moral rights. And finally, we have to think about strong European digital tools capable to intelligently distribute our artworks.

Radu Mihaileanu was born and brought up in Romania. In 1980, at the age of 22, he moved to France and studied at the renowned La Fémis film school. All his movies, *Train of Life*, *Live and Become*, *The Concert*, *The Source* were distributed in all the European countries and over the four other continents. They received many awards in the main festivals.



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CHRISTINE ANTORINI PUTTING EQUAL OPPORTUNITIES FIRST

Frustrated with the Danish Socialist People's Party negative position on Europe, Christine Antorini switched to the Social Democrats. Now Denmark's Minister for Education, the daughter of teachers says citizens have a duty to take maximum advantage of the country's free school and university system.



by Ian Willoughby

Though Christine Antorini could never have known it growing up in Jyllinge, a one-time fishing village 40 kilometres from Copenhagen, her background would help make her an

ideal candidate for Danish minister of education several decades later. The Social Democrat MP's mother was a schoolteacher by profession, while her father taught at a vocational college after his dairy business closed in the 1980s. "My parents' work had a big impact on my values," she says. "And I still think that education is the best gift that we can give to all children." Antorini, today aged 49, came of age in a period when the fear of nuclear war was still real and was spurred to enter politics by global issues such as the Cold War arms race, inequality and environmental damage. At 16, she joined the youth organisation of the Green-tinged Socialist People's Party. "Instead of just being afraid of what would happen, I decided it would be much better to be a member of a political party that would work with these issues."

PRO-EUROPEAN VIEWS

Antorini spent two decades in the party, rising to the post of deputy president and winning her first seat in Denmark's Folketing (Parliament) with the grouping in 1999. However, fissures eventually emerged between her and her colleagues. The Socialist People's Party wanted to hang on to the Danish welfare model tooth-and-nail, while she believed it needed to be constantly re-imagined and improved. Another key difference was her strong support for European integration, which placed her firmly outside the mainstream in a party she describes as "too nationalistic and too conservative."

Though Antorini says she needed time out to consider her own place on the political spectrum, even prior to quitting the Socialist People's Party she had begun to come under the influence of

"IF YOU DON'T HAVE THE VALUE THAT YOU MUST DO THE BEST YOU CAN TO GET AN EDUCATION, WE CAN'T HAVE OUR TAX-FUNDED SYSTEM".

a number of prominent female Social Democrats, including Ritt Bjerregaard, who had held various ministerial portfolios (including education) and had been a European environment commissioner. Though she has no particular political role model, Antorini cites women of Bjerregaard's generation as a source of inspiration.

"Even though I was a member of another party they could see that I was a young woman interested in European issues and they invited me to discussions," she says. "I'm sure they had a very big influence on my decision when I finally decided to change to the Social Democrats."

With a fresh sense of purpose, Christine Antorini became a member of the Social Democrats in 2005. She was elected to the Folketing the same year and in 2011, in the first coalition government headed by Helle Thorning-Schmidt (the cabinet also included old colleagues from the Socialist People's Party), reached high office for the first time when she took the helm at the Danish Ministry of Education's grey brick headquarters, metres from the Frederiksholms Canal in central Copenhagen.

EQUAL OPPORTUNITIES

When the Socialist People's Party quit government and the second Thorning-Schmidt cabinet was created early last year, Antorini retained the education portfolio, allowing her to continue to push for what she describes as her core value as a politician: equal opportunities. Denmark is one of the few countries in the world that still values free access to education, she says, and that is the only way to give the broadest opportunities to all children, regardless of background.

Key Points

→ Her background as the daughter of teachers has greatly influenced her philosophy as Minister of education.

→ Her pro-European views led her to quit the Danish Socialist People's Party for the Social Democrats.

→ She says the benefits of reform need to be made clear so as to combat the rise of populist parties.

One area particularly close to her heart is child-care, in which Denmark leaves much of Europe in the shade. Indeed, over 90 percent of Danish children aged one or over are in full-time state-supported day care. Antorini quotes research that the benefits to children from underprivileged backgrounds being at such institutions are apparent even before they reach the age of two.

For the pedagogues' daughter, the state's provision of schools and universities comes with a kind of moral obligation on the part of citizens to make the most of the opportunity. "If you don't have the value that you really must do the best you can do to get an education, to get a job, to be an active part of society, then we can't have this tax-funded system."

give voters a clear sense that they will benefit directly from reforms like those introduced by her government.

Deeply saddened by attacks that left two dead in Denmark in February, the education chief believes her ministry can help foster a more tolerant society. "Our public schools are an important vehicle in ensuring children and young adults have a positive perception of themselves as being included and acknowledged parts of the community," she says. What's more, Antorini adds, Danes of all ages need to be made aware that the West and Islam are not enemies. "There is no conflict between groups of Danes – or groups of French for that matter. We live together in the countries where we stay."

“MY PARENTS’ WORK HAD A BIG IMPACT ON MY VALUES. I STILL THINK EDUCATION IS THE BEST GIFT THAT WE CAN GIVE TO ALL CHILDREN.”

Antorini says that though Denmark gets good grades in international comparisons of educational attainment, some 15 percent of school leavers lack essential skills and the country cannot rest on its laurels. Her deep overhaul of the country's education system in recent years – including an increase in school hours from the start of the current academic year – has been met with some resistance, including from teachers, who were involved in a three-week lockout in 2013.

FIGHTING POPULISM

Antorini is deeply concerned about the rise of populist parties with "simple nationalistic solutions" and anti-European policies. "If people feel that reforms are only being done to hurt them, then it's so easy for populist parties to have a strong voice," she says. "We have seen that all over Europe." The solution, she believes, is to

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ABOUT

*Born in Jyllinge in 1965, **Christine Antorini** is a political science and public administration graduate. She joined Denmark's Socialist People's Party in her youth but moved to the Social Democrats in the mid-2000s. Since becoming Minister for Education in 2011, she has pushed through far-reaching reforms.*



JÓZSEF TÓBIÁS TAKING THE LEAD IN HARD TIMES

© Magyar Szocialista Párt

2014 was a watershed year for the Hungarian socialists. After having lost three elections in a row, they need to redefine their strategy from scratch. Still in his forties, but with more than twenty years of experience in politics, their new leader, József Tóbiás, aims to re-establish close ties between the party and its supporters, and to revitalize the welfare state. He believes this is a challenge all European social democrats need to address.



by Szabolcs Fekete

J

ózsef Tóbiás, 44, the current leader of the Hungarian Socialist Party (MSZP) has to deal with a heavy legacy, but is determined for the task. His engagement

with politics dates back to his early twenties when he got involved in a left-wing youth organisation. However, his commitment to serve his community had already developed during his school years.

In 1998, the late prime minister, and then-president of MSZP, Gyula Horn – whom he often refers to as a “model” – offered him to run for a seat in parliament. “Fully accidental” is the way he describes how he got into national politics. “I got frustrated by seeing how people around me had different chances to get along in the world, and wanted to compensate for that.”

Starting as an activist at age 21, he was already party director by 32. “I’ve worked my way up the party ladder,” he recalls.

A TOUGH YEAR BEHIND

He became the leader of his party in a difficult moment. In 2014, the Hungarian socialists suffered three important electoral defeats: their alliance with other left-wing parties did not manage to end Fidesz’s two-third majority in the national parliament, the EP-elections brought them to a new historical low (10,9 %) and the loss of their status as a second party to Jobbik, while the municipal elections brought mixed results – Fidesz won an overwhelming majority of the districts, however, MSZP strengthened its position vis-a-vis its left-wing rivals.

Party structure might change, core values will not: “Freedom, equality, justice and solidarity” still guide left-wing politics, but further consideration is needed of how these can be realized in the 21st century – Tóbiás said, suggesting that taking sides on issues like globalisation might be inevitable. “We are not facing these dilemmas alone, the same discourses pervade the European left as well,” he suggests, mentioning that the electoral victory of

Syriza in Greece, and the increasing popularity of Podemos in Spain, should make European social democrats think whether they meet societal demands.

NEED FOR CHANGE

Hungary has recently experienced an unprecedented wave of protests that criticised Orbán’s conservative government as well as some of its policies. However, a majority of these protests also challenged opposition parties, calling for a change in the whole political elite that has governed the country during the 25 years since Hungary’s transition to democracy. Protest organisers explicitly asked opposition parties not to display their symbols at their events.

According to recent polls, despite the massive loss of support Fidesz has suffered in recent months, the socialists failed to profit from that, unlike far-right Jobbik, which has stabilised its position as a second force since the 2014 EP elections.

However, the leader of MSZP has not given up hope that those who now criticize the current regime within their private realms will realise that there are communities which have the potential to do so on an organised basis. “My message to recent and future generations is that they should not accept the world as they see it, they need to change things until they have the power to do so,” he says, urging young people to invest their energies into transforming “their motherland”, instead of leaving it – a hint on the approximately half a million Hungarians working in other European countries.

HAS TRANSITION FAILED?

He also shares protesters’ concern with the failure of some elements of the transition, and understands the deception of many who feel that much of the 1989 promises were left unfulfilled, making Hungary a country characterised by slow growth and high inequalities. “The idea that the adoption of a market economy will strengthen welfare rights, and facilitate access to welfare services, has failed.” However, he thinks that abandoning the idea of the

Key Points

- European social democracy will continue to face serious challenges from radical parties if it fails to respond to societal demands.
- Abandoning the idea of the welfare state is a failure of the whole political left, as it should be seen as a basis for strong democracy.
- Social investments should be prioritised over market interests in the allocation of EU funds.

welfare state is a failure the Hungarian political left shares with the European left. "The system needs to be reformed in a way that the welfare state provides the basis for a strong republic and a strong democracy. It won't work the other way around," he proposes.

According to Tóbiás, the current Hungarian government has undermined social security, and has anxiously looked for groups to blame for its own mistakes, including migrants and pensioners on a private retirement plan, which has led to the erosion of social cohesion. "To achieve welfare state, you need openness, adaptation, a state that is capable of moderating market mechanisms, and a government that responds to societal demands." A state where "four million people live below the minimum standard of living" obviously fails to meet these targets. The introduction of a guaranteed minimum income could provide a solution for the most vulnerable segments of society, but its viability and its compatibility with the current tax system still needs to be assessed.

A CALL FOR EU TO INVEST IN PEOPLE

"Not even Europe knows what kind of Europe it wants to become" – he says. "I believe that whether integration should be deepened, and whether a 'United States of Europe' or a 'Europe of nation states' is preferable, is the wrong debate," Tóbiás claims. He thinks the real question is why a strong and social Europe has not yet come into being. What the EU needs to consider is how its funds could be allocated in a way so as not only to foster economic growth in the interest of market actors. "Investments in the people" should also be made in order to generate "social profits," he argues. "I want a Europe in which we have common values that cannot be overridden," he states, naming the Universal Declaration of Human Rights as a source of such values that member states should respect.

NOT-SO-SPLENDID ISOLATION

Tóbiás sees Hungary as an isolated unit within Europe, both in economic and political terms. He

underlines the former with the low level of FDI flowing into the country, while he sees the latter as caused by the "unnecessary war of independence the government got into" that has nothing to do with the country's national interests, and by which the government "locks itself up" diplomatically.

The Hungarian government makes the wrong choice when instead of contributing to changing the European Union for the better, it seeks exit. "This is the worst strategy," argues Tóbiás, who thinks that the Orbán government takes a "Janus-faced" stance towards the EU – claiming all it has to give without making any sacrifices in return. "Society needs to understand that Europe is the same as the Hungarian state. We are both, one of them is our country, and the other one is our home." Thanks to this spirit, MSZP can continue to rely on its European allies: PES decided to organize their next Congress in Budapest this June. Sergei Stanishev, the president of PES expressed his concerns over "Hungary's descent into authoritarianism" under the Fidesz government, and hopes that the Budapest event will not only support MSZP, but "all Hungarian citizens in their fight for democracy and freedom of expression".

“SOCIETY NEEDS TO UNDERSTAND THAT **EUROPE IS THE SAME AS THE HUNGARIAN STATE.**”



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ABOUT

József Tóbiás was born in 1970 in Kisvárda, in the northeastern region of Hungary. He got engaged in politics at a young age, first got a seat in parliament at 28, and has worked as an MP ever since. He has served as the President of the Hungarian Socialist Party (MSZP) since July 19, 2014.

VIKTOR ORBÁN AND THE EU

A fluctuating relationship

The relationship between the Hungarian government led by Viktor Orbán and the institutions of the European Union has deteriorated dramatically over the past four years. While EU politicians criticise the Hungarian Prime Minister for his disregard of European values, Orbán for his part perceives the European Union as the last check on his political power.



by Tamás Boros



Over the past four years Viktor Orbán has become notorious in the international press as the *enfant terrible*

of the European Union. However, it is important to take a deeper look at this public perception, get a detailed overview of the fluctuating relations between Viktor Orbán and the European institutions, and highlight the main driving forces behind those aspects of the Hungarian prime minister's policies that diverge from the EU's mainstream.

During his first premiership between 1998 and 2002, Viktor Orbán was a pragmatic pro-European politician, his approach back then did not run afoul of the "average" conservative politicians' thinking, who preferred a close co-operation of nation-states to any ideas of federalism. Yet back at the helm of gov-

ernment in 2010, Orbán's approach changed drastically. Since the Fidesz party he leads won back-to-back two-thirds victories in the 2010 and 2014 elections, Orbán assessed that his mission was to dismantle any and all impediments standing in the way of realising his political goals. To this end, he adopted a new constitution, amended several hundred laws and replaced almost every member of the independent public bodies that play a vital role in ensuring the democratic system of checks and balances, from the president of the Supreme Court all the way to the president of the media authority. However, the elimination of internal controls increasingly met with external resistance in the form of the Union's own legal order and political pressure. Rather than looking at these as parts of a regulatory framework, Orbán perceived them as inimical forces that needed to be overcome.

THE "BAD COP": THE EUROPEAN PARLIAMENT

The conflict between the Hungarian government and European Union politicians/institutions erupted shortly before Hungary assumed the EU's rotating presidency in 2011. It was due to the adoption of new media laws that curtailed the Hungarian media's existing freedoms in many respects. The European Parliament adopted a resolution calling on the Hungarian government to re-examine this law and to repeal it. Because of international outrage over the latter, the Hungarian presidency of the European Union ended in failure in terms of politics and communication.

In the spring of 2011, despite intense resistance by the entire Hungarian opposition, the Orbán government rammed a new constitution through Parliament. Many clauses of the new constitution were subject to intense debates. The criticisms were

Key Points

→ Orbán was well aware that international scandals that do not result in legal consequences would have limited impact on his domestic popularity.

→ The European Commission, thanks to the use of its financial and legal disciplinary instruments, reacted in their typical ways to criticisms.

→ The Hungarian governmental populism does not spread to the region, there is no “domino effect”.



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Viktor Orbán & Jean-Claude Juncker

primarily aimed at the document's historically distorting preamble, the governing party's power to replace a number of top officials at the helm of independent institutions, and, on the whole, the possibility offered by the new constitution to enshrine Fidesz's policy ideas for a period exceeding its own term in government.

In the summer of 2011, the European Parliament adopted with a narrow majority a motion that criticised the new Fundamental Law of Hungary and called on the European Commission to review the constitution. In the debate on the resolution, Viktor Orbán indicated that he would not accept foreign meddling in the Fundamental Law, which he considered an internal Hungarian issue. The European Parliament addressed the Hungarian situation on several other occasions as well, and by passing in 2013 the document that became known as the Tavares Report, it adopted an unusually sharp tone by the standards of European

politics. In response, the governing majority of the Hungarian Parliament adopted a resolution condemning the European Parliament.

The conflicts between the two parties over the past four years show that the European Parliament is basically helpless against a Viktor Orbán bent on ignoring international pressure. An important factor in preventing the conflict from deteriorating was of course the decision by the European People's Party to stand up – sometimes openly, sometimes tacitly – for its member party, Fidesz, during the debates in the European Parliament. Viktor Orbán was well aware that international scandals that do not result in legal consequences would have limited impact on his domestic popularity, and reinforced by the protection extended by the European People's Party, he felt he could easily handle the conflicts with the European Parliament.

THE “GOOD COP”: THE EUROPEAN COMMISSION

Though the European Commission is the guardian of EU treaties, during the past four years it has nevertheless adopted a considerably more cautious tone in the conflict with the Hungarian government than the European Parliament. Overall, the European Commission reacted in one of four typical ways to criticisms voiced by international watchdog organisations and the press, which alleged that “Hungary violates the fundamental principles of the European Union”:

1) In an overwhelming majority of cases, it did not react at all. The European Commission's lawyers assessed that a given action by the Hungarian government that appeared to be in conflict with Union values did not actually fall under the EU's jurisdiction, or that they decided it would be too risky to initiate steps against the Hungarian government with reference to a violation of Article 2 of the Treaty on the European Union.

2) In another group of cases the European Commission communicated its displeasure with certain policies. In this context, letters to Viktor Orbán by the president of the Commission, José Manuel Barroso, or the intense criticisms of commissioners Viviane Reding and Neelie Kroes, are worth pointing out. Yet these rebukes failed to have a significant impact, the Hungarian government primarily used them to stir public sentiments against the European Union, calling on the Hungarian public to rally behind a “freedom struggle against Brussels bureaucrats”.

3) In some cases, the Commission either initiated infringement procedures or threatened to do so. Yet it emerged that the European Commission would not prevail in a potential litigation in the European Court of Justice (special taxes), while in other cases the Hungarian government adopted legal amendments that seemingly satisfied European requirements. The European Commission failed to initiate any measures concerning those issues that constituted genuine threats to democracy.

4) On some issues the Hungarian government enacted real changes to comply with Union law. The most important among these were measures to bring the Hungarian deficit in line with EU requirements. Though the government’s specific actions in this context were often criticised (such as for example the nationalisation of citizens’ savings in private pension funds), it ultimately managed to keep the deficit under 3% of GDP.

On the whole, the European Commission was more effective than the European Parliament in terms of keeping the Hungarian government on a European trajec-



Members of the New Hungarian Guard at a Jobbik rally.

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tory, but it is obvious that it was only successful in situations when it had specific financial or legal “disciplinary instruments” at its disposal.

ANOTHER FOUR-YEAR ROLLER-COASTER RIDE

In the Hungarian parliamentary election of spring 2014, Viktor Orbán clinched another two-thirds victory, while at the same time a new European Commission leadership was installed (Juncker/Timmermans), which is considerably more proactive than its predecessor. However, European institutions have few instruments vis-à-vis a government that uses criticisms or even advice by EU politicians to incite anti-EU sentiments domestically and resorts to legal trickery to circumvent infringement procedures. The Hungarian case renders it clearer than ever that the European Community was designed with pro-integration liberal democracies and economic boom periods in mind, with the result that it is struggling to address the problem of increasing governmental populism in times of economic crisis.

Nevertheless, the past years provide us with two important insights concerning these new trends in the Union. One is that despite

corresponding fears, tendencies weakening democracy are not “infectious” regionally. Moreover, Hungary was also further isolated in the region because Viktor Orbán’s foreign policies seeking to balance between the interests of the United States and Russia are diametrically opposed to the foreign policy course pursued by Poland, which wields the greatest economic power in the region.

Another lesson of the conflicts between the Hungarian government and the European Union over the past few years is that European institutions have only a very limited set of tools to take actions against a member state in the realms of democracy, rule of law, political rights or freedom of the press. The often-cited Article 7, which would result in the suspension of a member state’s voting rights, would likely prove unproductive, for the Hungarian public would only learn about the position of the Hungarian government and not that of the European Union. In contrast, the tactics pursued by the United States, seeking to exert pressure on Viktor Orbán through the public dissemination of corruption affairs tied to the government, appear more effective. Yet applying this method in the European context would result in breaching yet new taboos in the relations between the Union and member states, even though the European Anti-Fraud Office presumably has the capacity to uncover similar problems in the context of the Hungarian uses of Union funds.

Tamás Boros is co-director and head of strategy of the Budapest-based Policy Solutions political research institute. He is also member of the Scientific Council of FEPS.

REACTION FROM AUSTRIA

15 years after the EU's sanctions

THERE WILL BE NO REDEEMING 'BIG BANG'

by Alfred Gusenbauer

The European Union's apparent reluctance to take action against what is happening in Hungary has three possible reasons. The first is the European experience in Austria in 1999/2000, an experience that some people compare to Europe getting its fingers burnt and hence trying to stay away from the fire. At the time, our European partners proclaimed "sanctions" because the conservative Volkspartei had formed a coalition with the extreme right FPÖ of the late Jörg Haider. The controversial Haider was not part of the government but he led the FPÖ and was pulling the strings. The government deftly made the sanctions look not like measures against itself but like measures against the entire country. It promptly asked Austrians to stand together and thus put extreme pressure on the Social Democrats, whose opposition work became nearly impossible.

EUROPE BURNT ITS FINGERS IN AUSTRIA

One could say that the right-wing government derived some legitimacy from the sanctions, which it had lacked before. I was the leader of the Social Democrats at the time and tried to convince our European partners that their action had an adverse effect on the opposition. I realised that we urgently needed an exit strategy and we found the solution of a committee of "wise men" under the former Finnish president Martti Ahtisaari who visited Austria and came up with recommendations that finally ended the sanctions. A second reason why Europeans don't react more strongly to the developments in Hungary is definitely the general situation of the continent, with its many internal and external problems. Starting a fight with Budapest could mean opening one more flank in times of difficulty. Thirdly, it cannot be excluded that the present conservative majority in Europe is willing to turn a blind eye on the activities of one of the EPP's member parties.

BRUSSELS COULD BORROW FROM A EUROPEAN COUNCIL PROCEDURE

Remains the question of what could or should be done in reaction to the Hungarian transgressions. I suggest learning from and using a

well-established procedure of the European Council. The Council has a monitoring process that is set into motion when member countries are suspected of breaking the rules. The procedure involves a monitoring committee that investigates inside the country, talks to the local authorities and then drafts a report with recommendations. This report is put to a vote by the Parliamentary Assembly and, if adopted, sent to the country's government with recommendations for action. If the country doesn't comply, there is a series of gradual responses that deprive the member country of participation rights. For example, Russia's deputies have been stripped of their voting rights in January because of Russia's violations of international law in the Ukraine crisis.

"THE RIGHT-WING GOVERNMENT DERIVED SOME LEGITIMACY FROM THE SANCTIONS."

THE EU IS GOING THROUGH ITS MOST DIFFICULT TIMES IN HISTORY

One must keep in mind that the European Union is going through the most difficult times of its history. In order to overcome the current problems, Europe must first and foremost tackle the economic crisis. It would be a first step in order to put an end to the movement of entire groups of the population that are distancing themselves from Europe. This is particularly obvious in Great Britain but other countries are seeing their share of anti-European movements as well. Only economic stabilisation can recreate a solid common foundation for the European unification process. It seems important to me that Europe start solving its problems one by one. There will be no redeeming "Big Bang" to make those situations go away.

Alfred Gusenbauer is an Austrian Social Democrat who was party leader from 2000 to 2008 and Austrian Chancellor in 2007 and 2008.

PARIS 2015
*A defining moment for a long-term
sustainable future*

International agreements succeed best when the political, economic and social trends of the time are already aligning towards a new paradigm, a new way of seeing the future. That is why I am confident that governments will reach an effective, new and universal climate agreement at the UN Climate Change Conference in Paris, at the end of this year.



by Christiana Figueres



“THE SOLUTIONS TO CLIMATE CHANGE OFFER **THE BIGGEST AND BEST OPPORTUNITY** TO ACHIEVE A SUSTAINABLE FUTURE.”

The past few years have seen an unprecedented shift in the way that policy makers, business and citizens view the climate challenge.

This is driven by a common insight that the economic models and power generation methods that served humanity so well in the past are hitting the limits of usefulness on a planet of seven billion people, rising to over nine billion by 2050—there is a growing sense of urgency that a transformation is required into a new, sustainable way of governing, operating and living.

This emerging vision, that is now driving a remarkable groundswell of climate action across the board and across the world, encompasses an extraordinary truth: climate change and its causes present the direst threat to a sustainable future yet the solutions to climate change offer the biggest and best opportunity to achieve it.

The very policies and incentives at the heart of effective climate action - many of them conceived and nurtured within the UN Climate Change Convention itself - also assist countries to develop more

quickly and sustainably in peace and prosperity with healthier people and environments and at far less cost.

It is no coincidence of history that governments under the UN this year will not only deliver the Paris climate change agreement but also redefine a post-2015 development agenda with a set of new Sustainable Development Goals (SDGs), as well as coming together at their Third World Conference on Disaster Reduction. These global efforts are all borne by a common need and an intertwined imperative.

When governments sign up to the words of a final Paris agreement, they will not solve climate change at a pen stroke. But the words do need to underwrite the pathways, policies and support to ensure that all countries can contribute now and in future, based on national circumstances, to prevent global warming rising above 2C degrees while assisting societies to adapt to the climate change already underway.

Climate science shows clearly that the world needs to achieve a three-part goal to successfully address climate change: peaking global emissions in the next decade, triggering a deep de-carbonization of

the global economy and achieving climate neutrality as soon as possible in the second half of the century.

Climate neutrality, also known as net-zero, is a point where ecosystems or technology must be able to absorb the balance of all remaining human emissions.

The goal of climate neutrality therefore needs to be recognized explicitly. There is no question that the world already has the money, technology and resources to achieve climate neutrality but investors, designers and innovators need this explicit policy signal to give everyone clarity on the common global destination.

Paris can be seen to have four primary, linked objectives and essential progress has already been made towards each of these.

First, Paris must conclude the new climate change agreement. Governments have already agreed their official negotiating text, covering substantive content and including mitigation, adaptation, finance, technology and capacity-building. This means remaining differences can now be cleared up and higher-level political decisions addressed in capitals.

Second, because the new agreement will come into force only in 2020, it needs to make clear progress on addressing climate change before that. There remains a large gap in global ambition to cut emissions fast enough to keep below the 2C degree rise and to meet adaptation needs.

As part of their core objective, the negotiations have addressed ways to realize immediate opportunities to reduce emissions and deliver tangible results before 2020. This has focused on concrete case studies of effective policy and technology creation and implementation, highlighting an existing and rich palette of real-world solutions to climate change.

Third, Paris can define a solid financial package to support developing countries to fulfil their own plans for sustainable, clean energy futures.

Governments agreed that at least \$100 billion a year in climate finance for developing countries should be flowing from various sources by 2020. Current global flows show an encouraging picture but we still have some way to go.

The Green Climate Fund, which will be a central channel for climate finance to developing nations, has achieved its initial capitalization goal of over 10 USD billion in contributions from governments.

Meanwhile, the UNFCCC Standing Committee on Finance delivered its first report on global climate finance, which estimated flows in 2011-2012 from \$340 billion a year to an upper end of \$650 billion. Exact amounts depend on how climate finance is defined. The figures

“GOVERNMENTS IN PARIS WILL BE WORKING AGAINST **A BACKGROUND OF THE MOST CLIMATE-FRIENDLY CONDITIONS** THE WORLD HAS YET SEEN.”

also showed however that direct public funding support to the poorest countries remains low.

Finally, Paris will be able to see a clearer picture of global climate change ambition as countries over the coming months bring forward what they will contribute to the new agreement. These Intended Nationally Determined Contributions (INDCs) will be submitted to the UN climate change secretariat, which will prepare a synthesis report on their aggregate effect by 1 November. On 27 February Switzerland became the first country to submit an INDC.

Most significantly, countries agreed that there will be no back-tracking, which means that the new level of ambition they put forward to reduce emissions should increase over time.

Since the 2009 Copenhagen climate conference, where a new climate agreement failed to materialize, the breadth and depth of the response to climate change at all levels of government, business and civil society has mushroomed. The scale of effort is not yet enough. But the realization that cutting pollution, saving energy, switching to renewable power and protecting against climate impacts are all perfectly sensible, profitable things to do has become a tenet of common sense in policy circles, boardrooms and amongst consumers.

If “the trend is your friend”, then governments in Paris will be working against a background of the most climate-friendly conditions the world has yet seen.

UN Secretary-General Ban Ki-moon’s Climate Summit, last September, was a watershed event at which political, business and civil society leaders were asked to come with commitments to advance action to cut emissions, mobilize money and markets, price carbon, and strengthen resilience to climate impacts.

An unprecedented number attended, including 100 Heads of state and government and over 800 leaders from business, finance and civil society.

One of the most important insights was that climate action by city leaders, investors and companies, when seen as a whole, is beginning to approach the kind of scale required to begin dealing effectively with climate change. For example, 40 countries, 30 cities and dozens of corporations launched a large-scale commitment to double the rate of global energy efficiency by 2030.

A new coalition of governments, business, finance, multilateral development banks and civil society leaders announced they would mobilize over \$200 billion for financing low-carbon and climate-resilient development. A coalition of institutional investors committed to decarbonize \$100 billion of their



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Inauguration of the COP20 in Lima, Peru

“WE HAVE NOT YET REACHED THE TIPPING POINT OF ADEQUATE GLOBAL CLIMATE ACTION BUT **WE HAVE REACHED A TURNING POINT** IN GLOBAL ENDEAVOR.”

portfolios by December this year and to measure and disclose the carbon footprint of at least \$500 billion in investments.

Seventy-three national Governments, 11 regional governments and more than 1,000 businesses and investors signaled their support for pricing carbon. Together, their footprint represents 52 per cent of global GDP and 54 per cent of global emissions.

We have not yet reached the tipping point of adequate global climate action but we have reached a turning point in global endeavor. It's important to note that the legal nature of the new agreement will be decided by

countries only in Paris. That is in the nature of international negotiations.

What is more important to note is that climate agreements do work well. In the past 20 years, the UN Climate Change Convention has galvanized the world to seek multilateral solutions to climate change.

The Kyoto Protocol, which came into force ten years ago, established the world's first greenhouse gas reduction treaty with binding commitments for industrialized countries. Countries with targets under the protocol have collectively exceeded their original ambition by a large margin.

Its Clean Development Mechanism launched thousands of renewable energy

initiatives in developing countries. Its forests program is helping reduce emissions. It put in place pioneering concepts, flexible options, practical solutions and procedures for accountability that we often take for granted today. And it established a whole new set of international institutions which are unlocking access by developing countries to the finance, technology and capacity building they need to respond to climate change.

Without action under the UNFCCC, the Kyoto Protocol and its various mechanisms we would not be as far forward as we are today.

I am certain that in another ten years, we will look back and say that the Paris agreement, in its time, put the world on track towards a truly sustainable, climate neutral future and assisted in charting the course to a new relationship between nations and communities and humanity's management of this wonderful world that sustains all life and hopes on Earth.



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ABOUT

Christiana Figueres is the *Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC)*.

THE RECOVERY NEEDS WAGE GROWTH

by Engelbert Stockhammer

The economies of the Euro zone are on the verge of deflation. Prices are falling because demand is weak and the European Central Bank (ECB) is rightly worried about that. Deflation means that the real debt burden increases. Thus, households and firms with lots of debt will find it harder to service their debt because their current income is falling. If firms expect falling prices in the future, it makes sense to postpone investment, which dampens today's aggregate demand. Once deflation gets hold, it may be difficult to reverse and Europe, like Japan, could be in for a decade or more of stagnation. But the fear of deflation also illustrates the futility of Europe's strategy of structural reforms and competitiveness.

Indeed, what is the orthodox remedy to Europe's crisis? Structural reforms! We are told we need a more flexible labour market, a lower minimum wage, and less job protection in order to gain competitiveness: a strategy of wage cuts. "If there is a crisis, it must have been because wages were too high! The answer to demand deficiency is foreign demand!" This is what Germany, the European Commission, and the ECB are telling the countries in crisis. This argument is absurd, its economic reasoning is flawed, and its consequences are potentially disastrous. The absurdity of this argument is the following: the prescription to increase labour market flexibility is ultimately to increase competitiveness via wage suppression. If successful, i.e. if firms pass on lower wage



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costs, this implies falling prices. In other words: deflation. So if orthodox economics were correct, deflation would be a sign of success, not a problem. We are gaining competitiveness, finally! Worrying about deflation only makes sense if ultimately the economy needs domestic demand to ignite growth. It is an admission that orthodox economics are not working.

The remedy, however, is not working well before the point where prices are falling and the lesson to be learned is a more general one. Cutting wages has complicated effects on aggregate demand. It will reduce mass income and therefore consumption expenditures of wage earners. It may increase profits, which can stimulate investment. Finally, it will increase net exports because of improved competitiveness. The question really is how big these different effects are. Consumption is the largest component of

aggregate demand and has a relatively close link to wage incomes. Investment is a small, but relatively volatile part of demand. In times of crisis, firms worry about being able to sell their products, not primarily about wage costs. Finally, the effect of wages on net exports depends on the degree of openness of the economy. A small open economy can export its way out of a crisis, while a large and relatively closed economy cannot. For the Euro area, the consumption effect is larger than the investment and net export effect. This effect is modest in size, but statistically significant. Most importantly, it goes the opposite direction from what orthodox theory would suggest. That is the case even before we enter deflation. Higher wages are good for growth in the Euro area.

A robust growth model requires solid growth of domestic demand. That is only possible if there is stable wage growth such that households can spend on consumption. Otherwise growth has to rely on foreign demand or on increasing debt. Healthy wage growth is part of the solution, not a problem.

Engelbert Stockhammer
is Professor of Economics at Kingston University, UK, and has recently edited the book "Wage-led Growth: An Equitable Strategy for Recovery."



© Tobias Koch

The 18th Bundestag is the third coalition and second grand coalition led by Angela Merkel.

TOWARDS THE END OF THE LEFT/RIGHT PARADIGM

With the rise of populisms on both sides of the political spectrum, raising new oppositions, is the traditional left/right political divide still relevant to understand contemporary European societies? Four experts from Europe and beyond answer this critical question.





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A WEARINESS WITH NO IDEOLOGICAL HOME

*The left-right paradigm is still making sense.
But the notions of what left and right means have shifted.*



by Wolfgang Merkel

Historically, left and right were defined by how they wanted to distribute wealth.

For two thirds of the 20th century this could still – in a Marxist perspective – be determined as a problem of private control of means of production. Those Marxist notions lost their significance, but the topic of wealth distribution lived on. It was handled with taxation, welfare state handouts and salaries. The neo-liberalisation of the world since the eighties then exacerbated inequalities – wealth distribution became a controversial topic again. But in times of globalisation, it's the possession of capital both financial and human that carries the edge over people with less developed professional competences. Progressive parties and governments have so far failed to develop the policies that could attract investment without promoting social inequalities.

Besides, a cultural turn occurred on the left at the end of the seventies. Socialist and Social-Democratic party programs concentrated on non-materialistic values such as women's rights and multicultural societies. Working class parties trans-

formed into middle-class parties – the political left today advocates women's equality, liberal immigration policies, non-discrimination of homosexuals, an open society and integration. The right, on the other hand, hasn't changed: it still identifies with a paternalistic order, the nation state, a leading national culture and the rejection of a multicultural society.

But neither left nor right is the cause of voters' growing scepticism towards politics and politicians. This weariness doesn't have an ideological home, it arises from the enormous discrepancy between politicians' promises and the little scope of action they have in a globalised world with deregulated markets. Democratic elections and free media reinforce that effect: to get ahead in the tough competition for votes, politicians tend to offer simple, understandable solutions they don't have the power to implement. This is true for economic problems like investment and employment but also for environmental policies or the fight against terrorism.

And a new paradigm is cutting through the old left/right division. It's a divide between communitarian/national views and cosmopolitan views. It's a division between globalisation losers and winners. The former

want to open borders further for trade and immigration, they support European integration and universal human rights. The globalisation losers fear open borders, they see the nation state as a guarantor of security, prosperity and social protection. This separates the clientele of progressive politics based on the redistribution of wealth from the advocates of a multicultural, open society. The communitarians will tend towards right-wing policies when it comes to immigration and civil rights. Social democrats until today haven't been able to address this dilemma.

ABOUT

Wolfgang Merkel heads the department "Democracy and Democratisation" at the think tank WZB in Berlin and holds the chair of Political Science at Humboldt University in Berlin. His research focuses on the evolution of political systems.



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A NEW DIVIDE

The left-right paradigm has not completely disappeared, but a new rift is emerging: the Europe-nation divide.



by Gérard Grunberg

The left-right paradigm has lost much of its relevance in France and elsewhere in Europe.

Not to say that the ideological roots of the divide between left and right—the issues of inequality, the economic role of government and, more generally, capitalism—no longer exist, but another rift has emerged and continues to widen, which I call the Europe-nation divide. This new division pits partisans of European construction, the market economy and political liberalism against their anti-European, xenophobic and anti-capitalist counterparts. A substantive divide exists in France, where there is a stark contrast between the middle class and the working class, who have rallied behind the Front National at the ballot box. This new split is orthogonal to the left-right divide, provoking rising strains at both ends of the political spectrum and stripping the left-right paradigm of its ability to form coalition governments.

As a result, the French Socialist Party can no longer govern with the communists and the radical fringe of the Greens, while the conservative UMP party has rejected any form of alliance with the Front National. Yet at the same time, a coalition government between the Socialist Party and the UMP

remains highly unlikely, at least in the foreseeable future. So the left-right divide remains intact, albeit in a weakened state. Voters on both the left and the right remain attached to this binary opposition, despite it having lost much of its ability to engage voters. The resilience of the left-right paradigm prevents an alliance between the radical left and the radical right—unlike in Greece, where such a pact was recently formed—although they have moved closer to one another on economic and social issues. Immigration and national identity policies continue to stand as a barrier between the two groups.

Thus, while the Europe-nation paradigm has continued to grow in importance in recent decades, it has yet to fully take hold as a *modus operandi* within the political system, in particular with regards to forming coalition governments. Nevertheless, the paradigm represents a growing source of tumult in the system.

The question is therefore whether the two main governing parties will be able to win future elections and lead while rejecting the new paradigm, despite the fact that large coalition governments can no longer be formed under the traditional divide. It is impossible to predict who will emerge triumphant from the 2017 legislative and presi-

dential elections, but even if the majority voting system sealed the victory for the centre-right, the victors would run into major difficulties once in power due to their refusal to accept one of the potential alliances that could be made. When attempting to enact the major reforms required, the centre-right would only be able to rely on a narrow voter base and political mandate, as do the Socialists today. The weak, divided left would be forced to decide between an extended stay in the opposition and a strategic shift in the direction of the governing right-wing party. Sometime in the future, the UMP and the Socialist Party will likely be faced with the choice of either maintaining the left-right divide at all costs or adjusting to the principles of the new Europe-nation divide, which would bring the two parties closer together. Parties in many European countries with proportional voting systems—which are more conducive to such alliances—have opted for the latter option. The Netherlands, Germany, Austria, Italy and Sweden (in some respects) have all done so; Spain and Portugal could soon follow suit. Greece, where the radical left and right have decided to govern together, has also chosen in favour of the second divide. The system governing the European Parliament itself has long been dictated by the Europe-nation dichotomy.

ABOUT

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GOOD LEFT-WING GOVERNMENTS CRAFT GOOD POLICIES!

“Statesmen are full of good intentions; they simply don’t know how to go about them.” (Montesquieu)



by Guy Lachapelle

The left-right axis remains crucial to a proper understanding of the evolution of modern-day society because it allows us to distinguish governments that favour collective development from those that believe in the power of market rules to reduce social inequality.

Over the years, however, the technocratic/bureaucratic state has given way to the “negotiator-state”, in constant arbitration between different social groups. A number of governments have allowed themselves to simply go with the flow without really thinking about how to improve the lives of citizens or curb inequality.

Any exploration of the concept of governance in today’s world involves asking whether there is a difference between the policies of left and right. This kind of debate is vital in refocusing the message of the left and gives rise to the key question of how the left should govern if it is to do so successfully. The art of government, especially on the left, lies in seeking to re-establish the state and government administration as

one of our core concerns to ensure that all citizens can expect to see their governments serve the common interest.

GOOD GOVERNANCE

Good governance now hinges on the idea of restoring the badge of honour once worn by the state and civil servants, and making them a cornerstone of planned reforms.

Over the past few years, we have become nothing more than “customers” of the managerial state. As a result, the very idea of New Public Management has not only undermined the relationship between state and citizen but has also introduced tunnel-vision criteria targeting effectiveness and efficiency that often fall wide of the mark when it comes to improving services and quality of life for citizens.

SUCCESSFUL LEFT-WING GOVERNMENT IN THE EARLY 21ST CENTURY

All of these questions are simply a reflection of the growing democratic deficit between governments and citizens.

Unable to straighten out public finances or to offer innovative, consensual policies

and adapt to new changes in society, the modern state once again finds itself in search of social democratic parties able to chart a safe course for citizens through the troubled waters of globalisation.

The left is increasingly in need of needs good governments able to craft good policies! The problem is that, in many respects, politicians no longer know how to go about the task and are often find themselves dragged into debates that do nothing but divide the population. The thrust of the matter is that the left must re-establish the state as its core concept in order to better manage change and put forward effective policies.

ABOUT

Guy Lachapelle is a professor at the Department of Political Science at Concordia University in Montreal, Canada. He is also secretary general of the International Political Science Association (IPSA).



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HOMEWORK TIME FOR EUROPEAN DEMOCRACIES

Despite attacks from populists who present a political landscape of “people” at the bottom and the “elite” at the top, the Left/Right paradigm remains valid for fundamental issues. But new lines have to be drawn.



by José Ignacio Torreblanca

The left-right dichotomy still holds true for important issues like freedom. The

question of economic and political freedom is

at the core of the decision between left and right. What degree of economic freedom should be given to people and to the market? What is the role of the state? How much do you go for growth and thereby tolerate inequalities? Pre-distribute or re-distribute? These fundamental questions about the state and the market are still valid. The same goes for moral issues like same-sex-marriages, abortion, divorce, biotechnology, most of which come down to the question of individual freedom - here you may not have left and right in a traditional sense but you have a very strong divide between conservative and liberal.

THE “PEOPLE VERSUS ELITE” PARADIGM

So there is still enough variety to structure politics around left and right dimensions, even if the populists are trying to get rid of this. Populism in Spain and France, for example, are very different but they have one thing in common: they want to get rid

of the left/right classification and picture politics as a confrontation between the elite and the people. That is, to replace a horizontal axis of competition with a vertical axis of competition.

DEMOCRACIES HAVEN'T BEEN DOING THEIR HOMEWORK

If their strategy seems to work it is because democracies haven't been doing their homework for 20 years. Once communism had disappeared, democracies acted as though they didn't have anything to do but to sit back and enjoy themselves. As though they needn't reflect on the relations between the state and the market, economy and society, anymore. They took their citizens for granted and didn't pay attention to rising inequalities. This coincided with a new wave of globalisation that considerably diminished the states' capacity to redistribute. Put the financial crisis into the mix and you see people revolting against too much insecurity in their lives: job insecurity, identity insecurity, uncertainty about the future. It is worth to be noted that the crisis didn't create those problems, most of them existed well before. But the crisis aggravated those problems.

EXPLOITING THE WEAKNESSES OF EACH COUNTRY

The most obvious political consequence of this process is a shrinking centre in all European countries. Threats may be coming from the left or the right, from populist or secessionist movements like Catalonia in Spain. In each case the movements operate on the base of existing weaknesses in that particular country.

In this landscape, Social Democrats face a fundamental dilemma: their political space has shrunk and they have to make hard choices. If they move to the centre they lose their identity and they are punished. But if they move left and stay loyal to their principles – that may be beautiful and make everybody feel good about it, but they cannot win elections that way. Conservative parties, by the way, face similar problems. Parties have to reinvent themselves and draw new lines.

ABOUT

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FREE-TRADE AGREEMENTS

Yes, but not at all costs!

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FREE-TRADE AGREEMENTS

Yes, but not at all costs!

We, the German Social Democrats, support the TTIP under the condition that it honours progressive standards of social justice, ecological responsibility, and rule of law.



by Sigmar Gabriel

A transatlantic trade agreement can open up the chance for the two greatest trading areas worldwide, Europe and the USA, to grow together and set global standards for trade.

The normative power of a Transatlantic Trade and Investment Partnership (TTIP) can provide the leverage necessary to shape globalization.

However, many European citizens as well as some of our associated unions and organizations express strong criticism of the Transatlantic Trade and Investment Partnership. They are angry about the lack of transparency of the negotiations and fear that the trade agreement jeopardises tried and tested European standards. During our latest party convention, the SPD decided that we generally welcome the transatlantic free trade agreements with the USA and with Canada (CETA) – but not at all cost. The SPD considers it important that negotiations are held transparently and remain comprehensible for all European citizens. Furthermore, the trade agreements must not compromise social, ecological, and cultural standards. The contractors of the agreement should respect and implement existing international agreements and norms concerning environmental, labour, and consumer protection. Further progress of these norms must be possible.

Lastly, my conviction is that if we want to shape the free trade agreements successfully, we

must draw the right conclusions from justified criticism of the investor protection regulations, both with regard to TTIP and CETA. I am glad that among the competent Social Democratic Ministers of France, Sweden, the Netherlands, Luxembourg, Denmark and Germany, we were able to formulate common positions on how investor protection and investor-state dispute settlement regulations can be substantially improved and modernized. We call for a new approach to the enforcement of the right to regulate and investment protection. First and foremost, states should be able to maintain their full capacity to regulate. An investor cannot expect that laws remain unchanged. Nothing should deter parliaments from implementing legitimate public policies. We support the creation of a new mechanism of investment protection with a permanent secretariat. This new mechanism could take the shape of a Trade and Investment Court. We also support the introduction of an appeal mechanism, which has the potential to rectify some of the legitimate concerns that arbitral tribunals are facing. Besides, the choice of arbitrators should be limited to fixed pools of highly qualified arbitrators, appointed by the EU, EU Member States and the respective partner states. We strongly encourage the European Commission to use the time ahead to engage with other partners in order to introduce these new principles and thereby set a

new standard for investment protection in international trade. Globalisation needs rules. Today, the USA and Europe are still the largest trading areas globally. But one does not have to be a prophet to know that we will not keep this position forever. In the future, in particular the Asian-Pacific region will gain weight in international trade relations. We have to make a choice: either we, Europeans, succeed in defining the political, social, cultural, and ecological standards in world trade or we will be forced to conform to the standards of others. Of course, real solutions require a long-term view. The history of the SPD has shown that courage, confidence, and optimism are indispensable for that. This is what is at stake again today.



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ABOUT

***Sigmar Gabriel** is Vice Chancellor of Germany and Federal Minister for Economic Affairs and Energy. In 2009 he was elected Chairman of the SPD.*

SPELLING OUT THE TRUTH OR CASTING A SPELL?

Framing a progressive strategy for the TTIP

by Ania Skrzypek

S

ince the launch of the negotiations 19 months ago, the Transatlantic Trade and Investment Partnership Agreement

(TTIP) has become the most debated European issue.

The European Commission has proclaimed the talks to be an exigent exercise, of which successful conclusion could open a new chapter of European prosperity. In parallel, the European civil society and consequently public services have argued that there is no reason for such optimism. They fear that “Brussels” is trying to bewitch them with yet another spell—which inevitably will backfire, bringing ruin to an already beleaguered European Social Model. These two opposite trajectories crossed paths during the campaign preceding the last European elections. The ‘top candidates’ in particular were confronted at public rallies with “No TTIP” placards. Depending on their political affiliation, the candidates would respond in various ways, ranging from “we will draw a red line on what TTIP mustn’t be about” to “we need to define our own ambition for what TTIP must be”. This semantically flavoured dispute has continued beyond the May 2014 vote; it recently surfaced at

the January 2015 hearings of the European Parliament’s Committee on International Trade. Pressure to define a more tangible strategy has been growing since the European Summit demanded that the negotiations wind up at the end of this year. At the same time, the mobilisation within the “public sphere” has continued, giving further impetus to actions such as the launch of the Citizens’ Initiative against TTIP. This existing dichotomy presents a great challenge on many different levels. And the progressive family in particular cannot afford to either ignore or run away from it.

A LACK OF TRANSPARENCY

First of all, the extent to which not only organised civil society but also voters (usually slightly condescendingly referred to as “ordinary” citizens) rally should not be construed as a simple expression of opposition to the potential Agreement. Although the European Commission recently disclosed some of the negotiating documents, de facto no outside parties have seen the full dossier. This means that many arguments brought into the debate so far derive from speculation. European progressives should react more strongly to the situation. In fact, they should make it their primary concern to warn that the negotiations

are not being carried out in a transparent, democratic manner. Having regained more of a say, particularly in the European Council, they should demand an exhaustive review of the mandate given to the European Commission. In this regard, the last summit was perhaps not ambitious enough; it focused on delivery deadline instead of redefining the character of the negotiations.

FROM ANXIETY TO PROTESTS

Secondly, this anxiety stems from the suspicion that any move to facilitate trade will translate by default into market deregulation. This is why there is so much fear that even if TTIP helped the recovery by boosting growth, it could potentially result in jobless growth or economic expansion achieved at the expense of further decline in different sectors. It could gravely affect employment rates and put further pressure on public services. Taking into account that the latter have already suffered as a result of the infamous Bolkenstein Directive and later the austerity measures applied after the crisis, it is not surprising that the expectation of their further retrenchment provokes forceful protests. The assessment that the worst is yet to come in this area hits the progressives most painfully, as it addresses matters of welfare, which are

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European Commissioner for Trade Cecilia Malmström during the February 2015 INTA hearing.

“EUROPEAN PROGRESSIVES SHOULD MAKE IT **THEIR PRIMARY CONCERN** TO WARN THAT THE NEGOTIATIONS ARE NOT BEING CARRIED OUT IN A TRANSPARENT, DEMOCRATIC MANNER.”

considered to form part of their core political competence. Therefore they must act immediately. In order to do so, they need a more reliable socio-economic assessment model, which would allow them to examine potential risks more effectively. By following such a model, they would be able to examine the risks and benefits, adjust their red lines accordingly and seek accompanying policies to cushion any eventual negative effects. Hence it is very important that for progressives, TTIP ceases to be a singular, individual issue and starts being considered in the context of the overall agenda for sustainable growth, quality jobs and the re-launch of the welfare state. Strategically, they can no longer afford for the debate to become fragmented, which has already allowed the conservatives to “run off” politically with the success of the so-called “Investment Plan” without that recent “beacon of hope” being at all linked with the prospective TTIP.

EMOTIONS SHOULD NOT OVERSHADOW THE REAL STAKES

Thirdly, TTIP has been viewed as a threat or opportunity “now and here” due to its predominantly polarising character. As such, the focus has remained on its most tangible aspects, frequently ending up in a grotesque portrayal

of TTIP representing a giant danger for Europe in the form of a ‘chlorinated chicken’ invasion. These emotionally charged debates overshadow the real questions that TTIP poses for Europe. Even if they may not be resolved at this point, their emergence requires political answers and the progressives should use this as inspiration without any further delay. The fact that the US views TTIP as the opposite side of the same coin as the Trans-Pacific Partnership (TPP) should serve as a hint to regard the negotiations as a potential framework for a new, post-crisis global deal. Within such an agreement, Europe and its declining economy might not have the same defining role it used to play—but may need to strive for it. This means that its own legacy and the values of the European Social Model may be put to a test. Consequently, as a traditionally internationalist movement, progressives should be getting ready to propose solid solutions to the emerging issues. For instance: If Investor-State Dispute Settlement (ISDS) is not the answer, then how can the balance of power be restored and global financial capital regulated? Without provisions on data protection now, how will it be possible to frame the technological revolution and next wave of digitalisation? How can we guarantee commitments to sustainable development and

environmental protection in the future, if not with binding targets put in place now?

To conclude, the potential threat regarding TTIP may not be at all where it is commonly seen—namely in the actual text of the agreement. This is a momentary political fiction. The true danger seems rather to lie in how the negotiations are being conducted, in terms of both their focus and objective. This is what induces the split between “untrustworthy Brussels” and “unsettled public opinion”. Although much time has passed already, the progressives still stand a chance to reverse the tide, using their position within the European and national authorities to provide an alternative path, to set the rules and goals differently. Boldness, unity and aspiration to pave the way forward should be the watchwords for efforts to end the speculation-fuelled debate, and instead shape a new conversation based on the real political goals to be achieved.

Ania Skrzypek is Senior Research Fellow at the Foundation for European Progressive Studies (FEPS).

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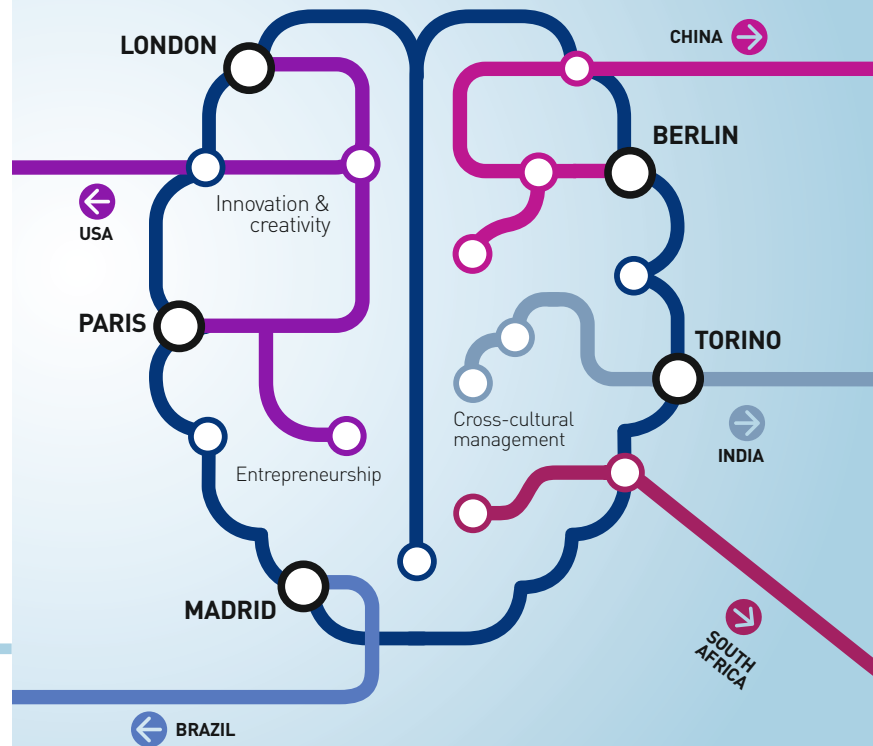
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YOU'LL GO PLACES



THE NUMBERS ARE IN

The debate on the economic effects of TTIP has largely been influenced by four studies, mostly commissioned by the European Commission. These studies are from Ecorys (2009), CEPR (2013), CEPII (2013), and Bertelsmann/Ifo (2013).

Then, two studies, one from the Austrian Foundation for Development Research (ÖFSE – 2014) and the other from the European Trade Union Institute (ETUI – 2015), have compared these results, underlining the “limited economic gains, but considerable downside risks” of the treaty. Here are some of the most surprising figures from these four studies.



1 GDP & WAGES: TOWARDS VERY LIMITED GAINS

GDP & REAL WAGES
IN THE EU

+ 0.3% TO + 1.3%  **+ 0.03% TO + 0.13%**
over a period of 10 to 20 years per year

DISPOSABLE
INCOME

+ € 545 per year



for a family of four Europeans



+ € 2.61 per week



per European



1 cup of coffee



per week

2 UNEMPLOYMENT: A HARD BLOW FOR EUROPEAN BUDGETS

UNEMPLOYMENT IN THE EU



UP TO **1.3 million**
JOB LOSSES
over 10 years

JOB DISPLACEMENT IN THE EU



+ **0.4** TO + **1.1 million**
DISPLACED WORKERS
over 10 years

PUBLIC INCOME FROM TAXES
AND SOCIAL CONTRIBUTIONS IN THE EU



- **€4** TO - **€10 billion**
over 10 years



COSTS FOR UNEMPLOYMENT BENEFITS
IN THE EU



+ **€5** TO + **€15 billion**
over 10 years

3 TRADE: TOWARDS GREATER DISPARITIES

EU Exports



+ **5%** TO + **10%**
over a period of 10 to 20 years

Intra-EU trade



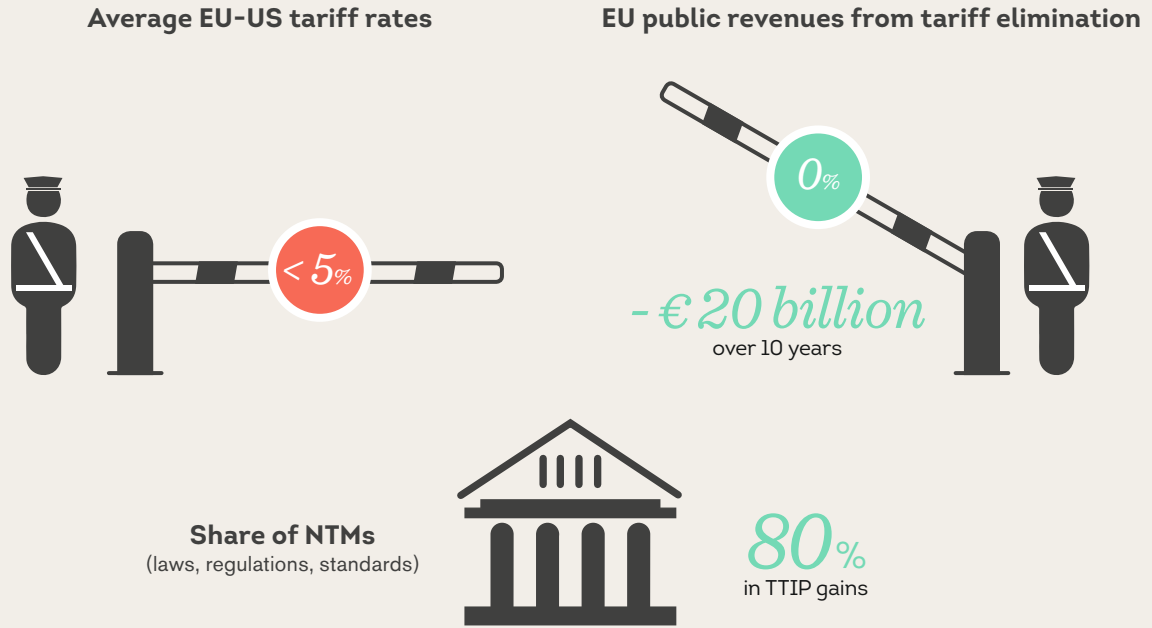
- **30%**

Real GDP
for least developed countries

UP TO - **3%**

Latin America: -2.8%
Sub-Saharan Africa: -2.1%
Low Income Countries: -1.4%

4 TARIFFS & NON-TARIFF MEASURES (NTMS): WHERE THE RISK LIES



Examples of sensitive sectors impacted by NTMs reduction or alignment

- Foods & Beverages
- Chemicals
- Pharmaceuticals
- Cosmetics
- Automotives

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TTIP: NO ENGINE FOR GROWTH AND JOBS

by Florian Moritz,

Head of the DGB's European and International Policy Division

The European Commission claims that a comprehensive Free Trade Agreement with the USA, namely the TTIP, will bring huge economic advantages: “By removing barriers to trade, it will provide a boost to economic growth, create jobs and lower prices.”⁽¹⁾

Several economic studies are cited by politicians and interest groups to prove those positive effects. However, a closer look at these studies shows that broad welfare gains remain wishful thinking.⁽²⁾ The actual macroeconomic figures predicted are not big at all, despite the optimistic assumptions. In addition, possible negative effects of TTIP are mostly ignored.

The “official” study European negotiators usually refer to was carried out by the CEPR⁽³⁾ and commissioned by the EU. The Study comes to the conclusion that a comprehensive TTIP could in the best case increase the overall real gross domestic product (GDP) of the EU by 0.48 per cent until 2027. This means that the additional GDP growth per year will not be higher than 0.5%, which is very close to nothing. Other frequently cited studies are the ones by the German IFO Institute, commissioned by the German Ministry of Economics (BMW⁽⁴⁾), and by the Bertelsmann Foundation.⁽⁵⁾ Both studies predict much higher welfare effects.

Nevertheless, if one takes into account sinking prices due to trade liberalization, real growth effects fall to 1.7% of EU GDP or even lower in the long term, as critics suggest⁽⁶⁾. This means that in the IFO-model also, the yearly “extra growth” due to TTIP sums up to 0,1%. And even these calculations are based on the assumption of very optimistic effects of TTIP on trade growth. While CEPR assumes no changes in employment, the BMW⁽⁴⁾ study predicts little more than 25,000 new jobs in Germany in the long term due to a comprehensive TTIP. That's less than 1,700 extra jobs per year for the entire German economy. The Bertelsmann study finds higher growth

effects – apparently because it ignores that reallocation takes place. While some companies gain from TTIP, jobs in other firms are lost. This leads to the general problem of most studies: the possible negative effects of free trade agreements are ignored. The International Labour Organisation (ILO) has pointed out several of such possible problems on the basis of empirical evidence.⁽⁷⁾ For example, inequality may rise and negative “adjustment effects” on the labour market don't need to be only temporary, as mainstream economic studies suggest: Indeed long-term job losses are possible. Instead of misleading talks about a “boost” in growth and job creation, the EU Commission should take a closer look at those possible negative impacts of Free Trade Agreements and find solutions. Europe needs fair trade that provides greater prosperity for a broader segment of the population and supports the improvement of economic, social and environmental standards. In this respect, the current TTIP negotiations are still not heading in the right direction.

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SAILING ON TROUBLED WATERS

*Hailed as a new free-trade area of unprecedented scale, able to bring back growth to two economics in poor shape, the TTIP may not exactly be the miracle many have been hoping for. **Jeronim Capaldo** and **Pierre Defraigne** provide their views on the treaty from both sides of the Atlantic.*





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EUROPEAN DISINTEGRATION, UNEMPLOYMENT AND INSTABILITY

The European Union and the United States are currently negotiating the Trans-Atlantic Trade and Investment Partnership (TTIP), a major trade agreement intended to further integrate their economies. Yet, is it the right strategy for bringing back growth to Europe?



by Jeronim Capaldo



As is common for trade agreements, TTIP negotiations have been accompanied by a series of econometric

studies contemplating net economic gains for all countries involved. In the EU, advocates have pointed to several studies mostly predicting small benefits in terms of GDP (less than 1 percent after fifteen years) and per capita income (545 per household, after more than a decade, in an often cited case). These studies also forecast a gradual substitution of intra-EU trade with Trans-Atlantic trade leading the European Commission, one of the TTIP's main advocates, into a paradox: although its mandate focuses on pursuing closer economic integration among member states its trade policy would favor economic disintegration in the EU. The TTIP might also lead to other serious consequences for the EU and its members. As critical reviews have shown, the main studies of TTIP resort to economic models based on two assumptions that are hard to justify in today's context. The first is that

harmonizing regulations necessarily leads to gainful trade expansion. In fact, stronger competition with the US might lead to a lower trade balance for the EU, even if the total volume of trade increases. The second assumption is that no change in trade can possibly affect employment because, if any sector loses to international competition, wages and social protection benefits can be cut enough to keep every worker employed. Clearly, this does not reflect the reality of the EU where many countries have been struggling with persistently high unemployment while social protection systems have contained the fall of economic activity and avoided widespread social disaster.

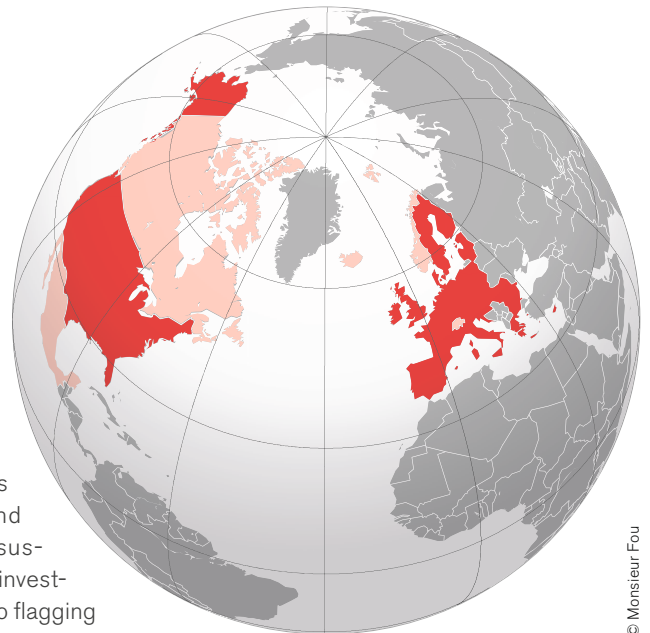
To see how the projected benefits of the TTIP change when both assumptions are dropped, we conducted an alternative assessment using the United Nations Global Policy Model (GPM), which is based on a more plausible view of potential trade expansion and economic adjustment. The GPM assumes that a fall of demand leads to higher unemployment as businesses deal with lower sales by dismissing workers.

Our results (see table 1) differ dramati-

cally from those of previous assessments. For Europe we find that:

- The TTIP would lead to losses in terms of net exports after a decade, compared to the baseline "no-TTIP" scenario. Northern European Economies would suffer the largest losses (2.07% of GDP) followed by France (1.9%), Germany (1.14%) and United Kingdom (0.95%).
- The treaty would lead to net losses in terms of GDP. Consistently with figures for net exports, Northern European Economies would suffer the largest GDP reduction (-0.50%) followed by France (-0.48%) and Germany (-0.29%).
- It would also lead to a loss of labor income. France would be the worst hit with a loss of 5,500 euros per worker, followed by Northern European Countries (-4,800 euros per worker), United Kingdom (-4,200 euros per worker) and Germany (-3,400 euros per worker).
- The TTIP would lead to job losses. We calculate that approximately 600,000 jobs would be lost in the EU. Northern

“THE MAIN ASSESSMENTS OF THE TTIP DO NOT OFFER A SUITABLE BASIS FOR TRADE POLICY.”



© Monsieur Fou

TTIP countries (dark red) plus NAFTA and EFTA countries (light red).

European countries would be the most affected (-223,000 jobs), followed by Germany (-134,000 jobs), France (-130,000 jobs) and Southern European countries (-90,000).

- It would lead to a reduction of the labor share of GDP reinforcing a trend that has contributed to the current stagnation (Figure 1). The flipside of this decrease is an increase in the share of profits and rents in total income, indicating that proportionally there would be a transfer of income from labor to capital. The largest transfers will take place in the UK (up to 7% of GDP transferred from labor to profit income), France (8%), Germany and Northern Europe (4%).
- The TTIP would lead to a loss of government revenue. The surplus of indirect taxes (such as sales taxes or value-added taxes) over subsidies will decrease in all EU countries, with France suffering the largest loss (0.64% of GDP). Government deficits would also increase as a percentage of GDP in every EU country, pushing public finances closer or beyond the Maastricht limits.
- This treaty would lead to higher financial instability and accumulation of imbalances. With export revenues, wage

shares and government revenues decreasing, demand would have to be sustained by profits and investment. However, due to flagging consumption growth, profits cannot be expected to come from growing sales. A more realistic assumption is that profits and investment (mostly in financial assets) will be sustained by growing asset prices. The potential for macroeconomic instability of this growth strategy is well known.

Our projections point to bleak prospects for EU policymakers. Facing a higher vulnerability to any crises coming from the US and unable to coordinate a fiscal expansion, they would be left with few options to stimulate the economy: favoring an increase of private lending, with the risk of fueling financial imbalances, seeking competitive devaluations or a combination of the two.

We draw two general conclusions. First, as suggested in recent literature, the main assessments of the TTIP do not offer a suitable basis for trade policy. Indeed, when a more realistic model is used, results change dramatically. Second, seeking a higher trade volume is not a sustain-

able growth strategy for the EU. In the current context of austerity, high unemployment and low growth, increasing the pressure on labor incomes would further harm economic activity. Our results suggest that any viable strategy to rekindle economic growth in Europe would have to build on a strong policy effort in support of labor incomes. This includes strengthening social protection systems and their ability to stabilize aggregate demand.

ABOUT

Jerolim Capaldo is a Research Fellow at the Global Development and Environment Institute (GDAE) at Tufts University.

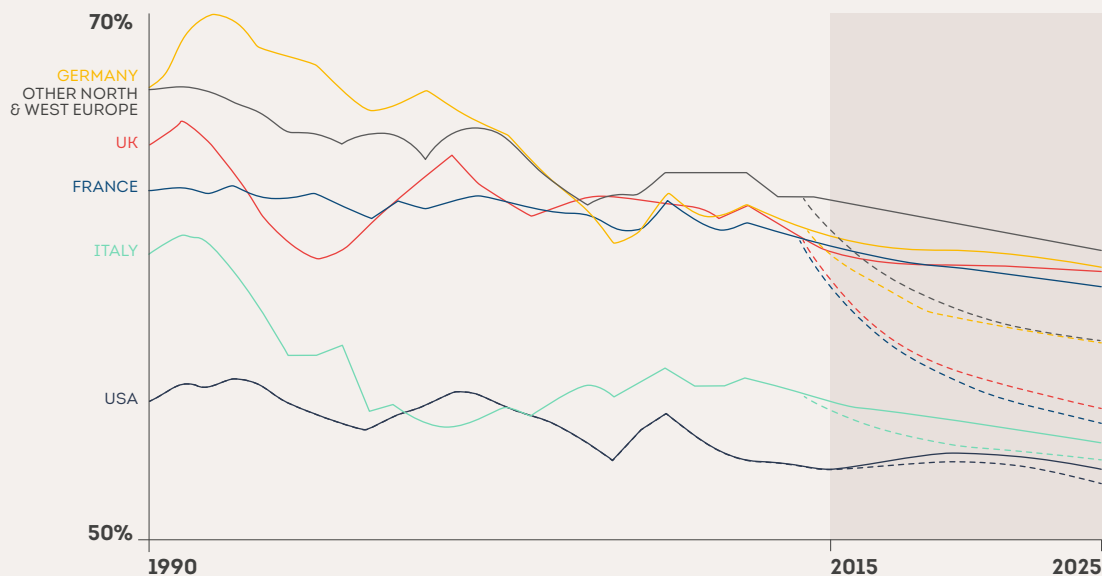
TTIP'S LONG-TERM EFFECTS

	NET EXPORTS	GDP GROWTH	EMPLOYMENT	EMPL. INCOME	NET TAXES	DEPEND. RATIO
UNITS	% GDP	Diff between %	Units	EUR/employee	% GDP	Diff between %
US	1.02	0.36	784,000	699	0.00	-0.97
UNITED KINGDOM	-0.95	-0.07	-3,000	-4245	-0.39	0.01
GERMANY	-1.14	-0.29	-134,000	-3402	-0.28	0.75
FRANCE	-1.90	-0.48	-130,000	-5518	-0.64	1.31
ITALY	-0.36	-0.03	-3,000	-661	0.00	0.02
OTHER NORTHERN EUROPE	-2.07	-0.50	-223,000	-4848	-0.34	1.33
OTHER SOUTHERN EUROPE	-0.70	-0.21	-90,000	-165	-0.01	0.33
EU TOTAL			-583,000			

(Own calculations based on United Nations Global Policy Model. Figures are simulated gains and losses for 2025. Net Taxes are indirect taxes minus subsidies. Dependency Ratio is defined as ratio of total population to employed population.)

INCOME FROM EMPLOYMENT AS % OF GDP

— Baseline - - - TTIP scenario





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A DANGEROUS DISTRACTION FOR EUROPE

TTIP is not just another free-trade area for the EU. It is much, much more.



by Pierre Defraigne

The chief protagonists in the Transatlantic Trade and Investment Partnership (TTIP) are optimistic about what the pact sets out to achieve. Former EU Trade Commissioner Karel De Gucht sees it as a “transatlantic internal market”; Hillary Clinton, then US Secretary of State, has called it an “economic NATO”; and Anders Fogh Rasmussen, NATO Secretary General, hails it as “an integrated transatlantic community”.

On the pretext of generating growth and jobs (with a fair degree of uncertainty), TTIP targets three objectives: anchoring the European and US economies in a stronger dollar zone, aligning the European model with its supposedly superior US counterpart, and forcing China’s hand with respect to regulatory convergence while impacting its growth.

These three objectives are an obvious upshot of the alpha interest groups involved in drawing up and pushing through the project. First, US multinationals on both sides of the Atlantic are manoeuvring with TTIP in mind and have a good deal more lobbying clout than their German, Nordic and Dutch counterparts involved in the process. These multinationals have a lot to gain in the oli-

gopolistic markets they dominate—including digital technology, telecoms, energy, defence and financial services—and in which Europe has yet to achieve unity. In pushing for convergence between standards and regulations, they are counting on not only economies of scale (which would benefit consumers on the one hand and their investors on the other) but also on a more advantageous balance of power in their dealings with European trade unions forced to compete in an integrated area.

Second, those in the establishment who yield to neoliberal dogmatism seek a radical change of model: they deem the welfare state too costly, public services obsolete and Keynesian macroeconomic policy outdated. Thus far, they have succeeded in nipping any serious attempt at European industrial policy in the bud. Yet it is a thinly veiled secret that differences in energy policies—unified in the US and contradictory in Europe—are bound to seriously skew

competition and generate climate-related strain between Europe and America. And can we reasonably expect two international currencies to cohabit in a single market indefinitely? In adopting the euro, Europe asserted the need for a single currency in a single market. This transatlantic pact does not do away with the euro but instead brings it to heel against the dollar, the exchange rate for which will anchor the Atlantic monetary system. TTIP is set to steer Europe into the American monetary fold, shuffled into the deck of US strategic capability, on which Europe relies for its security.

Meanwhile, NATO sees TTIP from a broader geopolitical standpoint, swayed by the neoconservatives in Washington. Their grand scheme involves containing China’s growing strategic influence and hampering its headway by impacting the country’s scope for economic growth. The resulting “pincer movement” containment strategy would see China flanked by the

“CAN WE REASONABLY EXPECT TWO INTERNATIONAL CURRENCIES TO COHABIT IN A SINGLE MARKET INDEFINITELY?”

“TRADE POLICY HAS A TOO NARROW INSTITUTIONAL AND LEGAL BASE ON WHICH TO BUILD A TRANSATLANTIC INTERNAL MARKET.”

Trans-Pacific Partnership (TPP) on the one side and TTIP (excluding China) on the other to curb its internal growth before it becomes a global superpower backed by a blue-water navy able to vie with the US fleet. Any similarity with the late-19th century rivalry between Germany and England may be taken as pure coincidence.

WHY CHALLENGE TTIP?

First, the expected growth will be negligible but it will widen gaps between the Eurozone economies. It will also be inequitable: jobs will suffer as a result of massive mergers and acquisitions in the high-tech and high-growth sectors dominated by US firms, in which the EU has yet to present a united front and continues to lag behind.

Second, there will be a lack of symmetry in negotiations between a united America and an EU comprising 28 member states divided over currencies (eight in all), energy, digital technology, financial services and arms industries. Agricultural talks will be significantly hampered by arbitration involving the

protection of European geographical labels and standards and US competition with regard to major speculation.

Third, the idea of building an integrated area with convergent standards and regulations through inherently secret trade negotiations leading to rejection or ratification without any possibility of amendment is absurd: trade policy has a too narrow institutional and legal base on which to build a transatlantic internal market.

Fourth, the collective preferences of America and Europe differ too greatly on key issues to lead to any firm, joint standards on the environment, workers' rights, health-care, regulation of public services and investor-state dispute settlements (ISDS). The US economy may be innovative and dynamic, but its society is too violent and lacking in egalitarian values to serve as a model for Europe.

Fifth, TTIP marks a departure from Europe's multilateral tradition on trade while margin-

alising and destabilising the WTO.

Lastly, TTIP causes fragmentation in the global economy, compounded by the formation of trade blocks and rival currencies. A threat to world peace!

AN ALTERNATIVE TO TTIP?

TTIP is a huge distraction from any real European agenda on growth and government, which should initially focus on strengthening the Eurozone. Pooling and restructuring debt would have a much greater impact than TTIP. Policy should also involve plurilateral regulatory convergence including China and the other BRIC nations with a view to subsequently strengthening the multilateral nature of global governance. Lastly, Europe should seek political unity through a joint defence that would make it possible to replace parity-based Atlanticism with dependence-based Atlanticism, preserving the unique nature of different social models. TTIP forces Europe to face an existential choice between ambition and renunciation.



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1904 cartoon showing an oil corporation threatening various branches of the US government.

ABOUT

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TTIP: A NEW INITIATIVE
*that should raise the bar in aligning
consumer protection*

Europe and the United States have everything to gain from TTIP as the initiative aims to further open up transatlantic trade. Yet there is still a need to reach agreement over what that openness means in today's climate.



by Pascal Lamy



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“THE PREVIOUS MODEL WAS ROOTED IN PROTECTION; THE NEW MODEL CONCERNS PRECAUTION.”

The erstwhile model for opening up trade involved cutting back on measures designed to protect producers against foreign competition, mainly through customs duties and the use of subsidies. This has been the way of things since the first agreements between the kings of Crete and the pharaohs of Egypt, right up until present today. Nowadays, however, such protectionist measures no longer pose any real barrier between Europe and the United States, with average customs duties in the region of 1-3%. Opening up trade has become a different ball game: a new exercise that consists in targeting other types of barrier, mainly standards and regulations, which are generally designed to protect both producers and consumers against risks. The previous model was rooted in protection; the new model concerns precaution: 20% of transatlantic negotiations focus on traditional barriers while 80% target regulations dictated by the precautionary principle across a raft of fields including food safety, toys, cars, banking, insurance and financial products. These rules are usually enacted by regulators who operate differently in Europe and the United States. In the past, the focus was on tackling the measures themselves with a clear goal in mind: doing away with customs duties. In today's world, the focus is no longer on eliminating measures that now protect consumers since nobody wants to curb these precautionary provisions; instead, the aim is to reduce the differences between such measures with a geopolitical and geoeconomic goal in mind, since it is in Europe and the United States that this level of protection is the highest, which means that, if an agreement is reached, these standards will in most cases become global norms. Consequently, European and American producers bound by these regulations will benefit from significant comparative advantages once their competitors are no longer in a position to establish other rules.

ALIGNING PRECAUTIONARY MEASURES

These “negotiations” (a term I dislike for reasons I will explain later) provide a forum for debate on two fronts. The first involves setting the target I have just mentioned—a process that has been botched on both sides of the Atlantic. The European Commission has talked about a conventional free-trade agreement but has failed to clarify the real issues at stake. Precaution and protection are two different things, and by neglecting to explain the fundamental difference between the two, the Commission has led people to believe we would be reducing precautionary measures as we did with customs duties. As a result, there has been an understandable backlash in public opinion at the prospect of such a risk. In the past, producers were opposed to opening up trade in this fashion because of the ensuing increase in competition, while consumers were all for it. That situation has now been turned on its head: producers favour the move because it will give them a larger market and economies of scale through the introduction of common standards, while consumers quite naturally voice concerns

Key Points

- 80% of negotiations relate to regulations dictated by the precautionary principle.
- It is absurd to suggest that negotiations can be finalized in two years.
- If this is a mixed agreement, it will require to be ratified unanimously by the Twenty-Eight.

“WE SHOULD PLAN TO INTRODUCE TTIP GRADUALLY, AS WE DID WITH THE EUROPEAN INTERNAL MARKET, WHILE ACKNOWLEDGING THAT, **IN SOME AREAS, THERE IS NO REAL NEED FOR SUCH ALIGNMENT.**”

since they fear the process of opening up trade will reduce the level of protection they have so far been assured. Yet the goal of this new partnership is not to cut back on safeguards: it is to align them, in most cases raising the bar (as in the automotive industry, where something as simple as standardising the colour of indicators could significantly reduce production costs) since any step backwards would be politically unacceptable. The second problem with regard to precautions stems from the need to distinguish technical choices, free of ideological implications, from political decisions, involving values and culture. The crux of the negotiations lies in separating one from the other, especially over time.

To compound matters, the Commission has committed two more serious errors in communication. First, it allowed people to assume that these negotiations could be wrapped up in the space of two years, which is ludicrous considering that the European internal market took nearly ten years to put in place and that, 30 years later, there is still a long way to go in terms of services, for example. Second, the Commission failed to make its negotiating mandate public even though, in any precautionary approach, transparency is the only prophylactic for fear and anxiety.

THE COMMISSION'S THREE ERRORS IN COMMUNICATION

Some aspects of the talks have the potential to move along swiftly within the framework of this alignment process. Examples include a whole array of technical issues in areas such as the safety of automotive equipment, which will focus on adopting the most stringent standards possible based on the weight, size and speed of the vehicle. At the other end of the spectrum are issues for which the level of precaution and the method of implementation are determined by cultural or even philosophical reasons. These are extremely sensitive areas since they are not ideologically neutral. They involve management of risks related to a set of

values. With regard to GMOs, for instance, the difference in the contrasting approaches of the United States and Europe is not rooted in technical arguments, since American and European scientists subscribe to much the same views on the matter. Instead, the difference comes from the perceived impact on the public interest and the decision to apply (or not to apply) the precautionary principle—a principle invented in the United States. The same goes for regulations on banking, insurance and the protection of personal data, all of which are highly sensitive areas from a political standpoint.

Pragmatism seems the best approach, starting with the easiest of tasks, namely sectors that have no real ideological overtones. What comes next will depend on the issues at hand: opening up public services, for instance, is a sensitive area that harks back



Assistant U.S. Trade Representative Dan Mullaney (left) and Director in DG Trade of the European Commission Ignacio Garcia Bercero

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to the old model. Here, the aim is to determine the level of protection and the extent to which this impacts on society. This is an old debate and one that has kept the WTO and Europe busy for the past 30 years. Europe has said yes on telecoms, energy and transport infrastructure but no on other issues such as education, culture and healthcare. In each case, it is important to remember that these issues all fall within a political arena that is understandably highly sensitive. The goal is to ensure that convergence—which makes sense in terms of creating economies of scale while generating growth and jobs—can only come about if it involves raising the bar, introducing the highest possible level of precaution.

DISCUSSING RATHER THAN NEGOTIATING

Using the term “negotiations” suggests that we will be negotiating the level of precaution, which invites criticism based on fears of a race to the bottom. As things stand, the situation remains unclear, which is causing significant agitation. For the first time in the history of common trade policy, it is Germany that has proved most reticent—as the birthplace of political ecology, the country has a stronger attachment to the precautionary principle. It should also be noted that some areas could be excluded from the process of seeking convergence between precautionary measures on both sides of the Atlantic in the long term. This is no trade-off: it is not about having the United States adopt EU standards on toys while Europe accepts US standards on the safety of lighters, for instance. That would be pointless. However, the conventional approach to handling negotiations on a free-trade agreement does exactly that. If we look at regulations currently in effect to ensure precautionary measures on either side of the Atlantic, in a third of cases, Europe has higher standards, in a third of cases the US is more precautionary and in the remaining third of cases the two have comparable benchmarks. Yet these standards and regulations are handled so differently that, for the producer, they amount to different levels, which is what counts at the end of the day. This is another area that warrants attention.

We have already succeeded in reaching an agreement on precautionary measures in sectors in which we have similar policies, but the process will take a lot longer in others. That is why we should plan to introduce TTIP gradually, as we did with the European internal market, while acknowledging that, in some areas, there is no real need for such alignment. Opponents of the part-

nership have thus far been most vocal in Germany, backed by powerful consumer bodies, which have fostered wide-ranging debate over its consequences. France, which is often on the front line when it comes to opening up trade, has mostly focused on the need to recognise the cultural exceptions now guaranteed by the Union. When the time comes, the means of ratifying the agreement will depend on the type of agreement that is drafted. If it is a mixed agreement, to which the Commission has—wrongfully in my view—agreed, it will need the unanimous support of all 28 member states, in which case we could be in for a long haul.



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ABOUT

Pascal Lamy was Director-General of the World Trade Organization between 2005 and 2013. He had previously served as European Commissioner for Trade. He is the Honorary President of the Jacques Delors Institute, a Paris-based think tank, and Vice-President of the Foundation for European Progressive Studies.

THE TREATY

that is haunting Europe



◇◇ MORE ◇◇

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A spectre is haunting Europe – the spectre of the Transatlantic Treaty. Practically all the NGOs and trade unions of old Europe have entered into a holy alliance against it, whilst the treaty, which goes by the more official name of TTIP (the Transatlantic Trade and Investment Partnership), is still being negotiated between the European Commission and the US Federal Administration...



by Lorenzo Consoli

The original plans to conclude a deal by the end of 2015 now seem overambitious.

The Treaty might even be strangled at birth by a negative vote from one of the EU Governments or in one of the Parliaments that will have to ratify it (the US Congress, the European Parliament and, probably, the national Parliaments of each EU member state).

Notwithstanding the fact that, since launching the negotiations, the Commission has given its reassurance that governments will remain entirely free to manage public services as they wish and that EU legislation, strict regulation and high standards on consumer policy, labour rights, environmental protection and food safety will not be lowered as a result of TTIP, there is a growing fear that this is exactly what will happen... This is fuelling the international movement against the transatlantic deal, which is growing stronger everyday.

TWO STICKING POINTS

The fact is, that the real interest of negotiators is not focused on trade, tariffs or market access, but elsewhere - on regulation, and on all sorts of decisions taken at the EU/US federal level, or even laws adopted by States and national parliaments, which can create non-tariff, technical barriers to trade (TBT), or make markets less safe and less attractive for investors. That's why the two big issues of the TTIP are the chapter that sets up a 'regulatory cooperation' process between the US and the EU, and the inclusion of an Investor-State Dispute Settlement (ISDS) clause in the final deal. These are the two main sticking points of these negotiations.

ISDS, ARBITRATION OR ARBITRARY VERDICTS?

The main focus of the anti-TTIP campaign is on the rejection of the arbitration mechanism designed to protect investments. The ISDS would allow foreign investors to sue governments of the host State and to seek compensation over claims of unfair and inequitable treatment, discrimination,



Key Points

- The trouble with the Investor-State arbitration is that legal actions take place in "private" tribunals where the arbitrators are corporate lawyers, who are not exactly impartial.
- ISDS mechanisms are not new: EU governments have signed 1,400 such agreements, less transparent and more dangerous for democracy and public interest than the model of the TTIP.
- If the EU has stricter regulation than the US across almost all fields, then reducing divergences between the two systems might mean only one thing: the weakening of European standards.



WHY EUROPE NEEDS THE TTIP



by Cecilia Malmström, European Commissioner for Trade

The very lively debate on the TTIP is a good thing, which we have rarely seen before on trade matters. However, there are a lot of misunderstandings being repeated over and over, and being established as truths. Let me be clear – our trade agreements do not undermine Europe's public services, or interfere with Europe's cultural model, or lower standards of protection for food or the environment. Neither will TTIP. If they did, I would never have taken this job. We want a trade deal that boosts economic growth and investment in Europe, and creates jobs. We want to get rid of unnecessary tariffs, lower costs for consumers, and **form a closer alliance with the US to help protect European values** in a changing world.

My aim is to refocus the debate on the facts. The best method to do that is through increased transparency. The EU's proposal for a chapter on regulatory cooperation is now on our website together with texts that explain it in layman's terms. It clearly sets out what our goals are, and what we are not doing – how there is no danger of lowering our standards or limiting governments' power to regulate. We will publish further texts and proposals in the course of the negotiations, as they become available. The European Commission is negotiating TTIP because the Member States agreed unanimously on a mandate for us to do so. Sometimes, that is forgotten in the debate. And let's not forget that any TTIP deal will have to be approved both by the European Parliament and by the governments of EU Member States.

Investor protection is certainly the most complicated and debated aspect of TTIP. Without a doubt, **the ISDS system needs to be reformed.** There have been cases that go well beyond the original idea of this system, and that have shocked people so much. I do not want an ISDS like that. On the one hand, a system for investment protection needs to protect investors from discriminatory practices – it's in the clear interest of Europe that European companies abroad are treated fairly. That they aren't subject to arbitrary expropriation, for example. But a system for investment

protection also has to make absolutely sure that such protection does not, in any way, limit states' right to regulate. We're committed to getting this balance right, and that is what we are working on now. Meanwhile, this part of the TTIP negotiations is frozen. We are in the middle of consultations with the EU's Member States and the European Parliament. We have to sort out a policy together because it will have a wider impact than on TTIP alone. Some sort of mechanism is important because **investment is a vital part of any economy.**

Regulatory cooperation is not about bypassing existing laws. From the beginning of these negotiations we have clearly set out our red lines, which are also in the mandate given to us by Member States. One such red line is standards on food safety and the environment. For example, there will be no changes to GMO legislation and TTIP will not bring hormone-treated beef to Europe. The EU and the US have two of the most sophisticated regulatory systems in the world. And of course there will be areas where our approaches differ greatly, like when it comes to our lists of banned chemicals. In cases like that, we will simply agree to disagree.

Regulatory cooperation would be focussed on technical rules that govern the marketing of goods and supply of services. Large chunks of regulation are not, and will not be, included at all in this kind of cooperation – like social security issues, and working conditions. However, **we want to identify areas of possible cooperation.** For example, in the pharmaceutical industry, we already agree on high standards for quality control in factories. But we in Europe don't recognise the inspections by the US Food and Drug Administration and vice versa. That means inspectors are constantly flying across the Atlantic in order to check up on factories that have already been checked. If we cooperated on inspections, those inspectors could focus on real problems instead. In the areas where we can agree, a closer alliance with the US will help protect our shared values, in a time when Europe's and America's influence in the world is waning.

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expropriation (if it is not for a public policy purpose and not fairly compensated), and obstacles to the possibility to transfer capital. The trouble is that this legal action would not take place in national courts, but in secretive “private” tribunals, where the arbitrators would be highly-paid corporate lawyers prone to conflicts of interests and not exactly impartial.

The European Commission argues that the ISDS in the TTIP could be improved, and even set a golden standard for all the other bilateral agreements of this kind. A reform of the system could include, they say, some sort of Appeal Court, rules to ensure the independence of arbitrators and their relationship with national courts, and limitations of the arbitration’s scope, in order to guarantee that states remain free to choose their own way, for instance in the health or energy sectors. Cecilia Malmström, the EU Trade Commissioner (read interview on p.54), reminds us of simple facts: ISDS mechanisms are not new, they have been around since the 1950s, when Germany first introduced one. Since then, “EU governments have signed around 1,400 such agreements, including more than a hundred between themselves.” To be precise, there are 127 in Germany, 95 in France and in the UK, 86 in Italy, 53 in Austria... These hundreds of bilateral ISDS mechanisms already in force in individual EU member States, claims the Commission, are less transparent and probably more dangerous for democratic sovereignty and public interests, than the model proposed for the TTIP.

THE CHINESE CONNECTION

In fact, Europe’s appetite for investment arbitration could be explained with a wider perspective: maybe the real target is not

“EUROPE’S APPETITE FOR INVESTMENT ARBITRATION COULD BE EXPLAINED WITH A WIDER PERSPECTIVE: **MAYBE THE REAL TARGET IS NOT THE US, BUT CHINA.**”

the US, but China. The EU has already concluded bilateral deals on ISDS with Canada and with Singapore; however, the Commission considers that a similar deal with China would be of the utmost importance. A bilateral agreement on investment protection with Beijing is already being negotiated. The EU wants more open access to the Chinese market for European investors, but the Commission would like to be able not to rely only on Chinese tribunals to protect them from discrimination and unfair treatment. The Europeans fear that, if ISDS is eventually excluded from TTIP, then they will have a problem to convince China of the need of an investment protection mechanism in their bilateral agreement.

OPPOSITION GATHERING STEAM: A EUROPEAN CITIZENS’ INITIATIVE

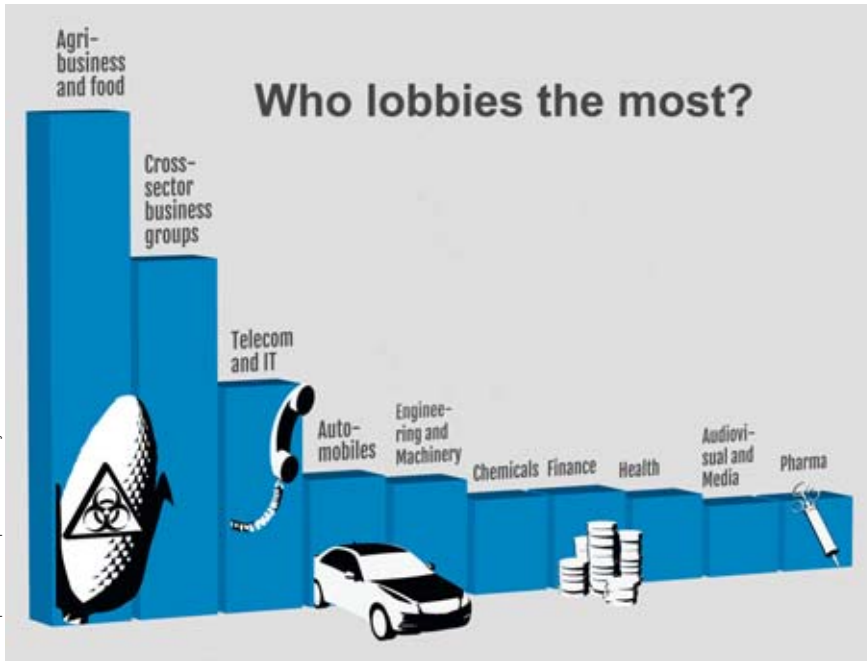
In January, the Commission revealed that, during a public consultation launched in the spring 2014, a staggering 97% of respondents had opposed such mechanism in the transatlantic deal. Regardless, the Commission decided to go on with its project. At the beginning of February, the Socialist group in the European Parliament (S&D) had already made it clear that it would not vote in favour of ratifying the new transatlantic treaty if it includes an ISDS mechanism. Meanwhile, the European Parliament is preparing one or more resolu-

tions on (or probably against) TTIP and ISDS, to be adopted before the summer.

Back in September 2014, the Commission had already rejected a proposed ‘European citizens’ initiative’ (ECI) by the Stop-TTIP Alliance, representing almost 230 organisations. “The preparatory Council decisions authorising the opening of international negotiations or repealing such authorisation do not fall within the scope” of the ECI Regulation, argued the EU executive body. The story did not stop there. The Stop-TTIP Alliance decided firstly to appeal the Commission’s rejection in the European Court of Justice. It then moved on to campaigning for a ‘self-organised European Citizens Initiative’ (sECI) “without permission from Brussels.”

REGULATORY COOPERATION: AN AVENUE FOR CORPORATE LOBBIES?

Regulatory Cooperation is the other most controversial chapter in the TTIP negotiations. It is designed as a ‘living agreement’, an open-ended, ever-evolving process, and this is probably the main reason why so many civil society organisations are campaigning against it. The process will mostly occur as a dialogue inside a newly created ‘Regulatory Cooperation Body’ (RCB), where the European Commission and US regulators will sit and meet regularly, will inform each other about any planned new



regulation, and may also review the existing ones, aiming at minimising their impact on bilateral trade. According to the Commission, they will 'work together' in order to make EU and American regulations 'more compatible with each other', and 'removing unnecessary duplication'.

The starting point of the anti-TTIP campaign against regulatory cooperation is based on a simple fact: by definition, it is aimed at minimising the impact of regulation on transatlantic trade and not at protecting public interest. Clearly, they say, if the EU has higher standards than the US, as is generally recognised, across all fields (with the exception of the cosmetics sector and, to some degree around prudential rules in the banking sector), then reducing gaps and divergences between the two systems, the stated purpose of this chap-

ter, might mean only one thing: the weakening of European standards.

The Commission insists that this is a misconception: regulatory cooperation will not allow products on the EU market that do not meet EU requirements, they claim. Hormone-treated meat and chlorine-washed poultry will remain banned in Europe, GMOs and chemicals will remain subject to EU rules, much stricter than in the US, legislation and requirements for these products will not change because of TTIP, says the EU executive body. However, the question is, if there is no limitation to its scope, how can the Commission exclude, today, that this process could in the future result in lowering EU standards (regarding for instance food safety, environmental protection, animal welfare, chemicals, health services) and undermining the sov-

ereign right of Parliaments and governments to regulate in order to achieve public policy objectives?

PUBLIC SERVICES IN QUESTION

In the United Kingdom, opposition to the TTIP is mainly motivated by the assumption that it will offer American corporations the chance to force governments into opening up their public services, and in particular the National Health Service; there are also concerns that the TTIP could prevent EU member states to renationalise public services that had previously been privatised, not only hospitals, but education, railways, public transport, water, energy, and postal services.

According to the European Commission, this is another misconception, as in fact "governments will remain entirely free to manage public services as they wish". In the TTIP, they claim, the same standard guarantees used in other trade agreements will apply: "Services considered to be public utilities at a national or local level may be subject to public monopolies or to exclusive rights granted to private operators" reads the first guarantee, while a second one states that "the EU reserves the right to adopt or maintain any measure with regard to: publicly funded education services; the provision of all health and social services which receive public funding or state support in any form, and are therefore not considered to be privately funded; services relating to the collection, purification, distribution and management of water to all kinds of users."

A HELPING HAND TO FINANCIAL CORPORATIONS

The negotiations on financial services regulations is another concern of the anti-TTIP movement. Since the financial crash





FOR A CONSUMER-FRIENDLY TTIP



by Monique Goyens, Director General
of the Bureau Européen des Consommateurs (BEUC)

The Regulatory Cooperation chapter in the TTIP will as a matter of fact increase avenues for foreign corporate lobbies to make their concerns on regulation heard via the institutional channels provided by TTIP itself. The draft chapter is applicable to all planned regulatory acts, even those sectors not covered by TTIP, e.g. privacy protection. From the consumer perspective, this carries the risk that all reassurances that the TTIP excludes sensitive areas such as data privacy or hormones in beef are without substance. **Regulatory cooperation has the potential to put into question our current and future regulatory framework in all sectors.** These new procedures and structures provide a wealth of opportunities to slow down new regulations or to activate reviews of existing ones. There is a clear risk of paralysis by analysis, leaving consumers in the meantime exposed to poorly or unregulated risks. Regulatory Cooperation threatens our legislative sovereignty, as in practice it allows for other jurisdictions to mingle among our decision-making procedures.

Concerning the ISDS chapter, there is an abundance of examples showing that big corporations use this mechanism to attack public interest policies. That's why we want it to be excluded from a TTIP agreement. We want negotiators to find alternative solutions to protect foreign investors as ISDS is too flawed to be fixed. Under ISDS, consumer, health, labour, and environmental regulations are challenged as violations of 'investor rights'. Additionally, ISDS can be a huge deterrent, especially for smaller countries, to pass legislation to protect consumers, public health, and the environment, for fear of being challenged by large companies.

What's more, **it allows foreign companies to demand financial compensation**, which represents significant burdens on states' public finances and ultimately means a waste of hundreds of millions of taxpayers' money. The average legal and arbitration costs per ISDS case – whether won or lost – are estimated at around \$8 million USD (Source: OECD). This mechanism is not even needed: the EU and US have well-functioning judicial systems where foreign companies can go for redress.

Is it possible to have a «consumer-friendly» TTIP? From the mar-

ket perspective, a good deal could prove beneficial to consumers, **it could lead to lower prices and a wider variety of traded goods and services.** It should also address the elimination of customs duties on goods personally imported from the US, the reduction of excessive pricing of transatlantic telecommunications, common EU-US traceability and alert systems for products and better exchanges of information between regulatory agencies. We challenge negotiators to show us they are delivering on this.

Nevertheless, consumers stand to lose a lot if our protection standards in Europe are lowered. **Making sure that the TTIP is an agreement that delivers benefits to citizens** is the reason why civil society in Europe asks for more transparency in the negotiations and the opportunity to input in the process in order to flag potentially harmful provisions. Recently the Commission took important steps towards making the negotiations more transparent, but there are still some crucial things that need to be done for public's growing suspicion towards the TTIP to be appeased. We now must move from transparency, which is one-way communication, to engagement with stakeholders, implying that comments from civil society are being granted due consideration and adequate feedback and follow-up.

“WE WANT NEGOTIATORS TO FIND ALTERNATIVE SOLUTIONS TO PROTECT FOREIGN INVESTORS AS ISDS IS TOO FLAWED TO BE FIXED.”

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in 2008, regulations governing banks and other financial institutions have been reformed in different ways in the EU and in the US. The Commission would like to use the TTIP as an opportunity to establish a common framework for banking regulation across the Atlantic, claiming that it is needed for financial stability. The US doesn't seem convinced. According to Kenneth Haar and Lora Verheecke, from the advocacy group Corporate Europe Observatory (read interview on p.59), "the EU wants to lend European financial corporations a helping hand. They find the US rules too strict, and would prefer to conduct their business in the US based on EU rules in this sector. The US, on the other hand, see the European proposal as an attempt to (further) weaken US financial regulation, and the US administration feels it has already given enough concessions to the financial industry."

**LOWER AMBITIONS,
A WAY OUT FOR THE TTIP?**

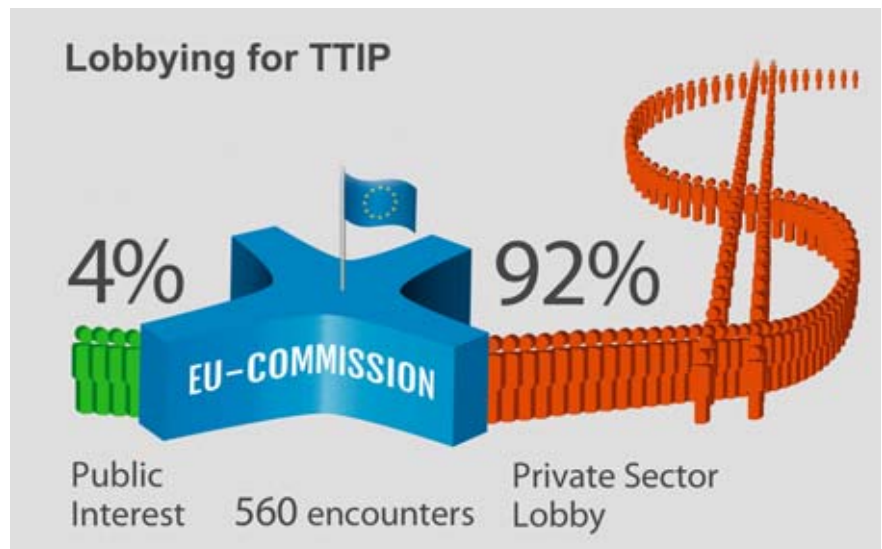
Could the TTIP be less controversial, more acceptable for the civil society groups who are opposing it? After all, it should primarily be a trade agreement. Ought it not be about cutting the remaining tariffs on goods imported across the Atlantic, and ensuring European and US companies an easier access to services in each other's markets and public procurements? One way out could be to adopt a less ambitious, minimalistic approach, particularly if the transatlantic treaty will have to be ratified by all EU member States' Parliaments, and not only by the European Parliament.

The TTIP would probably not bring all the benefits that the Commission anticipates, however, in at least some European sectors these benefits could materialise: the auto-

“EUROPEAN CARS AND CAR PARTS COULD BE SOLD MORE EASILY ON THE US MARKET IF TECHNICAL REQUIREMENTS AND SAFETY TESTS WERE HARMONISED. NO NGOS WOULD PROTEST AGAINST THIS.”

otive and pharmaceuticals, for example. European cars and car parts could be sold more easily on the US market if technical requirements and safety tests were harmonised. No NGOs would protest against this. Pharmaceutical companies on both sides of the Atlantic could save money and time, if they could avoid duplication of inspections. The EU would like to conclude a TTIP chapter on energy, the US doesn't seem interested, but maybe could be convinced.

The Commission could concentrate on achieving a deal on these few sectors, and on tariffs and market access of course, and drop the most controversial chapter, the ISDS. Risks coming from the other problematic chapter – regulatory cooperation – could be minimised by imposing strict limits to its scope and submitting its purposes to the overarching public interest.



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BEWARE OF TRADE TREATIES BEARING INVESTMENT PROTECTION



by Kenneth Haar & Lora Verheecke,
Researchers at Corporate Europe Observatory

If an ISDS clause is included in the TTIP final deal, everybody should be worried, as this mechanism threatens democracy. In the past 20 years, international investment disputes have granted big business dizzying sums in compensation – paid out of taxpayers' pockets, often for democratic laws made to protect the environment, public health or social well being. The decisions are taken by arbitrators, who are specialised lawyers. The business is dominated by a narrow exclusive elite of law firms and lawyers, whose interconnections and multiple financial interests raise serious concerns about their commitment to deliver fair and independent judgements. Arbitrators are not subject to public scrutiny and it has become normal for them to constantly switch hats: one minute acting as counsel, the next framing the issue as an academic, or influencing policy as a government representative or expert witness. Several prominent arbitrators are also members of the board of major multinational corporations, including those that have filed cases against developing nations. **This raises doubts about possible conflicts of interests and the arbitrators' impartiality.** They have been able to challenge the decision of democratic sovereign parliaments. Because the private arbitrators can levy monetary penalties against governments, the fear or actual threat of a costly investor-state claim can create a "policy chill" which discourages new government initiatives. We don't believe in the possibility to reform ISDS, because it is a fundamentally flawed idea. And even if the European Commission decided to withdraw the ISDS proposal, rather than improve it, and to conclude the negotiations without that chapter, we would still oppose the TTIP because of other problematic issues. In particular, we are concerned about the power given to corporations in the Regulatory Cooperation Body to be informed of legislation projects before parliaments and to be able to set the agenda for legislative reforms. Finally, **the TTIP negotiations also threaten the survival of public services** and provide an open door for more chemicals in our food and in other products, including cosmetics.

REGULATORY COOPERATION, POWER TO THE LOBBIES



by Mute Schimpf, Food Campaigner
at Friends of the Earth Europe

One aim of the TTIP is to increase the trade in agricultural products across the Atlantic. That's why multinational agri-businesses are lobbying so hard for it. They want to cut so-called red tape by weakening food labelling requirements and reducing food safety checks. However, the food systems on both sides of the Atlantic are faced with on-going food scandals and escalating environmental problems caused by industrial farming. Our societies should have the right to introduce rules to stop that, even if it's not what multinational corporations want. We need to put people, environment and local producers at the core of our food system, reducing its impact on nature and climate change, cutting the use of fertilisers and pesticides, using less water. The TTIP would trade away our safeguards, the protection of our nature and local sustainable food and farming. Through the TTIP Regulatory Cooperation body, officials whose primary objective is to increase trade and boost corporate profits will have first say before future food safety rules are enacted. Although the Commission says that this trade committee will not have decision power, in their proposal they have explicitly suggested that it should "review the annexes of the [food safety] agreement". Giving a committee the power to review a legal text is the same as giving them decision power. **A trade agreement is not the place to decide about our food safety.** In their annual reports about trade barriers, US trade officials have continuously defined the way food safety procedures are designed in Europe as 'political' or not science-based. Squeezing two completely different systems into one joint assessment system risks undermining core achievements on both sides of the Atlantic. Lessons learnt from mad cow disease led to major changes in the EU's approach to food safety and how we see food production, with the EU introducing the "farm to fork" approach. This has become the pillar ensuring our food safety – by reducing the potential for harm at all steps of food production. And it also minimises environmental risks. The European Commission's willingness, bit by bit, to allow new cleansing substances at the end of the slaughterhouse process undermines this core principle of EU food safety. This trade agreement is a Trojan horse concealing serious threats to our food safety and environment.



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THE IMPACT *of TTIP on Sub-Saharan Africa*

Poverty reduction and policy coherence are priorities for the global and trade development in Sub-Saharan Africa. These priorities might be endangered by the upcoming TTIP, which could have a strong impact on African countries.



by Eveline Herfkens

The TTIP is the biggest trade and investment partnership ever negotiated between the United States and the European Union, two

major actors of the international scene. Thus it will have economical repercussions not only on these two stakeholders but also on other world countries, such as in Sub-Saharan Africa, which maintain special trade relations with the European continent.

While global poverty is rapidly being reduced, Sub-Saharan Africa's share is ballooning: from 15 percent in 1990, Africa's share of the world's poor is projected to rise to 82 percent in 2030. At present only about a third of the EU's official development assistance is focused on the region. It is time to implement longstanding commitments for improved division of labor among European donors, while respecting ownership by the recipients and aligning aid to their programs and priorities.

But as urgent is dealing with the most blatant lack of coherence in European policies towards Sub-Saharan Africa's development: Trade policies around the world discriminate against manufacturing and agricultural exports of poor countries.

Ostensibly, the EU is attempting to address this problem in two ways: for the least developed countries in Sub-Saharan Africa, it has established a scheme that permits them access to European markets without any tariffs or quantitative restrictions—the so called “Everything But Arms” scheme. For some twenty other poor, be it slightly less, countries, the Union trade policy is less generous.

Since 2002, the EU has been trying unsuccessfully to negotiate “Economic Partnership Agreements” (EPAs) with regional groupings in Sub-Saharan Africa. For a variety of reasons, Africa has shown little appetite for those agreements. Now, the EU is trying to negotiate a major new preferential agreement with the US. The TTIP it is going to have adverse effects on third countries but it offers an opportunity to improve trade policies towards SSA and contribute to the alleviation of its poverty.

THE TTIP AS AN ALTERNATIVE TO EPAS

These economical partnership agreements requires commitment for reciprocal opening of markets in the European Union and in Sub-Saharan Africa. Given the state of development of most SSA countries, opening up to the EU is burdensome, even with long transition periods. The

inclusion of policies that go beyond merchandise trade (services, intellectual property rights, government procurement) also create obligations that exceed what these countries have committed to do in the World Trade Organisation. The European Union is using the leverage it has by offering preferential market access to extract concessions from SSA countries that it is not able to obtain from them in the WTO.

As Economic Partnership Agreement negotiations have dragged on, they have overburdened already limited trade negotiation capacity, which should urgently focus on deeper integration within the African market. A number of those last have been signed but little, if anything, has been implemented. More recently, the EU upped the stakes by threatening loss of all preferential market access for those non-least developed countries that have not ratified and implemented their interim agreement.

As Ben Mkapa, former President of Tanzania and now Chairman of the South Centre stated: “I believe that the Economic Partnership Agreements that the European Union is trying to get African countries to agree to is the most critical trade and negotiations issue facing Africa. If the EU's model were accepted, it would cause immense damage to our agriculture, industry and development prospects. It will also make it very difficult if not impossible to achieve effective economic integration within the African continent, which has been a dream of our political leaders since independence”. The Economic Partnership Agreements have soured the relationship with many African countries. It is time for a fresh start with the TTIP.

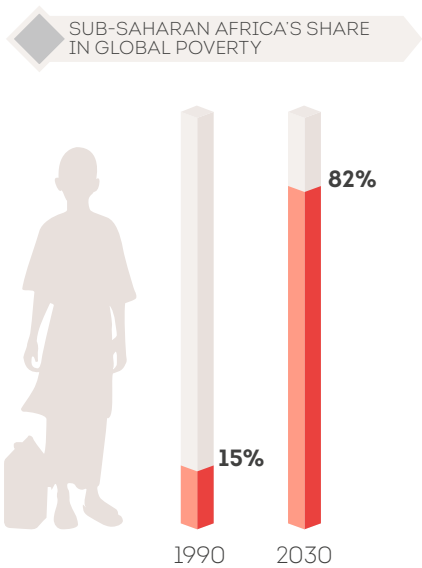
“IF TARIFFS AND NON-TARIFF BARRIERS BETWEEN THE USA AND EU FALL, THE RELATIVE BARRIERS TO MARKET ENTRY FACED BY DEVELOPING COUNTRIES BECOME HIGHER.”

THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP AND SUB-SAHARAN AFRICA

At the same time the EU and the US are embarking on a Transatlantic Trade and Investment Partnership (TTIP). Such a mega regional preferential trade agreement will have a huge impact on the development of non-signatory countries, including Sub-Sahara Africa.

In general, such agreements have three kinds of effects on third countries:

- First, is the traditional trade diversion. Obviously, if tariffs and non-tariff barriers between the USA and the EU decline or are eliminated, the relative barriers to market entry faced by third countries become higher. This will particularly impact Africa as 40% of Africa's exports are destined either for the US or EU market. A TTIP providing preferences to US and European exporters to each other's market erodes existing SSA's preferential access to both.



“IF WE WANT TO SHOW THAT WE DO NOT INTEND THE TTIP TO HARM OTHERS, IT WOULD BE VERY HELPFUL TO DEAL NOW WITH OUR RELATIONS WITH SSA.”

SSA's exports are highly concentrated: erosion of preferences in a small set of specific prod—uct categories: textiles, clothing and footwear, where present EU and US tariffs are typically more (and often much more) than 10 %; and specific agricultural products such as fish, bananas and sugar can have important negative consequences for these countries. And the higher the current existing protection in the US and EU markets, the greater the scope for hurting African exporters through the TTIP.

- Second, the TTIP also aims to harmonize product standards – at a high level. This is potentially an even greater problem for SSA than trade diversion resulting from preferences. For some successful third country exporters having the same standards might facilitate exports to a broader market, but for most poor countries' exports, higher standards will be more difficult to comply with and could even lock out SSA exporters. And more advanced intellectual property rights rules might impact on introduction and production of generic drugs and their supplies to the SSA.

- Third, the TTIP will tend to undermine multilateral negotiations in the WTO just as the WTO, following its Bali Ministerial, appears to be recovering from its slide to irrelevance. Only in this multilateral forum smaller and poorer countries have a voice. And by negotiating regulatory issues outside the WTO, the EU and US intend to

agree to rules, which they intend to impose on other countries, which are excluded from the negotiating process.

One of the few reports on the potential impact of a TTIP on third countries by Bertelsmann Stiftung (2013) provides striking proof: if tariffs and non-tariff barriers, especially barriers resulting from different regulatory systems, between the USA and EU fall, the relative barriers to market entry faced by developing countries become higher. The poorer countries suffer the most, and Sub-Saharan Africa (SSA) suffers the biggest losses.

The Transatlantic Task Force on Trade and Investment established by the German Marshall Fund of the United States (2012) also expresses these concerns and urges to take into account the interests of third countries; and to particularly increase efforts for unrestricted market access for the poorest countries. Much depends on the TTIP's design: does it provide room for the EU and the US to codify, align and extend their existing free trade agreements and preferential arrangements with others? Can that be part of the architecture from the outset, or is it going to be an afterthought following years of exclusive negotiations?

More recently BMZ, the German Development Cooperation Ministry commissioned a study, which acknowledges the risk of trade diversion, preference erosion; and

that regulatory cooperation might set bars too high for poor countries. This study is optimistic however about the “trickle-down” potential of a TTIP: as it would increase income for Europeans and Americans, this will lead to more demand for exports from third countries, e.g. more tourism for Kenya... Few case studies in the Report are from low-income SSA, and they spell trouble: for Côte d'Ivoire the TTIP would make it more difficult to enhance its market share in value added cocoa products; and Kenya might suffer trade diversion for its flowers, vegetables and textiles.

US AND EU TRADE PREFERENCES: MORE COMPLICATIONS FOR SSA

At present both the US and the EU operate a complex set of preferential trade arrangements vis-à-vis Sub Sahara Africa. The American scheme is more generous in terms of country coverage: 40 of the 48 countries in SSA qualify; the European EBA scheme is more generous in product coverage (“Everything But Arms”) but is limited to the 27 Least Developed Countries (LDC’s) in Sub Saharan Africa, excluding countries that are low-income such as Kenya or lower middle income (Lesotho, Ghana), which are precisely those African countries best-placed to take advantage of preferences for export diversification.

All preferential trade schemes contain what are called Rules of Origin: how do you determine that a product comes from a country that is a member of the scheme and hence deserves preferential treatment. Rules of origin define how much processing must take place locally before goods and materials are considered to be the product of the exporting country and can get preferential market access. Both the EU and the US schemes suffer from the

complex requirements SSA exporters need to meet to benefit from the preferences provided.

In the original EBA scheme, the RoO defined access so restrictively and inflexibly, that the scheme was so underutilized that it had minimal impact on LDCs exports to the EU. A decade after the introduction of EBA the European Commission finally revised the rules of origin for EBA in 2011, acknowledging “a correlation was indeed proven between the stringency of the rules of origin and the utilization rates of the tariff preferences.” The new rules appear to have been improvement over the old one. It is not clear however, what will be used in the EPAs. And in any case the EU RoO system is different than what the US uses. This means that unless there is a radical rethinking of the preferences schemes offered by both sides of the Atlantic, the TTIP will result in SSA exporters losing out markets to US and EU exporters as well

as continue to face a different set of preferences in the two markets, for different products as well as different rules in each market in order to take advantage of whatever preferences are available.

TTIP AS AN OPPORTUNITY

Sub-Saharan Africa (SSA) needs to expand exports in order to create jobs, raise incomes, and, ultimately, reduce poverty and aid dependency. Domestic markets in most SSA countries are simply too small to enable local industry to achieve economies of scale. Increased trade opportunities would encourage both critical domestic and foreign investment and help lift millions out of poverty. The region’s exports have been growing rapidly, about 14% per annum in the last decade. But the bulk of the growth has come from increased exports of oil and raw materials. The important emergence of global value chains virtually by-passed the region. And its overall share of world trade is a miniscule 2.2%.



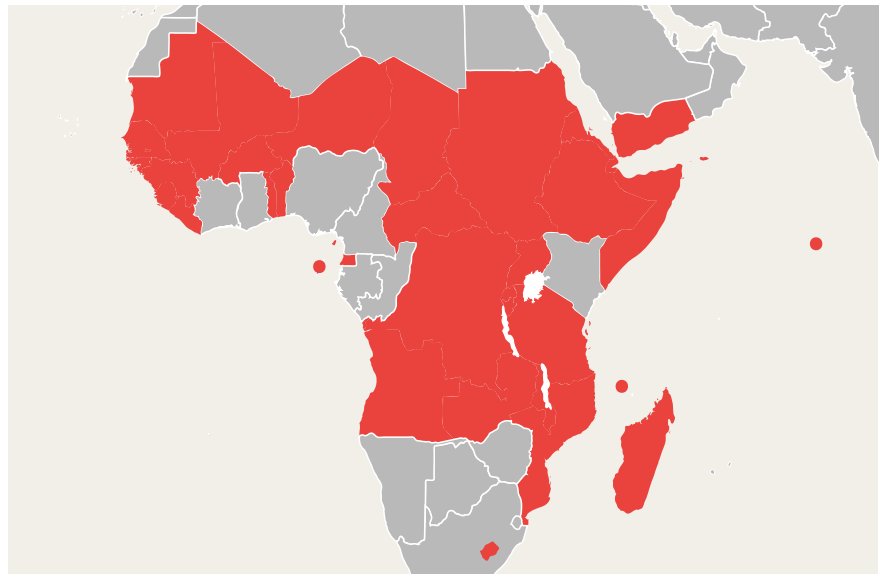
Drilling rig in Gabon.

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This marginalization of the region is critical in holding back its development. The region also needs generous and effective preferential treatment as a “breathing space” required to be able to compete on international markets.

The TTIP provides the opportunity to codify, align and extend the present preference schemes for SSA – instead of undermining them. If we want to show that we do not intend the TTIP to harm others, it would be very helpful to deal now with our relations with SSA, and to ensure the TTIP would improve rather than undercut SSAs access to our markets, as a precursor to the overall agreement, not as just one of many issues on the EU-US negotiations agenda somewhere in the future. Why not, in the context of the TTIP, harmonize trade preferences for SSA, taking the best features and most effective provisions of both our programs and updating the rules to make them compatible and relevant in today’s globalised world?

On country coverage, it is difficult to justify a US-EU trade arrangement that provides different developing country treatment. What particular European foreign policy interest would be served by the EU and the US providing different access to Kenya’s products? Preferences need to benefit those countries that need it most, without excluding only slightly less poor countries that can make use of the preferences. Preferential treatment should be extended to all low-income and lower middle income countries in SSA. Product coverage should be as generous as the EBA scheme. Most SSA countries’ exports are highly specialized, producing a very narrow scope of goods; in many cases, a few raw materials account for most of their exports. Exclud-



Map of least developed countries in Africa.

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ing even a small number of products can rob the initiative of any meaning. Finally, for Sub-Saharan Africa to be able to exploit preferential access, qualification requirements have to be relevant, simple and harmonized. Updating the preferential RoO to the realities of production networks that define trading conditions in the 21st century is very important and long overdue.

ISSUES WITH CURRENT RULES

First, RoO raise production costs, if, to meet the requirements, (parts of) the product must be produced in a different manner or different place, than would be the case otherwise.

Second, exporters have to adhere to documentation requirements, based on (at times) complicated cost accounting and apportionment, detailed and lengthy record keeping, exporter registration and so forth. And those costs are not limited to exporters: they

create huge burdens to customs authorities with already limited institutional capacity. A third problem with the current rules is that the EU and the US employ substantially different methodologies to define origin (a specific proportion of the total value added; and/or that the product has undergone sufficient transformation so as to be classified in a different tariff category). So poor producers have to adapt their manufacturing processes in order to comply with the various conditions that they impose, sometimes incompatible with each other and/or substantially different. For example, an exporter based in Tanzania will face different rules when exporting goods to Europe or the US, each of which also differs from the RoO under its regional COMESA trade agreement. The differences in these rules stand in the way of diversification in Sub-Saharan Africa, because it is easier to diversify by selling products that have been successfully sold

in one market into other markets than selling different products into more markets.

Probably the most fundamental problem with current RoO is that they were created decades ago. Since that time, the world globalized: production of a good became fragmented between many countries, with each specializing in one narrow task. Comparative advantages are less and less at the level of whole products, but simply a specific transformation step. As the former DG of the WTO, Pascal Lamy phrased it: "Global value chains have profoundly changed the way we trade. Whereas before we traded in goods, today we trade in tasks."

By requiring substantial value added, RoO can be prohibitive to participate in global value chains. RoO based on the assumption that a poor country can create a significant share of added value are unrealistic and hinder specialization in manufacturing.

To quote the present DG of the WTO, Roberto Azevêdo: "these strict, product-specific rules of origin may actually be detrimental to value chains and therefore exclusionary for some. The smaller the country, the smaller the company, the smaller the trader, the bigger the likelihood that it will be excluded."

ACTIONS TO TAKE

The unilateral rules that guide exports from Sub-Saharan Africa should be relaxed to ensure genuine utilization of preferential market access. The simplest way to create the necessary flexibility, which does not need any negotiations among the TTIP partners: mutual recognition of origin regimes across preference givers, accepting an import eligible in one market as eligible in any other. This should be feasible as the

"THE UNILATERAL RULES THAT GUIDE EXPORTS FROM SUB-SAHARAN AFRICA SHOULD BE RELAXED."

TTIP is expected to rely extensively on the principle of mutual recognition, given the extent to which the US and EU regulatory approaches differ.

Now is the time to act. The EU has declared 2015 "the European Year for Development". And, given the gridlock with EPAs, it is appropriate to hit the reset button now, as it seems that – even with the Commission threatening loss of all preferential market access – there is simply no appetite in Africa for this approach. In the meantime, the European efforts to demand reciprocity in its trade relations with SSA, which would give European companies preferential access to Africa, has inspired the US recently to consider introducing the principle of reciprocity also in its trade preference scheme for the region: harmonization indeed, but to the detriment of SSA... So it is high time for the EU to come up with new ideas for our trade policies with SSA: a new EU-US harmonized preference scheme for the region would fit that bill.

The TTIP itself would benefit from harmonization of agreements with third countries anyway. But instead of being just one of many issues on the EU-US negotiations agenda somewhere in the future, focusing on the urgent needs of Sub Sahara Africa now, as a precursor to the overall agreement, would help the Region's economic transformation, give a tremendous push to

its integration in the world economy, and lift millions of people out of poverty.

In fact, such an action would be in keeping with the spirit of the Marshall Plan; the most important feature of the Marshall Plan was that the US allowed Europe to give priority to regional cooperation and integration, while in the meantime allowing asymmetric full market access for European exporters to the US market.



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ABOUT

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THE POSSIBLE COSTS *of the TTIP*

The negotiations on the Transatlantic Trade and Investment Partnership (TTIP) between the EU and USA have components that make it very different from traditional free-trade agreements.



by Georges Dassis

The priority of the negotiations is to define common standards for production and consumption. It is common knowledge that there are also the so-called “non-tariff barriers”, i.e. different rules and standards that seek to guarantee certain goods or even values, or indirectly to protect certain products from foreign competition.

It is clear that these “barriers” represent some of the most significant European standards in terms of social and environmental rights: they are the pillars of the model of European society. This explains the huge interest and concern that this negotiation has aroused on the part of the trade union movement and other economic and social stakeholders.

SOME CONTROVERSIAL RESULTS TO BE EXPECTED

Various studies have shown that the TTIP might have positive though very mitigated effects in terms of European GDP growth: between 0.3% and 1.3% over a period of ten years.

The agreement also has a geopolitical importance: if the EU and the US manage to establish a system of common rules, that would represent a strategic advantage vis-à-vis the international competition from other models. But it is by no means clear that this might not

lead initially to a sharp reduction in standards to make the agreement possible or that it might subsequently affect the trade strategies and specific characteristics (technical, design, labelling) of products from the BRIC countries, especially China.

A trans-Atlantic agreement would not create greater competition between companies, but would strengthen the positions of those already dominant; and leave aside the differences between European and US companies as regards to technical standards. Several studies (Werner Raza, Jeromin Capaldo, etc.) also point to the risks of the possible agreement. For example, the decrease of trade between EU countries possibly up to 30%, the negative impact of the trade balance leading to a fall in GDP growth, the loss of 600,000 jobs between now and 2025, and a negative effect on tax revenues.

An agreement which, it should be remembered, could only be carried through on the basis of an immediate or gradual reduction in established standards or “barriers” would involve major risks in labour terms security; challenging the precautionary principle; environmental de-regulation and the privatisation of public services.

DIFFICULTIES FOR THE AGREEMENT

The interest and consequent pressure from large companies to use the TTIP and the TTP (an agreement between the United States and

11 other countries) to secure a means of influencing the United States is not that easy to achieve in practice. This is firstly because the interests are very varied. Secondly, because the EU lacks a common voice and the interests of its various Member States are diverse and sometimes contradictory. Thirdly because of the difficulty in harmonising rules that are the product of very different cultures and habits and laws that are already deeply entrenched. And, finally, because of the social discontent and the lack of a political consensus on the issue.

The strong social protests over the TTIP, including disapproval from the trade unions, and the results of the consultation with civil society held by the European Commission, which is clearly critical of the negotiations' lack of transparency, have meant that the European negotiators are considering a range of changes to the dispute settlement model provided for in other agreements. These changes have so far failed to win over the trade unions and many other European civil society organisations that are rejecting the introduction of a dispute settlement mechanism ISDS in the TTIP.

THE ISDS

Like the WTO, the Bilateral Investment Treaties (BITs) have set up ISDSs based on an international arbitration procedure to "settle" disputes between investors and states, with private tribunals with no guarantee of impartiality which are virtually inaccessible to SMEs and where states have no possibility of redress. And it is by no means certain that implementing it will increase investment.

Only 9 EU Member States (Bulgaria, Croatia, the Czech Republic, Estonia, Lithuania, Latvia, Poland, Romania and Slovakia) have signed agreements with the US which include an ISDS. In turn, since the Treaty of Lisbon, the EU has included this mechanism in its negotiations with India, Japan, Morocco, Thailand and Vietnam. It has done the same with Canada and Singapore, with which it has reached agreements, although neither has been ratified. The question that many are asking is why is it necessary to include an ISDS now if the flow of investment between the EU and the US has worked perfectly for so many years without it?

Several countries, including Bolivia, Venezuela, Ecuador, South Africa, India, Brazil and Indonesia, have spoken out against the ISDS mechanism. Australia also refused to write it into the free trade agreement with the USA in 2004. 200 European, US and international organisations have expressed the same feelings in a joint letter.



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The treaty could involve major risks in labour terms.

Finally, with reference to the agreement with Canada, a number of professors from various universities and legal centres have stated that the introduction of an arbitration tribunal between investors and state violates the legal monopoly of the Court of Justice of the European Union. Furthermore, they point out that the EU has no power to extend this procedure to portfolio investments and financial services. And to use terms such as "indirect investments" and "fair and equitable treatment" restricts the democratic right to their own (i.e. the states') socioeconomic order. This arbitration system is illegal since the EU has no power to establish it.

In conclusion, despite the improvements to the drafting of the ISDS made in the agreements with Canada and Singapore, its inclusion is still not providing clear and satisfactory answers for many civil society organisations.

As for the Agreement, this requires full transparency and civil society involvement in the debate in the EU and Member States before any ratification. And the ISDS should not be included in any agreement at a time when the United Nations is setting up an International Tribunal for investment dispute settlement.

ABOUT

Georges Dassis is President of the Workers' Group at the European Economic and Social Committee. A trade unionist since the age of 15, he has been appointed by his Group to run for the next EESC Presidency (2015).



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Swedish power company Vattenfall demanded compensation of €3.7 billion under the ISDS clause of a treaty on energy investments, after the German government decided to shut down its nuclear power industry.

INVESTMENT PROTECTION IN THE TTIP: CUI BONO?

*One of the most controversial issues of the Transatlantic Trade and Investment Partnership currently negotiated between the EU and the US concerns the chapter on the protection of foreign investors, in particular through Investor-State Dispute Settlement (ISDS).
But who benefits from the latter?*



by Markus Krajewski¹

¹ This article is based on the study “Modalities for investment protection and Investor-State Dispute Settlement (ISDS) in TTIP from a trade union perspective” published by the Friedrich Ebert Stiftung, available at http://www.fes-europe.eu/attachments/486_FES%20Study%20ISDS%20in%20TTIP%202014.pdf

In light of an increasing critique of investment protection in the TTIP, the European Commission held a public consultation on the subject

between March and July 2014. The consultation generated almost 150,000 online contributions. The vast majority of them were critical of ISDS. The Commission has decided to use the result of these consultations to rethink and re-evaluate its approach towards ISDS. The critique of investment protection is based on the fear that it will have a negative impact of the regulatory powers of states. Furthermore, it is argued that foreign investors are already protected in the EU or US legal system and there is no need to provide them with an additional layer of protection that is not available to domestic companies.

BACKGROUND AND DEVELOPMENT OF INVESTMENT PROTECTION IN INTERNATIONAL LAW

The impact of international treaties protecting foreign investment on a state's ability to regulate and to intervene in the economy from a public interest perspective has been the subject of political and academic debates since the late 1990s when a number of NAFTA cases showed the effects of the NAFTA chapter on environmental regulations in Mexico, the US, and Canada. Recently, the debate gained momentum, because a number of EU Member States have been sued by foreign investors on the basis of bilateral investment treaties or the investment chapter of the Energy Charter Treaty.

The first modern investment treaty that became the model of many treaties was the 1959 Bilateral Investment Protection

Treaty between Germany and Pakistan. Most substantive elements of contemporary investment protection law can be found in this agreement. In the decades to come, the number of investment agreements grew with increasing speed and reached a total of more than 3,000 agreements today. Originally these agreements aimed at protecting investors from developed countries against nationalisations and expropriations in developing countries. Until the late 1980s and early 1990s these agreements were hardly ever used, because they only provided for dispute settlement procedures between states. It was only when a specific type of dispute settlement was introduced in investment treaties that allowed the investor, i.e. the foreign company, to directly file a complaint against the host state and seek arbitration between the investor and the state when investment agreements really began to matter. The establishment of this system of investor-state dispute settlement turned investment agreements that had hitherto been mere tools of commercial diplomacy into legally enforceable instruments. Once the potential of ISDS proceedings had been realised by foreign investors, the number of cases grew exponentially.

International agreements with investment protection, in particular with ISDS, estab-

lish a system of legal remedies that gives foreign investors a special right to directly sue the state in which they invested, based on the allegation that the state violated the substantial terms of the investment treaty.

ISDS AS A UNIQUE SYSTEM OF INTERNATIONAL REMEDIES

The ISDS contains a number of unique benefits for the foreign investor. To begin, it allows the investor to take the matter in his own hands: He does not have to wait for his home state to begin dispute settlement. In a system of interstate dispute settlement such as the WTO system, private actors always need to convince their home state to raise a complaint on their behalf. Furthermore, the investor usually has the right to choose whether to sue the host state in local courts or whether to move directly to ISDS. It is generally not required to resort to the domestic legal system before turning to an international tribunal. Traditionally the so-called exhaustion of local remedies is a precondition for an international court or tribunal to hear a case, as in the case of the European Court of Human Rights. In addition, ISDS is only available to investors protected under an international investment agreement. Domestic companies even if they directly compete with the foreign investor have no standing in such proceedings. This may

“THE EU’S APPROACH COULD BE IMPROVED BY REQUIRING THAT THE INVESTOR ADHERED TO INTERNATIONAL STANDARDS AND GUIDELINES FOR MULTINATIONAL ENTERPRISES BEFORE TURNING TO ISDS.”

even lead to distorting effects on the competitive relationship between foreign and domestic enterprises. Finally, investment tribunals typically award compensation in the form of damages. They do not require a state to withdraw or change the measure that violated the investment agreement. Usually, international courts and tribunals issue verdicts that state a violation of international law and require that the responding state changes its measures or policy.

Investment tribunals are established on an ad hoc basis like all arbitration tribunals. Unlike domestic and international courts, they are usually composed of highly specialised lawyers from international law firms. In line with the general practice in commercial arbitration, proceedings of an

cause of the investor. In addition, the general procedural elements of arbitration such as the ad hoc composition of the tribunals and the confidentiality of the proceedings disregard the inherently public nature of the subject of the disputes. Usually, the matters adjudicated by an investment tribunal concern issues of administrative and legislative regulation through laws, regulations and individual decisions. Judicial review of such measures based on individual rights is a matter of public law and should be guided by principles of the rule of law, due process, and judicial proceedings.

Apart from criticising the system of ISDS, the impact of investment protection on national regulations and regulatory space are at the heart of the current debate. Due

INVESTMENT PROTECTION IN THE TTIP AS A “GLOBAL MODEL”?

Even if one does not share the general critique of investment protection and ISDS, one may question whether investment protection is necessary in an agreement between the EU on the one side and the US on the other side. In this regard it is often claimed that the US or EU legal systems do not provide sufficient legal protection to businesses. However, there is no widespread and systemic disregard of the rule of law in either of these legal systems. It is also not very likely that US investors have been deterred from investing in the EU or that European investors have been deterred from investing in the US because of the lack of an investment protection agreement between the two sides.

While many observers agree with these positions, they nevertheless insist on the inclusion of investment protection in an EU-US agreement in particular for two reasons: First it is argued that including an investment chapter with the elements suggested in the consultation document would be a major step in the process of reforming investment law while excluding investment protection from the TTIP would be a major setback for the entire system. In essence this argument claims that a reformed investment protection chapter in TTIP would have a systemic benefit for the investment protection regime in general. The second position holds that without investment protection in TTIP, the EU cannot ask for investment protection in other negotiations e.g. with China or India. This position is based on the idea that the EU must display political evenness vis-à-vis its trading partners in international investment and trade negotiations.

“THE ISDS ESTABLISHES A SYSTEM OF JUDICIAL PROTECTION WHICH IS ONLY AVAILABLE FOR FOREIGN INVESTORS. THIS DISCRIMINATES AGAINST DOMESTIC COMPANIES.”

investor-state arbitration tribunals have traditionally been confidential unless the parties agreed otherwise. This means that not all cases are known, awards are not always published, and in many cases the proceedings themselves are not open to the public. Increasingly, and certainly under the new EU approach this feature is changing.

The ISDS structurally disfavours domestic investors who have to seek remedies in the domestic legal system only and cannot opt to bypass local courts if they consider them to be inefficient or unfavourable to the

to the open and broad wording of the substantive provisions and their equally broad interpretation by investment tribunals, the subject matter of investment disputes is not restricted to direct expropriation and open discrimination, but also to regulatory measures. As a consequence, governments may be faced with large claims for compensation, which may lead to a “regulatory chill” effect. In addition, investment claims can be used as instruments to influence administrative proceedings in favour of the investor. They may also become an additional burden in the domestic legislative process.

Both arguments are not convincing: First, it should be noted that most reforms proposed by the EU in the consultation document have already been implemented in other investment agreements and model BITs (such as the Canadian model BIT) or are being discussed. It is unlikely that excluding an investment protection chapter from the TTIP would significantly impede the reform of the system. In fact, excluding investment protection from these agreements might even support those reforms because this would indicate that investment protection chapters are not always the best and only solution.

Second, even if one assumes that an investment chapter in agreements with other trading partners are necessary, investment protection in the TTIP is not a prerequisite. In fact, trade and investment relations between European and North American OECD countries traditionally did not involve investment protection agreements. In addition, countries such as Australia have shown that a country can credibly exclude investment protection in a trade agreement with one country (e.g. the US-Australia FTA) and still include it in an agreement with another country (e.g. the Korea-Australia FTA).

EU APPROACH TOWARDS ISDS

The EU approach towards investment protection and ISDS as described and explained in the consultation documents, and as evidenced in the draft text of the Canada-EU Trade Agreement CETA and the EU-Singapore free trade agreement, contains a number of improvements if compared with traditional BITs, including BITs of some of the EU Member States. If one considers the system of investment protection generally to be useful and assumes



Ayub Khan visiting Hans Ehard two years after Pakistan and Germany signed the first bilateral investment treaty.

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that this system can be improved through reforms, the EU approach should be perceived as a step in the right direction as it contains a number of useful improvements.

These improvements concern inter alia a clarification that pure letterbox companies will not benefit from investment protection; the clarification and limitation of the scope of the concepts of fair and equitable treatment and indirect expropriation; and mandatory transparency requirements for ISDS. However, even from a perspective that considers an improved investment protection system including a reformed ISDS to be more desirable than no investment protection, the EU approach does not seem satisfying, because it fails to incorporate reform proposals that have been advanced in recent debates and treaty practice. The EU's approach could be improved by requiring that the investor adhered to international standards and guidelines for multinational enterprises (such as the

OECD Guidelines or the ILO Declaration) before turning to ISDS.

However, investment protection including ISDS in an EU-US agreement remains in principle problematic: ISDS establishes a system of judicial protection which is only available for foreign investors. By definition, this additional system awards benefits to foreign companies that are not given to domestic companies. This discriminates against domestic companies. Furthermore, ISDS has the potential to destabilise the domestic judicial system, because public measures (such as laws, regulations, decisions, etc.) can be subject to two diverging legal assessments. This leads to legal uncertainty in particular if the questions before domestic courts and investment tribunals are essentially the same. Finally, ISDS can influence domestic legislative and administrative decision-making. Even if the substantive standards are defined in a restrictive way and even if ISDS

“AN ALTERNATIVE INVESTMENT PROTECTION SYSTEM COULD BE TO ESTABLISH **A PERMANENT INTERNATIONAL INVESTMENT COURT** THAT WOULD HEAR CLAIMS ON THE BASIS OF INVESTMENT TREATIES INSTEAD OF ARBITRATION TRIBUNALS.”

proceedings are transparent, investors may nevertheless file their claims. The likelihood that the investor may win could be reduced through the reform proposals of the EU, but the potential threat with an ISDS claim remains as long as agreements such as TTIP or CETA contain a chapter on investment protection.

Improvements of the international investment protection system would require a new start, instead of relying on reforms of the current system. Such a new start should be based on the following principles and rationales: International investment law should generally protect domestic and foreign investors engaged in sustainable investment activities against arbitrary state actions, promote the rule of law and the protection of property rights in order to foster sustainable development and growth in all countries, be compatible with domestic regulations aimed at legitimate public interests even if they have negative impacts on private business activities and be integrated into domestic legal systems and support the development and maintenance of an impartial and functioning judicial system which is compatible with international human rights standards.

An alternative investment protection system could be built on a number of ideas. One option would be a reliance on state-to-state dispute settlement. This approach, which has worked effectively in the WTO, has never been tested in the context of investment protection even though it exists in virtually all investment agreements and chapters. Under such an approach, the home state of the investor would sue the host state after the investor exhausted the local remedies. Another option would be to establish a permanent international investment court that would hear claims on the basis of investment treaties instead of arbitration tribunals. This option would keep the right of investors to raise claims on their own behalf, but the legitimacy, transparency and neutrality of the international court would be higher than that of investment tribunals.

Apart from these alternatives to investment arbitration, a more fundamentally new approach would be to negotiate and agree on measures that would improve the judicial systems in countries that are still developing an independent and efficient judiciary. To further advance this cause, investment agreements could include

chapters on judicial reform and the rule of law on international trade and investment agreements should offer cooperation and support for countries which are struggling with these issues. For example, it might be worth exploring this avenue in current and future negotiations of the EU on trade and investment agreements with Thailand, Vietnam, or other countries. However, a trade agreement with the US or with Canada does not need such a chapter, because the US and the Canadian legal systems offer sufficient protection for economic actors including foreign investors.

ABOUT

Markus Krajewski *is professor of public and international law at the University of Erlangen-Nuremberg (Germany). His research interests include international and European law, in particular constitutional and institutional issues of WTO law, trade in services, external relations of the EU and the treatment of public services under European and international law.*

A FRESH START

Bernd Lange (S&D MEP) and Hendrik Bourgeois (Vice President European Affairs at General Electric) discuss whether the TTIP is the key to prosperity or whether it threatens Europe's social model.



Interview by Maria Maggiore
Transcription by Moritz Pfeifer



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Hendrik Bourgeois is Vice President European Affairs at GE (General Electric Company). Prior to joining GE, he was an attorney with Jones Day, based in Washington DC and Brussels.

Bernd Lange is an MEP for the Social Democratic Party of Germany. Since 2014 he is the chairman of the Committee for International Trade (INTA).

◇◇ **MORE** ◇◇

Watch the full video of the interview online at
www.queries-feps.eu

“THE ROLE OF THE PARLIAMENT IN THESE DEBATES HAS TO BE STRENGTHENED.” (BERND LANGE)

Queries: Mr Lange, the Parliament will vote for or against the TTIP. As a member of the European Parliament, you follow the discussions closely. What is your judgment on the progress of the talks?

Bernd Lange: Perhaps it was a failure not to involve the Parliament more closely in the negotiation process. At the moment the TTIP is in troubled water. We need a fresh start. Above all, we need more transparency so that everyone can be aware about what is on the table and what is not. That is particularly important for sensitive areas like public services or cultural diversity. The role of the Parliament needs to be improved to avoid failure, for nobody wants a second act. You are right, the parliament will decide, which is why the Commission and the Parliament need to cooperate more closely.

Q: What is your judgment on the negotiations, Mr Bourgeois?

Hendrik Bourgeois: I think we are making progress. I am not surprised that people are asking themselves how we can take a fresh start. Nevertheless, I think that this Commission, and Cecilia Malmström in particular, has done an extremely important effort of transparency. I have a hard time imagining what the Commission could further do to increase transparency in the process. The negotiating text and the mandate are published; the European Parliament is closely associated with the discussions and the negotiations.

BL: Yes, but one and a half years too late...

HB: Now the risk is that there is information overload. There is so much information available and so many discussions on the TTIP that it becomes difficult for certain stakeholders to focus on the key issues.

Q: What are the ambitions of General Electric in this agreement?

HB: Companies like General Electric (GE) and many companies that have a very important economic footprint in Europe have suffered from the credibility crisis that Europe was exposed to as a result of the Eurozone crisis and the sovereign debt crisis. This agreement, if we ever have an agreement, will send a very important message: that Europe is ready to increase and improve its investment and business climate. An important result of the treaty will be its psychological impact.

For GE in particular we are looking forward to improve this climate by eliminating tariffs on the import and export of goods. GE sends goods over the Atlantic in significant amounts and is paying tariffs on those goods. Secondly, we are hoping to find more compatible regulatory approaches in the energy sector, the financial sector, as well as in the medical devices sector.

Q: Will this agreement only help the industry?

BL: The Social Democrats are in favour of an agreement provided that some conditions are met. First of all, the globalized

economy is mismanaged. We need to establish clear and fair rules so that competition is based on quality and efficiency, not on social and environmental dumping. For us, it is important to establish fair rules and protect and ameliorate environmental and labour rights standards. This is important for the globalized economy because 50 % of the worldwide GDP is based in these two areas. Secondly, there is a global change of values. It is important to facilitate small and medium sized enterprises to be part of this value change.

Q: If we take one example, for instance, digital economy, the United States have an advantage over Europe in tax systems, network neutrality and development. The fear is that they can just impose their model on European SMEs and Europe will be forced to comply.

BL: We have to adjust our legislation on this question of the Internet of Things, or what the Germans call Industry 4.0. It is a question of data protection, data flow, ownership of data, and competition law. We have to solve these problems in Europe but also in the negotiations with the United States.

Q: What is the importance of the Digital Economy?

HB: The future of economic growth will be based on the free flow of data. What we need is data privacy and balanced rules of data protection. What we do not need is data protectionism. The agreement could

be a real opportunity to set the standard on how two mature economies, the United States and Europe, can promote the free flow of data and at the same time protect the privacy rights of our citizens on both sides of the Atlantic. I do not think that there is a better partner for Europe than the United States. Both share common values: sustainability, respectful democracy, and property rights.

Q: Are there really such common values?

BL: On the question of who has the ownership of data, there are already differences between the United States and Europe. Of course, there are also common values. We have democratic systems on both sides of the Atlantic. But we need to agree on fair standards.

Q: What about the controversial topic of Investor-State Dispute Settlements (ISDS) that give companies the possibility to legally attack other member states?

Mr Lange, I think you don't like this ISDS. Why?

BL: I think investor protection is necessary so that investors are properly secured and that foreign and domestic investors are treated equally on both sides of the Atlantic. ISDS is an old-fashioned instrument. It was a European idea, created to secure European investments in unsecure countries. Between the EU and the United States, this is unnecessary because we have well developed juridical systems to secure the equal treatment of investment. It is also not economically necessary. Ireland, the country with the biggest investments in Europe, has no ISDS agreement at all.

Q: Is the ISDS a good instrument to protect companies like General Electric?

HB: It is an important instrument and we should preserve ISDS. Nevertheless, it could reasonably be argued that it provides too much investor protection. If there is a problem with ISDS, however, the TTIP is a perfect opportunity to reform it, such as making sure that countries have the right to regulate in the public interest.

Q: Is it so crucial for the United States to include ISDS? Would the United States accept a TTIP without ISDS?

HB: For GE it would be important. If you were to ask the US government, I think you would have a hard time to validate the treaty without ISDS for the simple reason that Europe itself has accepted ISDS for its member states.

Q: But under other conditions. Mr Lange, you just came back from Washington. What is your impression?

BL: In the Congress, 13 Congressmen introduced a bill asking for the exclusion of ISDS. The Senate also has a declaration asking for the exclusion of ISDS. So there are ongoing discussions. I think we will not harm the negotiations if we have a good TTIP with good standards especially on the labour side but without ISDS.

Q: What are the chances that the TTIP will pass before the US-American elections?

BL: That is the goal. We need to have a substantive agreement before the US elections.

Q: Is there enough time to present the TTIP in another way?

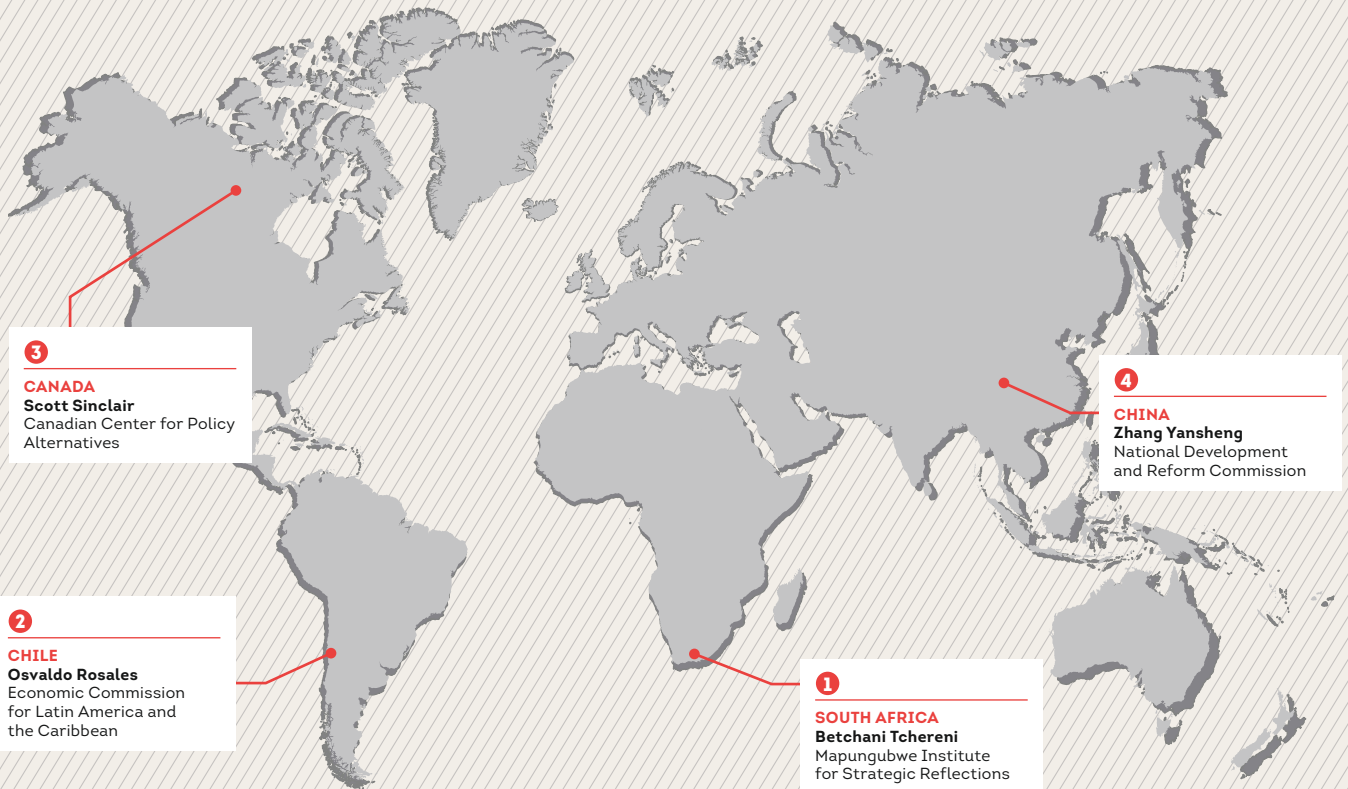
BL: I think we need a fresh start. That means more transparency and the new Commission is on the way to achieve that. The result of one and a half years of negotiations will present a resolution to the Parliament in May. I am convinced that we have to strengthen the role of the Parliament in these debates because such an important trade agreement is not just an issue that should be dealt behind closed doors.

Key Points

- In order to make negotiations more transparent, the Parliament needs to work more closely with the Commission.
- The trade agreement has to protect and ameliorate environmental and labour rights standards.
- The TTIP will send a very important message to investors: Europe is ready to improve its business climate.

TTIP AS SEEN FROM BEYOND EUROPE

Queries asked four international experts in trade and political economy to give us their point of view on the TTIP and its potential impact on their respective countries.





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TTIP DEAL IS JUST A DEREGULATION PROCESS



by Betchani Tchereni

The procrastinating processes happening at the World Trade Organisation's Doha Round have frustrated business entities around the world.

Agricultural and non-agricultural market access (NAMA) contestations led to prolonged negotiations. For Europeans and Americans, the Transatlantic Trade and Investment Partnership (TTIP) is expected to

G-20, South Africa is considered a voice of the voiceless in the global economic governance system. However, with high unemployment, lower beneficiation rates and suspicions of transfer pricing, inward trade and investment laws are being preferred.

As Jürgen Maier¹ shows, TTIP is not really a trade agreement; rather it is an investment pact, which will be spearheaded by the private sector. Through bilaterals and the multilateral trade system, EU-US trade is already free. One of the establishments of the TTIP

“THE TTIP HAS THE POTENTIAL TO REDUCE INVESTMENT INFLOWS AND BLOCK MARKETS IN SOUTH AFRICA.”

stimulate economic growth with trade volumes expanding by almost €600 billion per year for each side of the Atlantic. This is too good to hear, leaving many sceptical as well. In Africa in general and South Africa in particular, there are worries emanating from the possibility of a final seal of the TTIP agreement. The major buyers of African commodities are Europe, China and the USA. Both Europe and USA are, in their own right, major trading partners with South Africa.

South Africa has enjoyed the status of a “gateway” to Africa, and many African countries trade with South Africa more than Europe or the USA. Being a member of BRICS and the

Investor-State Dispute Settlement Mechanism (ISDS), which will be the last resort for investors unsatisfied with decisions of the Regulatory Cooperation Council.

Big corporations then will influence the direction of regulation without any human face to it. Preferential trade agreements such as African Growth and Opportunity Act (AGOA) would have to be redrafted to suit the new mega-trade agreement. South Africa's classification as a developing country must stimulate creation of cushions in case the TTIP excludes it from enjoying some preferential trade treaties. In South Africa, all possible appearances of an ISDS were

already cancelled which is a message that the country is getting ready to negotiate investment and trade on its own terms.

Foreign direct investment (FDI) inflow into South Africa is sourced mainly from the EU, Japan, and the USA. The access to markets will depend on the extent to which TTIP member states create a provision on which they can sign bilaterally on different terms with peripherals. Investments might be diverted from South Africa, and this has the potential to reduce investment inflows and blocking markets of South African goods and services to the US and EU.

The WTO negotiation system is based on consensus for regulations to be agreed upon by all its member states. In the first place, South Africa argues that such negotiations have had negative consequences, with stronger economies taking advantage and dumping their commodities in poorer territories.

Since the TTIP is about subtle deregulation in an environment where economies coming from the financial crisis are to deal with liberal economic policies, one has to move with caution. South Africa is already moving with care in this regard, as certain deregulations (and opening up to trade and investment) have been put under review.

TTIP has ‘harmonisation of trade and investment laws’ as one of its major tenets, which will commonly lead to non-tariff barriers to trade. Unless South Africa improves on ISDS and rules of origin, it will be harder for the country to access the European and US markets.

ABOUT

Betchani Tchereni was born in Malawi and is Senior Researcher within the Political Economy Faculty at Mapungubwe Institute for Strategic Reflections.

¹http://www.forumue.de/fileadmin/_temp_/TTIP_-_what_it_is_about_and_why_it_must_be_stopped.pdf



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THE TTIP AND ITS POSSIBLE IMPACTS UPON CHILE



by Osvaldo Rosales



Chile is one of the most open developing economies in the world and among the most active in negotiat-

ing Free Trade Agreements. In addition to the Chile-EU FTA, it is a signatory to other noteworthy FTAs including with the United States, Japan, Korea, Canada, Australia, and other Latin American countries. TTIP negotiations are of particular interest

products that face tariff restrictions. Even for goods with zero tariffs, it is possible that the TTIP will generate better market access conditions for its respective members in terms of sanitary and phytosanitary measures, technical norms and trade facilitation, including customs measures. It is possible that the rules of origin in the TTIP will be more flexible than those in the respective FTAs with Chile, which will increase the probability transatlantic value chains and Euro-American business alliances. This will

“CHILE COULD SEEK TO JOIN THE TTIP OR AT LEAST, ASK FOR EQUIVALENT STANDARDS.”

to Chile since it involves two privileged trade and investment partners seeking to establish renewed trade and investment ties. This may result in diminishing the value of the FTAs Chile has in place with both partners. With the exception of sugar, Chile's entire tariff regime has been phased out with the United States. With the European Union, nearly 92% of tariffs are phased out – there are only restrictions on meats, cheeses, cereals, salmon, and hake. In this sense, in general terms, the TTIP would improve market access for United States' goods that compete with Chilean goods. Specifically, it would produce a great strain upon those

make Chile's export diversification to both markets more complicated. One of the TTIP's main objectives is regulatory convergence in technical norms and, eventually, in related public policies. This will benefit goods originating in TTIP markets and will also encourage the creation of transatlantic value chains. It is possible that a significant level of regulatory convergence is reached in areas such as the Internet and digital trade. These standards will quickly transform into international standards even though they were negotiated outside the multilateral trading system. This will result in increased adapta-

tion costs for developing countries such as Chile. In practice, this regulatory convergence between two economic giants will result in entry barriers and make it more difficult to export services to TTIP markets and the rest of the world.

The United States' excessive protection over pharmaceutical products is well known and is reflected in its high prices for medicines. If this position is imposed upon other countries, the cost of public health will increase and it will limit the scope of social programs in Chile. The United States is seeking to fully deregulate capital flows and exclude this from being subject to regulatory convergence with the EU. If it succeeds, it would open the possibility for financial speculation and make global markets susceptible to financial crises. If this is what is agreed upon, it will be difficult for Chile to maintain its financial instruments for short-term capital controls as is currently permitted under its FTAs with the US and the EU.

Taking into account its respective FTAs with the US and the EU, Chile could seek to join the TTIP or at least, ask for equivalent standards. Whether or not this implies that Chile would have to make additional concessions would have to be determined on a case-by-case basis. Since Chile is not part of the TTIP negotiations, it could request a transition period to allow for adaptation.

ABOUT

Osvaldo Rosales is the Director of the Division of International Trade and Integration of the Economic Commission for Latin America and the Caribbean (ECLAC), and was Chile's Vice-Minister of Trade from 2000 to 2004.



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WHY EUROPEAN PROGRESSIVES SHOULD OPPOSE CETA



by Scott Sinclair

Europeans sometimes find it difficult to tell Americans and Canadians apart. The secret is that if you step on a Canadian's toe, they'll apologize.

In that vein, I wish to apologize for the Canada-EU Comprehensive Economic and Trade Agreement (CETA).

Although CETA is not as well-known as its controversial cousin, the TTIP, they bear a close resemblance. The main subject matter

protect the environment.

Canadian mining companies are involved in a number of environmentally destructive projects in Europe and welcome ISDS as a way to punish communities that rebuff them. US multinationals will also be able to use their Canadian subsidiaries to launch investor-state claims against Europe.

Beyond ISDS, CETA contains other problematic features. It is a top-down agreement, meaning everything is covered unless expressly excluded. This is Europe's first

“IF A MEASURE OR SECTOR IS NOT PROTECTED UNDER CETA, IT IS LEGALLY MEANINGLESS TO RESERVE IT UNDER TTIP.”

of CETA is not tariffs, but regulation, the very stuff of governance. The Canadian deal includes many features being negotiated in TTIP, and it will create the same problems for democratic authority and regulatory flexibility. The most notorious similarity is that CETA includes an investor-state dispute settlement (ISDS) mechanism. This powerful tool allows foreign investors to bypass domestic courts and use private arbitration to contest policies that allegedly impair their profits. An ISDS process in NAFTA has made Canada the most sued developed country in the world. The majority of these disputes involve challenges to regulations, such as those to

taste of a “negative listing” approach and mistakes could be costly. Importantly, Europe's CETA reservations for services and investment set a ceiling for its TTIP reservations. Successive agreements build on one another by requiring that every free trade partner get the best treatment afforded to any other. In other words, if a measure or sector is not protected under CETA, it is legally meaningless to reserve it under TTIP. This holds true even if Europe uses a positive listing approach in TTIP as recommended by the European Parliament.

CETA's domestic regulation chapter obliges governments to provide corporations with

licensing procedures that are “as simple as possible” and do not “unduly complicate or delay” their projects, putting thorough environmental and social benefit assessments at risk. CETA also conflicts with the freedom of elected governments to bring privatized services back into the public sector. Once foreign investors are established in a privatized sector, efforts to restore public services trigger claims for compensation, locking in privatization.

Regulatory cooperation sounds innocuous, but in practice means giving business lobbies early warning to mobilize against regulatory initiatives. Unrelenting pressure from the Canadian government and oil industry players has already derailed proposed European standards to curb the use of carbon-intensive heavy oils from the tar sands.

TTIP and CETA are less concerned with improving transatlantic trade, which is already very open, than with limiting regulations that are disliked by multinational business. Progressives looking to confront the most pressing challenges of the 21st century—climate change, austerity and inequality—must protect their democratic authority from such treaties.

ABOUT

Scott Sinclair is a senior research fellow with the Canadian Centre for Policy Alternatives. Prior to joining CCPA, he was a senior trade policy advisor with the Government of British Columbia. He is the editor of Making Sense of CETA, available at www.policyalternatives.ca.



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TTIP A CAUSE FOR CONCERN FOR CHINA



by Zhang Yansheng

The Chinese government holds an open attitude towards TTIP, and also the TPP trade treaty. However, TTIP does raise three areas of concern from my point of view. First of all, what might be the far-reaching influence of such a formulation of international economic and trade rules? Could it replace the World Trade Organization (WTO) at some point in the future? Secondly, TTIP does

cooperation between different nations is now changing to cooperation among the rich countries. It means that globalization is being thrown into reverse and that developing countries will find themselves isolated. All of these processes will eventually harm members of the EU and will also hinder their progress towards integration.

As for European Union citizens, TTIP is a double-edged sword. On the one hand, high standards will promote their welfare.

a result, China will be forced to turn to other third parties for its cooperation. Based on its relationships with neighboring countries, and its 'One Belt and One Road' policy, China will seek to establish a global network of Free Trade Agreements (FTAs). As for the way in which the TTIP negotiations are being conducted, I believe it is a compromise of interests on both sides. And it is a general Free Trade Agreement that falls short of expectations.

“TTIP WILL REDUCE THE CONSUMER SURPLUS OF EUROPEAN CITIZENS AND ALSO THEIR ECONOMIC WELFARE.”

not take into account the interests of developing countries, who could potentially become marginalized. Thirdly, TTIP could provide a value-added of €119 billion for the European Union and €95 billion for the United States every year. But for the Chinese and the non-member countries' economies, it will bring trade diversion and great losses.

At the same time, I also believe that TTIP represents a setback for EU integration, because a multilateral relationship between countries is regressing to a bilateral one; what was originally a wide-ranging form of

On the other hand, it will also bring strong regulation and a restriction of imports. It will reduce the consumer surplus of European citizens and also their economic welfare.

In terms of the major trading blocs, the TTIP treaty will enhance the global leadership of the United States – and will mean a specific loss for China. At the same time, it will increase Sino-US trade friction. The treaty will also weaken Sino-European economic cooperation – in so far as it will increase the cost of that cooperation and trade between China and the EU. And as

ABOUT

*A professor at Beijing and Tsinghua universities **Zhang Yansheng** studied in China, Canada, and the United States. He worked for the World Bank's Economic Development Institute before joining the National Development and Reform Commission in 1996.*

TTIP: A HOT TOPIC IN THE NEW EP

What will happen to it?

Transatlantic Trade and Investment Partnership may enter into force only with the consent of the European Parliament. While in theory the MEPs can only agree or reject the agreement as a whole and don't have the possibility to amend it, in practice the parliamentarians have a significant power to influence the outcome of negotiations by threatening that they will reject the treaty, if it does not respect their wishes.



by Doru Frantescu & Kaisa Lõhmus,
VoteWatch Europe

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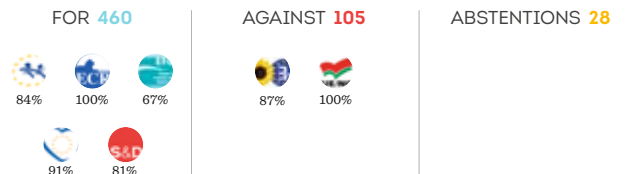
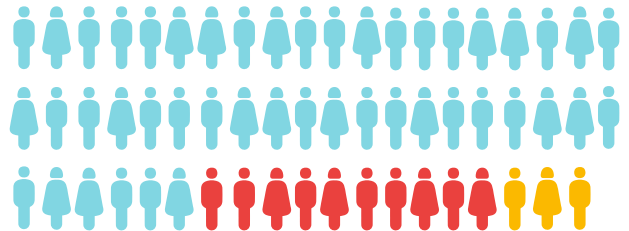
e can already forecast that this is not purely hypothetical, since it would not be the first time it happens: the EP is well-known for having buried ACTA (Anti-Counterfeiting Trade Agreement) in 2012,

after the MEPs felt that the Commission had largely ignored their views. Having learned that lesson, the Commission is likely to listen much more carefully what the representatives of the citizens have to say.

STATE OF PLAY BETWEEN THE POLITICAL GROUPS

The radical-left group GUE/NGL and the Green/EFA group seem have taken the strongest stance against the agreement (see graph 1). They object to TTIP for arguing that it would bring limited economic gains, but considerable collateral risks. The GUE/NGL group sees the trade agreement as a deal convenient first of all to the interests of global corporations, rather than consumers on both sides of the Atlantic. Left leaning Greens/EFA group fears

1 THE TTIP RESOLUTION AS A WHOLE*



* Results for NI: for 8 / against 16 / abstentions 0
Date of the vote 23.05.2013

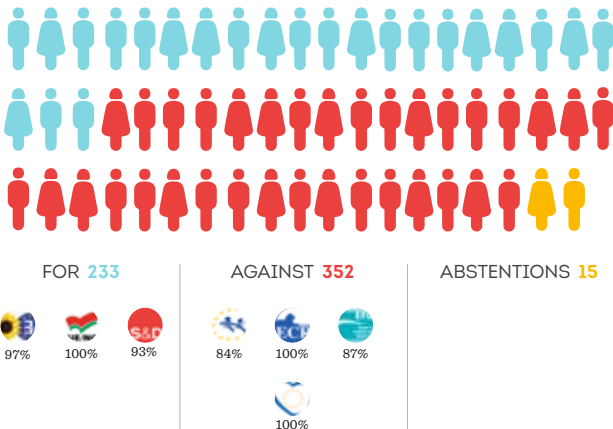
that the TTIP would be used by both sides of the Atlantic to lower standards and regulations in order to maximize their profits. Among the radical right and nationalists Members the opinions are split, some opting for protectionism or arguing that the European Commission should not be entitled to negotiate international agreements on behalf of the member states in the first place. However, the opinions of the centrist political groups are much more favourable to the concluding of a TTIP. Christian Democrats (EPP), Socialist & Democrats (S&D), Conservatives-Reformists (ECR) and Liberal-Democrats (ALDE), they all see TTIP as an opportunity for growth and new jobs creation in the EU. Moreover, the benefits would be not only economical, but also geopolitical, by strengthening the transatlantic partnership and thus putting the EU and the US in a much better position to influence the developments at global level, which seems of growing importance, given the evolutions at the EU Eastern borders and in the Middle East. The deal, if reached, would have an impact worldwide, as the agreement would establish new rules for global trade based on an economic model that would prevent the trend of state control over trade.

“IN PRACTICE THE PARLIAMENTARIANS HAVE A SIGNIFICANT POWER TO INFLUENCE THE OUTCOME OF NEGOTIATIONS BY THREATENING THAT THEY WILL REJECT THE TREATY.”

But the level of support for the TTIP is different, even among these groups. By far the most disputed aspect of the TTIP is the issue of whether to include or not an Investor-to-State Dispute Settlement (ISDS) (see graph 2), a mechanism which grants the foreign investors the right to sue governments for actions that limit a corporation's future profits. The settlement has been criticized by far-left GUE/NGL group, left leaning Greens/EFA group, and the socialists (S&D group). Some ALDE Members have also expressed reservations on this regard.

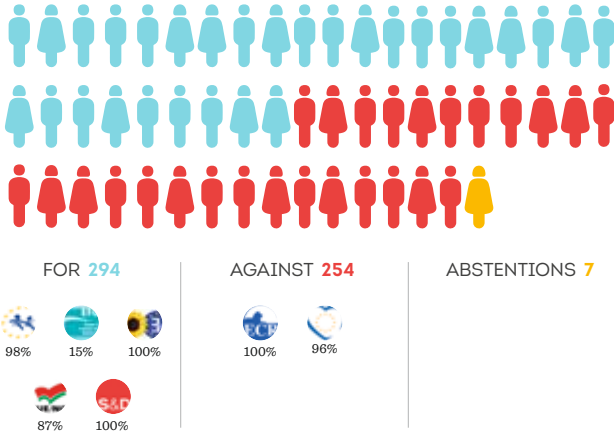
These politicians say that accepting the ISDS would mean opening the door for big corporations to enforce their interests against EU legislation. S&D group requests that the Commission drops ISDS within TTIP altogether. The EP groups opposing the all-negative opinions about the ISDS argue that an effective ISDS system will make European investors feel more secure and thus encourage them to invest. ECR is in favour of investor to state settlement, arguing that it has been introduced in dozens of existing free trade agreements with other countries, without any major problems. In addition to the ISDS, the Social democrats (S&D group) have other areas of concern as well: the social and environmental standards. The group says it will not support the settlement if the latter lowers the European Union standards in respect of environment, consumer protection, social protection, or data protection.

2 VOTE ON A REQUEST TO EXCLUDE THE ISDS FROM THE TTIP**



** Results for NI: for 16 / against 2 / abstentions 7
Date of the vote 23.05.2013

3 EU-VIETNAM FREE TRADE AGREEMENT NEGOTIATIONS***



***Results for NI: for 13 / against 10 / abstentions 2
Date of the vote 17.04.2013

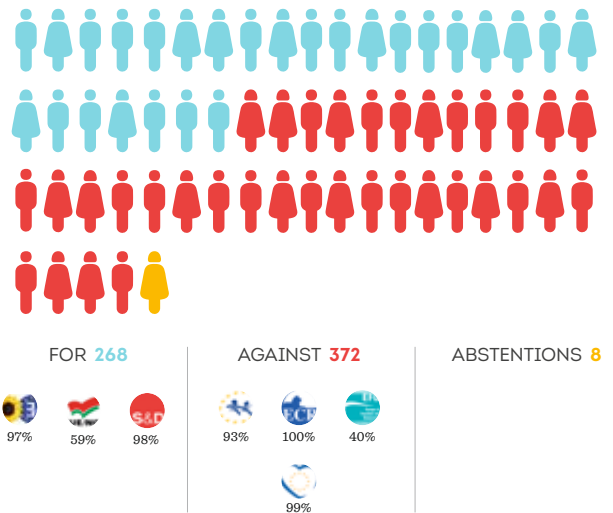
LESSONS TO LEARN FROM PREVIOUS VOTES ON TRADE ISSUES

If we refer to other votes that took place in the former European Parliament, we can notice that the Institutions had other concerns to handle with a potential impact on the TTIP upcoming resolution. For example in April 2014, the European Parliament voted on a resolution on EU-Vietnam Free Trade Agreement negotiations (see graph 3). The result of a specific vote concerning an amendment on social protection of workers was very disputed. The amendment claimed that “the respect of workers and trade union rights must be a key feature in all trade agreement the EU signs with third countries.” The provision was adopted by a close margin thanks to an alliance between the groups from the left and the liberals of ALDE.

Another example is a vote on opening the negotiations for the plurilateral agreement on services (also known as the Trade in Services Agreement - TiSA) (see graph 4). The result of this particular vote, concerning an amendment asking to the Commission to defend the important role that public services play in EU social model, as distinct from US approach, was also tight. The amendment was rejected by a small margin, with the centre left groups supporting it and the centre-right groups plus the liberals voting against.

These two votes on trade issues show that the European Parliament has to learn lessons. Let's hope they do it before the TTIP resolution is voted.

4 OPENING NEGOTIATIONS ON A PLURILATERAL AGREEMENT ON SERVICES****



****Results for NI: for 17 / against 9 / abstentions 0
Date of the vote 04.07.2013



The positioning of the party logo shows the official line of each party.
The percentage shows the cohesion within each party.



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MEET THE PRESS

Europe's Radical Left:
just a flash in the pan?

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Oliver Schopf
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EUROPE'S RADICAL LEFT: JUST A FLASH IN THE PAN?

The left-wing alliance Syriza governs in Athens, after having forged a coalition in record time with the right-wing populist Independent Greeks. Meanwhile, over one hundred thousand Podemos supporters have demonstrated in Madrid. Just a flash in the pan, or is Southern Europe's new left a force to be reckoned with? Can Prime Minister Tsipras convince the EU to ease the pressure on Greece?

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Diversity and uniformity are just as evident in Europe's headlines as they are in Europe itself. The **euro|topics** press review shows you which topics are moving Europeans and reflects the great variety of opinions, ideas and emotions on those issues. Whether the topic is politics, the economy, society or culture, **euro|topics** takes a daily look at the European press and cites the most important voices. Because the question that interests us is: What does Europe think?

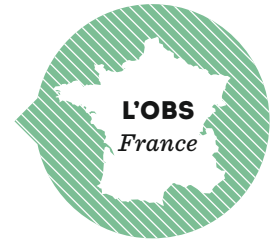
[+] INFO: www.eurotopics.net

25.01.2015

Hollande can be referee in austerity dispute

France's President François Hollande must play a decisive role in the search for a compromise between Greece and the EU, the left-liberal news magazine L'Obs demands: "The upcoming negotiations will be crucial for Greece and fundamental for Europe. They are set to be bitter: Angela Merkel's CDU has already set its terms in an extremely brutal manner by indicating that preparations must be made for a possible Greek exit from the Eurozone. Here

François Hollande holds a real trump in his hand. He's in the centre of the political chess board between Germany - which insists on stringent monetary discipline - and Greece, Spain and the other countries where the wind of change is blowing. The chance of seeing the euro take on a more human, social face now depends on the stance he takes."





© Lorenzo Gaudenzi

27.01.2015

Tsipras's government unstable

Forming a coalition with a small right-wing populist party will only increase the difficulties Greece's new prime minister Alexis Tsipras faces, the left-liberal daily Der Standard predicts: "Even without the enormous task of restructuring debt and mastering the economic crisis, this government takeover by the left would be difficult. It lacks experience in government and it poses a challenge for the institutions of the Greek state. A large section of the media is tied up with the two parties of the old system,

Nea Dimokratia and Pasok. The police apparatus has seen the left as an opponent up to now. [...] It's uncertain whether the ministerial bureaucracy will back Syriza even though the left enjoys the support of some public servants against whose dismissal it fought. There are likely to be conflicts with the Orthodox Church and over foreign policy priorities. Forming a coalition with a small right-wing populist party only makes things all the more difficult. Tsipras's government is of a new type, but it's not stable."



29.01.2015



COMPROMISE COULD THWART EUROSCEPTICS

By seeking dialogue with the new Greek government the EU can also send a signal to other Eurosceptic states, the left-liberal weekly Le Jeudi writes: "Yes, the going will be tough. Nonetheless, in this community of people and interests that is the European Union we must not forget to listen to the voice of the Greeks. [...] Listening to, and still better understanding the Greeks also means finding a response to the nationalist, separatist and Eurosceptic menaces that are seeing the light in many places - especially given that this year Britain, Denmark, Estonia, Finland, Sweden, Poland, Spain and Portugal are all preparing to vote."

29.01.2015



INDIGNATION BECOMES POLITICS

Podemos and Syriza are giving the indignant a political voice, philosopher Josep Ramoneda writes in the left-liberal daily El País: “These are not movements that call the system into question. We are not on the brink of a revolution. People are simply sick and tired of encapsulated parties and a democracy that is falling apart because of the promiscuity between politics and money. [...] What

makes Podemos unique is that it has dared to turn the indignation into a political option and say: ‘We are going to win!’. For those in charge it’s intolerable. It is not the emerging parties that pose a threat to democracy but the institutions’ unwillingness to cede power and open up the field for others. With the two-party system ever fewer citizens can find a place in democracy.”



© PODEMOS

01.02.2015



Syriza a risk for Spain, Portugal and Ireland

Journalist Endre Aczél voices fears of a surge of left-wing populist forces after the victory of Syriza and the Podemos rally in Spain in the left-liberal Sunday newspaper Vasárnapi Hírek: “After Syriza’s election victory the rise of Podemos in Spain seems inevitable. Both are radical left-wing parties, both are populist and anti-elite, and both base their policies on the principle that the man on the street should not pay for the mistakes of the political establishment. [...] The problem is that Syriza’s victory is exerting a major force of attraction. [...] Elections are just around the corner in Spain, Portugal and Ireland. It is to be feared that in these countries too, left-wing populist forces will come to power.”

06.02.2015



ALL SIDES CAUGHT UP IN GREEK DRAMA

Greek Finance Minister Yanis Varoufakis met for the first time on Thursday with his German counterpart Wolfgang Schäuble. But after the new Greek government's European circuit a solution to the debt crisis is still nowhere in sight, economist Ivan Van de Clout bemoans in the left-leaning daily De Morgen: "While courtesies are being exchanged in public, this is all really a game of mutual blackmail. [...] Both the Greek government and the European institutions seem to be continually upping the stakes. The Greeks - with Varoufakis in the lead - give the impression that they are regularly overbidding their hand. But the European backers are also not acting wisely. Instead of using the threat of turning off the money tap as a means of applying pressure, the ECB has already shot its powder. Even the Greek finance minister should perhaps ask himself if he's not just playing a role in a particularly bad drama. The scope for a solution in the interests of all Europeans is shrinking from day to day."



© BarceX

14.02.2015

Left will triumph in 2015



Parliamentary elections will take place in eight EU states in 2015. Leftist forces will be successful above all in the countries of southern Europe, the left-liberal web portal autograf.hr predicts: "The series of elections is impressive: Greece, the UK, Spain, Poland, Denmark, Finland, Portugal and Estonia. While in the north of Europe there's a trend of right-wing nationalist parties gaining popularity in times of crisis, in the countries of the south the opposite is the case. In Greece, [Syriza boss] Tsipras

is growing more and more popular and there's a similar scenario in Spain. A victory for Syriza in Greece will no doubt lead to Podemos taking over the government in Spain. This in turn will give the left-oriented movements a boost in many other EU countries that want radical changes. That means that as we move into 2015 nothing will stay as it was in Europe."

A GLOBAL APPROACH TO TERRORISM

by Jean-Christophe Cambadélis

Social democrats must fight terrorism by strengthening security, democracy, and social and economic inclusion, while also working to combat religious radicalisation in order to build a cohesive European approach to tackling extremism.



Terrorism is not a new phenomenon in Europe. 19th-century anarchists committed acts of terrorism, as did far left- and rightwing groups in France, Italy and Germany, as well as separatist movements like the ETA and IRA. During the bullet-strewn period known as the “years of lead”, fringe groups perpetrated attacks as part of a “strategy of tension” rooted in their misguided interpretation of revolutionary doctrines. But this era is now a thing of the past. Condemned morally and politically, these groups failed because democratic solutions achieved much more than their attacks ever could.

EUROPE AND THE FIGHT AGAINST TERRORISM

Today we face international terrorist movements that have perverted Islam. And because the threat is now international, the response must be global, which

is why European coordination on this matter is so important.

Let there be no mistake. Many attacks have been foiled and several networks have been dismantled, but recent events have proved that some still remain. Hence the need to step up monitoring and security without infringing upon civil liberties. It is clear from the attacks in Paris and Copenhagen—and those in Madrid and London a decade earlier—that no state can take a “go-it-alone” approach to combating terrorism.

The nations of Europe are no longer at war with each other, but international terrorism, fuelled by religious fanaticism, poses a threat to the continent as a whole. We are up against an invisible enemy that seeks to “move among the population like fish in water”. But instead of a Patriot Act, we need a democratic pact—a push for more democracy, as Jens Stoltenberg called for in the wake of the Norway attacks. Not restrictions on freedom in the name of security. This is a point on which the left and the right differ

in their approaches. The best way to counter extremists is to isolate them by forging a society built on progress, justice and equality—not by using the so-called “clash of civilisations” as a pretext for targeting a single religion.

RELIGIOUS RADICALISM AND INTEGRATION

A long-term effort is required to improve surveillance of extremist networks and successfully integrate—socially, economically and culturally—the groups who have been the primary victims of tensions linked to identity. Austria has approved a plan with these aims and France has a similar initiative in the works. We must open a dialogue with religious leaders—who are acutely aware of the misconceptions and stigmatisation that Muslims face—on topics such as the training of religious officials and funding to build places of worship. Demonstrating our determination to defend a free, pluralistic society is not only an effective means of combating

terrorism and religious fundamentalism, but it also enables us to tackle other forms of political radicalism—namely the far right—which attempt to exploit these periods of fear and tension to their advantage.

France's principle of secularism must serve as a rallying point for believers and non-believers alike, not become a bone of contention that divides them. Efforts to promote integration and social cohesion are key to achieving this goal.

The far right has always fed off latent racism. Marine Le Pen has silenced her father's anti-Semitism in order to provide a better forum for her own anti-Arab rhetoric. But in reality, this offensive against Arabs and Islam is an offensive against all those whose lives differ from those of "native Europeans", as she puts it. And one day or another, the Jewish community is bound to become its target once again.

We have proposed three policy issues for the Party of European Socialists to address: EU coordination in the fight against terrorism, international cooperation (foreign policy and joint security policy) and fostering harmonious co-existence in Europe. The goal is to examine ways to promote European values by combating anti-Semitism and Islamophobia; bolstering European democracy in the face of populist rhetoric; and defending freedom of movement and freedom of the press.

Contrary to the views held on the right, applying all the provisions of the Schengen Agreement enables the European Union to better secure its borders and pool information resources while protecting freedom of movement, which is a fundamental European right. We also believe that improved coordination is needed between intelligence services, which require more funding in order to improve the effectiveness of Europe's police forces, judicial authorities and counter-

terrorism officials. The systems are already in place, but we need to make them more robust. Prevention is also vital. The use of passenger data is still under debate, but it is possible to implement a traveller data policy respectful of Europeans' fundamental rights. We know that there are thousands of EU citizens who have left to train and fight with al-Qaida and ISIS, and they are now returning to Europe.

In short, we need to strengthen police, legal and financial cooperation in Europe and establish clear solutions for Europe's defence.

The time has also come to get to work on competent regulation of social networks. If we are to succeed in combating terrorism, the technology sector cannot remain on the sidelines.

THE IMPACT OF SOCIAL INEQUALITY

Addressing the underlying causes of terrorism requires a clear-headed approach. To explain is not to seek to justify or stigmatise. But the fact is that the 21st century is plagued by racism, anti-Semitism and Islamophobia. In order to prevent the far right from exploiting these scourges by portraying foreigners or non-Christians as "enemies of civilisation", it is our duty to ensure that equality once again takes precedence over identity.

Placing identity above all else is what gives rise to far-right thought, sectarian tendencies and religious radicalisation. The economic crisis, mass unemployment, ghettoization and downward mobility further foment these ideologies, especially among youths who don't see where or how they fit into the "national narrative".

There once was a time when people seeking to change the world became active in politics. Now they've given up on changing the world

and are instead trying to "purify" it, destroying thousands of lives in the process.

There is a reason why the social democrats are fighting overzealous austerity measures and pursuing growth policies instead: mass unemployment leads to mass failure. And that is precisely how those who are left behind fall victim to the siren song of populism and extremism.

It is also vital that party members return to the communities where they are needed and stay there. The social democratic parties are too often written off as being part of the "System"; they must regain a sense of purpose as political movements, serving as "networks" for popular and political education.

That is the challenge that lies before us. Finding a lasting solution to the conflicts in the Middle East represents another piece of the puzzle. By way of conclusion, one could say that the solution is "more Europe, more democracy", as well as mutually-supportive development on both sides of the Mediterranean.



© Parti Socialiste

ABOUT

Jean-Christophe Cambadélis

Member of Parliament for Paris, is First Secretary of the French Socialist Party and Deputy-Chairman of the Party of European Socialists.

TRIBUTE TO CHARLIE HEBDO

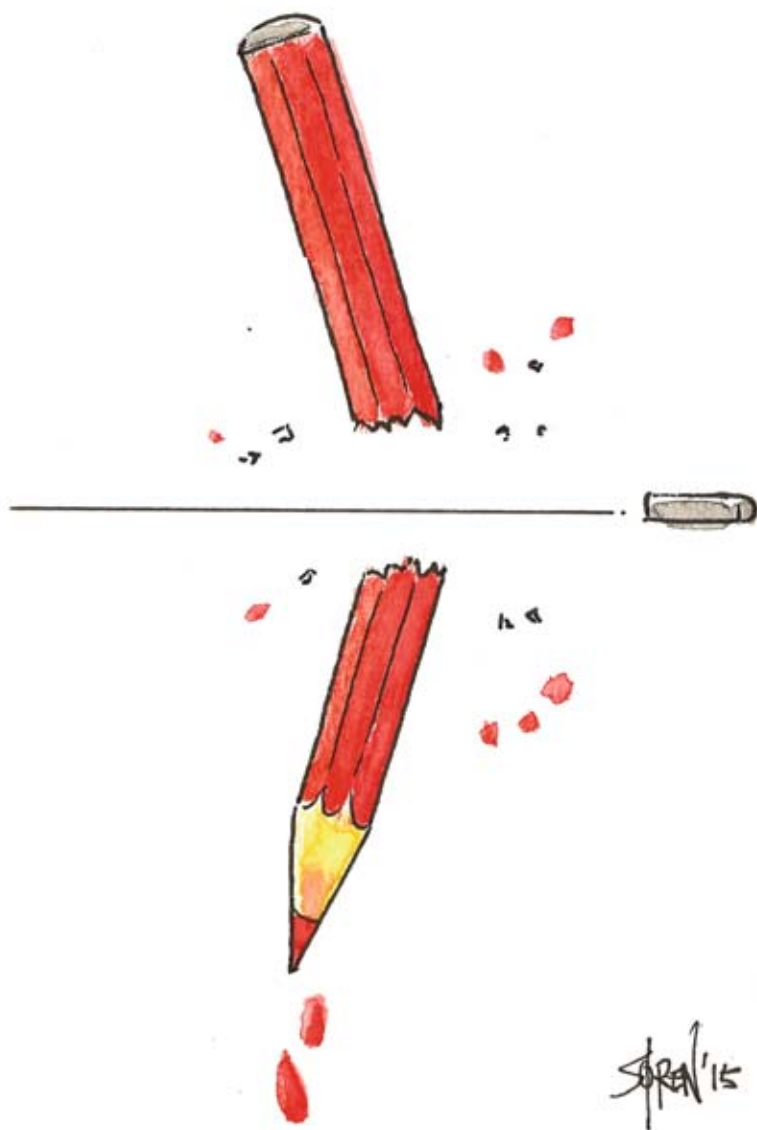


PLANTU - FRANCE

© Plantu

Jean Plantureux, also known as Plantu, is one of France's most famous cartoonists. He is known for his political satires, which have been published in French daily newspaper *Le Monde* since 1972. He started the initiative 'Cartooning for Peace' with Kofi Annan and the UN in 2006, in order to promote a better understanding and mutual respect between populations of different cultures and beliefs.

"JE SUIS CHARLIE"



"I BELIEVE IN
DEMOCRACY
AND FREEDOM
AND WE MUST
DEFEND OUR WAY
OF LIVING WHEN
WE ARE ATTACKED."

SØREN JUHL - DENMARK

© Søren Juhl

Søren Juhl is a Danish illustrator and cartoonist. He says: "Like France, the Danish open society is based upon the values that allows us to freely speak, write and illustrate. These values are precious to me and that's why I had to express my solidarity with the French cartoonists. I believe in democracy and freedom and we must defend our way of living when we, and all those who live in an open society, are attacked."



HAJO DE REIJGER - NETHERLANDS

© *Hajo de Reijger*

Hajo de Reijger currently works as a freelance illustrator and cartoonist for the Dutch newspapers *NRC Handelsblad*, *NRC Next* and *De Pers*.

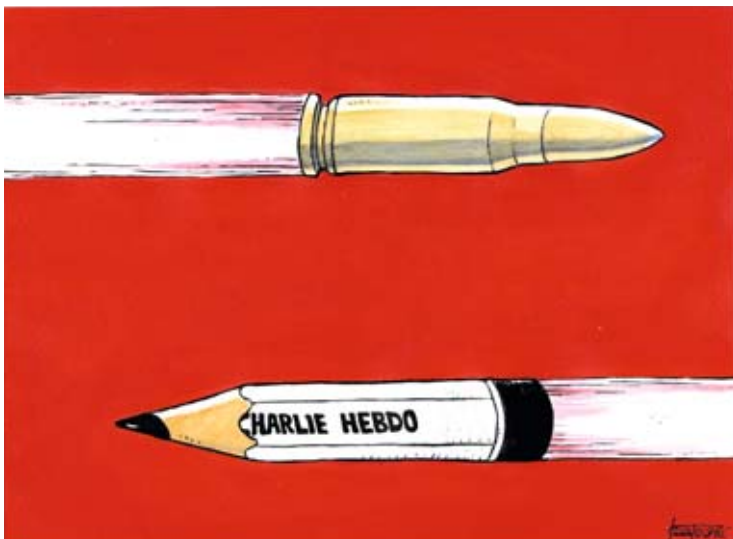
ROB TORNOE - USA

© *Rob Tornoe*

Rob Tornoe is the owner and editor of *Punchline Magazine* and a cartoonist for *The Philadelphia Inquirer*, *The Press of Atlantic City* and *WHYY*.

He writes about the media and the cartoon industry for *Editor & Publisher*.





MICHAEL KOUNTOURIS - GREECE

© *Michael Kountouris*

Michael Kountouris has been working as an editorial cartoonist in Greek newspapers since 1985, and currently works at *Eleftheros Typos*.

BRIAN ADCOCK - SCOTLAND

© *Brian Adcock*

Brian Adcock is a Scottish cartoonist that draws for *Scotland on Sunday* (*The Scotsman*) and *The Prague Post* in the Czech Republic.





BADO - CANADA

© *Bado*

Guy Badeaux (Bado) has been the editorial cartoonist at the Ottawa daily newspaper *Le Droit* since May 1981. He was a good friend of Charlie Hebdo cartoonist Bernard Verlhac (Tignous) and found the idea for this cartoon before learning the identity of the victims.

KROLL - BELGIUM

© *Kroll*

Pierre Kroll remembers: "As everyone, when I found out for the Charlie Hebdo attack, I couldn't believe it, even if I knew it was something to expect. I personally knew each one of the killed cartoonists, especially Tignous, who I travelled with to the world's end to talk about the freedom of speech. A deep sorrow followed, but I was caught up in media requests.

I passed from TV sets to phone interviews and all kind of debates. And I had to draw a cartoon that my main newspaper, *Le Soir*, asked me to do for the front page of the following day edition. As all my colleagues, I think I had little inspiration.

We had all drawn broken pencils, pencils pointed towards Kalashnikovs or allusions to the New York twin towers, etc. I wish I reacted with more humour, the most relevant resistance in our situation, but I couldn't. This is why this cartoon, in front page of *Le Soir* on January 8th, show cartoonists, with pencils as only weapons, killed in a trench, and still pointed at. I like that we show these cartoonists' life and astonishment who realise they are in the middle of a true war."



**MARVIN HALLERAKER - NORWAY**

© *Marvin Halleraker*

Marvin Halleraker is a Norwegian cartoonist, illustrator and musician, and works for several Norwegian newspapers. One of them is *Bergens Tidende*, where this illustration was published on the front page, the day after the tragic attack in Paris. He says: "I work in a somewhat different manner than my colleagues in Charlie Hebdo, which also my illustration reflects. All the same, that day I felt a special fellowship with my brave French colleagues. I think all European cartoonists and journalists could feel this meaningless assassination in their guts that day. And still do..."

CALL TO EUROPE, CALL FOR SOLIDARITY

Building Solidarity in Asylum Policy

The fourth annual Call to Europe Conference took place from 4 to 5 November 2014 in Brussels and provided insights towards developing a common progressive European approach to asylum and neighborhood policies.



The first Call to Europe 2014 came from British director Bruce Goodison's feature "Leave to Remain" (2013), which opened the event. A

provocative story of children seeking a new life in the UK, instead of focusing on the problems refugees face at home, "Leave to Remain" depicts the struggles they face in Europe such as criminalization and a Kafkaesque asylum bureaucracy. "It is set up to make you fail", said the director in a discussion after the screening, where he was joined by one of the main actors, Ebrahim Esmail, himself a former asylum seeker.

The movie provided a remarkable introduction to the challenges raised on the following day. In his opening speech Massimo D'Alema, the President of FEPS, stated clearly: "We seek asylum policies which do not criminalize asylum seekers" (...) "We

have to favor the integration of migrants in the country hosting them and heighten the standards of reception management." Indeed, asylum is a fundamental human right but in the context of the vastly growing asylum flows to Europe, it has been subject to restrictive legislation.

As many speakers observed during the conference debates, "solidarity" is difficult to implement. It cannot be created by law but has to come from experience and understanding, or, as Estonian MEP Marju Lauristin noted: "From people's hearts."

TOWARDS A SOLIDARITY-BASED EUROPEAN ASYLUM POLICY

In 2014, thousands of refugees died while trying to cross the Mediterranean Sea. The overall number of migrant arrivals last year via the Mediterranean was over 150,000. Abandoning vessels packed with people is one of the most horrifying tactics employed by traffickers, who reap millions in profits

from this illegal business. In his statement on January 2nd, 2015 Dimitris Avramopoulos, the EU Commissioner for migration called for a "decisive and coordinated EU-wide action" against the traffickers.

The figures stated above could not be a clearer sign that the EU needs to react now to make the Common European Asylum Policy a reality, based on solidarity at three levels: within the Member States, on international and the local level. Based on the debates of "Call to Europe Conference, FEPS prepared twelve proposals to serve the purpose of advancing the European Asylum Policy.

1. Foundations and orientations of the EU asylum policy must be clearly spelled out, and the EU asylum policy rebalanced accordingly, so as to align it comprehensively with European fundamental rights and its traditional value orientations, not

just in words but also in spirit and action, backed by real political commitment and dedication.

2. Whereas the adoption of the Common European Asylum System (CEAS) in 2013 marks an important step ahead, its level of ambition is limited and in particular fails to match up comprehensively to human rights and humanitarian standards. Whereas its implementation must be taken ahead, European policy makers must also commit to further developing and replacing the CEAS in a follow-up step, so as to develop and implement a truly integrated, common European asylum policy. This work should start immediately!

3. In particular, the future common European asylum policy must be guided by and spelled out in line with the Lisbon Treaty principle of 'solidarity and fair sharing of responsibility' (Art 80 TFEU). However, solidarity and burden sharing between EU Member States is not enough; it must be complemented with effective solidarity and burden sharing at the international level, and also with solidarity and burden sharing at national, regional, and local levels.

SOLIDARITY AND BURDEN SHARING BETWEEN EU MEMBER STATES

4. Despite the weaknesses of the current Common Asylum System, all EU Member States and the European Commission are held to maintain or enhance their efforts towards full implementation of legal provisions, including the Dublin Convention, so as to ensure the convergence of national asylum systems towards harmonization, build administrative capacities towards its effective implementation, and ensure an equally high level of protection for all asylum seekers.

5. In parallel, we call on the European Commission to take the European asylum policy agenda beyond the Dublin Convention and submit a legislative proposal for a genuinely integrated EU resettlement scheme in which all EUMS participate, and which allocates reception quota to each EUMS, on the basis of an agreed formula.

6. EU Member States must overcome mutual mistrust, close their ranks, and commit to a roadmap on the phased implementation of an integrated asylum policy that aims to, inter alia, commit to the implementation of the Dublin Convention, but to also go beyond it, with a view to eventually replacing it.

INTERNATIONAL SOLIDARITY OF THE EU

7. The EU should be ambitious in further developing its international leadership in the areas of humanitarian assistance and international protection. Despite the challenges of refugee protection under the Geneva Convention, the EU must also tackle other protection needs like environmental and climate change induced displacements. Regional protection initiatives should also be promoted through public/private partnerships.

8. The European Commission should establish in depth internal coordination, notably between migration and asylum, humanitarian, development, labour, neighbourhood, and foreign policy services. A coherent policy concept will allow the European Union to become an effective actor in humanitarian diplomacy, not limited to providing funding governmental initiatives. FEPS stands ready to partner with other policy stakeholders to support necessary solidarity-based policy developments con-

ceptually, in line with the principle of subsidiarity.

9. Providing better access to the EU protection space is a core priority of the EU's solidarity-based external asylum policy. It must be underpinned by legal and international initiatives as well as immediate operational measures to prevent casualties along refugee and migration corridors to Europe, and to save lives as a matter of priority. Europe must learn to lead by example and use its policy tools strategically to underpin its evolving humanitarian diplomacy.

SOLIDARITY AT NATIONAL, REGIONAL, AND LOCAL LEVELS

10. We must enhance efforts to support the setting up of humane and effective national asylum systems. FEPS will engage with political stakeholders to support the setting up of national platforms for the monitoring of national efforts to implement the Common European Asylum System effectively.

11. A coalition of political actors should elaborate a roadmap toward Equal Rights of Refugees and Asylum Seekers, and partner to campaign for equal political, civil and social, and economic rights at national levels.

12. Political actors are encouraged to support local solidarity-based integration initiatives, including with a view to create protection space and integration pathways for those in need in pragmatic ways. Political actors should support local grassroots initiatives through effective means in their constituencies, promote integration champions and local best practices, including through parliamentary initiatives.



© Bruno-Kreisky-Archiv

Karl Renner
(1870 - 1950),
4th President of Austria



The Renner Institut is the political academy of the Social Democratic Party of Austria. It focuses on political education for a broader public, training for activists on all levels within the party, programmatic work, and international co-operation with sister parties, foundations and institutes.



In the early seventies, Bruno Kreisky, then new leader of the Social Democrats and Federal Chancellor, began a number of reforms which changed Austrian society as well as its political landscape. One of his ideas was that on the one hand political education had to be strengthened, and on the other hand that political actors should be better qualified for their tasks. This, to him, was a pre-requisite for a modernized society.

THE GERMAN MODEL

The political foundations in Germany were in a way the models for the Austrian political academies: all parties represented in parliament should have an institute that should fulfil the two tasks mentioned from their respective political perspective. The Austrian academies are, however, much closer linked to their party organisations. Funding is provided by the state, according to the number of seats held in parliament.

The Renner Institut was named after Karl Renner, possibly the most important founding father of both the First and the Second Republic after the two world wars, respectively. His last political office was Federal President.

The institute provides a wide variety of public lectures, conferences and publications that are supposed to inform and engage participants and readers in the political debate. A political academy certainly cannot only focus on day-to-day politics. Develop-

ments that are neglected in the public sphere must also be in the foreground of its work. The general idea is to bring politicians and experts from other fields, be it the academia or civil society, together in order to exchange their views.

A GLOBAL REACH

Main topics are the development of Austria as well as European social democracy, the evolution of the political system including the rise of right-wing populism, the European crisis and its effects, and international issues, such as the political and economic shift of power within the global order. These are also the fields that are central to the programmatic work at the institute.

The training activities are tailor-made for the various target groups, from MPs to grass-root organisations. Particular emphasis is put on the support of women and youth activists – for instance, by long-term consulting.

In its international work, the Renner Institut has always co-operated closely with other European parties and foundations. Today, for example, the Next Left research project, which is dedicated to the future of European progressive politics, is carried out together with FEPS and some other sister organisations. We are convinced that it is necessary to develop new ideas for Europe, particularly in times of crisis.

www.renner-institut.at

THINK TANKS'

ITALIANIEUROPEI 2/2015

Various authors



The issue 2/2015 of the bimonthly journal Italianieuropei will analyse: how Northern Italy, the most economically advanced area of the country, is trying to recover from the crisis; the impact that the electoral reform, which is being currently being discussed in Parliament, will have on Italian political and institutional life; and the political, social and economic changes that are taking place in China.

[+] www.italianieuropei.it/it/la-rivista.html

CHERISHING ALL EQUALLY: ECONOMIC INEQUALITY IN IRELAND

Nat O'Connor & Cormac Staunton



Cherishing all Equally is the first detailed analysis of economic inequality in Ireland. It looks beyond income and wealth at a range of other issues including public services, taxation, family composition, people's capacities and the cost of goods and services. TASC intends to publish an annual report analysing economic inequality.

[+] www.tasc.ie/publications/cherishing-all-equally/

CONSPIRACY THEORIES : A SITUATION REVIEW

Rudy Reichstadt



For the political radicalism Observatory of the French Jean Jaurès Foundation, Rudy Reichstadt analyses the conspiracy theories issues and topicality, which are stimulated by the unprecedented opportunities of the Internet.

[+] www.jean-jaures.org/Publications/Notes/Conspirationnisme-un-etat-des-lieux

GENDER EQUALITY AS A POLITICAL ISSUE

Dasa Silovic, Sonja Lokar, Gabriella Ilonszki, Emina Abrahamsdoter, Marinela Maricic-Tusheva, Mirel Radic



This publication gives an insight in three year work of the CEE Network for Gender Issues, covering SD women's struggle for equality within their own parties, their strife to forge and promote specific gender equality policies concerning life-work balance, violence against women and right to decide upon their own bodies in times of prolonged crises and falling power of our sister parties in SEE and CEE Europe.

INEQUALITY 2030 – Andrew Harrop & Howard Reed



The UK has faced almost 10 years of falling living standards. Projections say poverty and inequality are on the rise. But this report shows there is hope. It predicts trends for living standards and inequality over the coming years and shows that plausible and affordable government intervention can make a massive difference to the living standards of typical households and to future levels of poverty.

[+] www.fabians.org.uk/publications/inequality-2030/



PUBLICATIONS

THE RISK OF BREXIT: BRITAIN AND EUROPE IN 2015

Roger Liddle



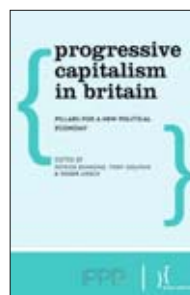
This book charts how recent political developments have changed the debate surrounding Britain's membership of the European Union and poses a series of questions about how this debate will unfold over the course of the coming months and years.

[+] www.policy-network.net/publications/4812/The-risk-of-Brexit



PROGRESSIVE CAPITALISM IN BRITAIN: PILLARS FOR A NEW POLITICAL ECONOMY

Edited by Patrick Diamond, Tony Dolphin and Roger Liddle



This book – a collaboration between Policy Network and IPPR – offers a significant contribution to the debates about progressive capitalism and inclusive prosperity, setting out a way forward for a new political economy in Britain

[+] www.policy-network.net/publications/4857/Progressive-Capitalism-in-Britain



ELECTRICITY AND GAS NETWORKS, THE BASIS OF EUROPEAN ENERGY COOPERATION

Collective of experts



While the European energy Union has recently been debated in the European Council, the Jean Jaurès Foundation collective of experts, on energy and environment subjects, makes propositions for the reinforcement of this cooperation.

[+] www.jean-jaures.org/Publications/Notes/Les-reseaux-electriques-et-gaziers-socles-de-la-cooperation-energetique-europeenne



SOCIAL REPORT 2014. INEQUALITY AND SOCIAL EXCLUSION IN CATALONIA

Various authors



Given the success of our Social Report 2013. Unemployment, poverty and inequalities in Catalonia, Rafael Campalans Foundation wanted to give continuity to the project, putting together new professionals from different areas to make a detailed diagnosis of the current situation of increasing social exclusion in Catalonia, and trying to contribute to the debate on how to achieve the recovery and strengthening of a quality welfare model.

[+] www.fcampalans.cat/uploads/publicacions/pdf/tripainformes8ufinal.pdf



THE NATIONAL FRONT, FROM JEAN-MARIE LE PEN TO MARINE LE PEN

Nicola Genga

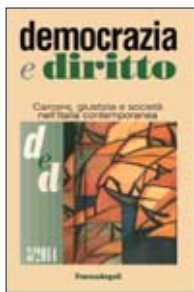


What does the Front National tell us about today's France? And how should we interpret the "Le Pen phenomenon" in the general framework of contemporary democracies? Founded in 1972 by Jean-Marie Le Pen, during the '80s the FN turned into a major political player. More recently, a number of events have had an impact on its repositioning in French politics: First, Sarkozy's presidency, that radicalized the discourse of the neo-Gaullist right; second, Marine Le Pen's rise to the head of the party instead of her father Jean-Marie ratified by the Congress of Tours in 2011; third, François Hollande's and the Socialist Party's victory in the 2012 presidential and parliamentary elections; finally, the impressive performance of the FN in the 2014 European Parliament elections. This case study focuses on the FN as an example of national-populism and the expression of an ideological penchant with strong roots in the right of the French political spectrum, so as to analyze its evolution and possible future developments.

[+] www.store.rubbettinoeditore.it/home-1/il-front-national-da-jean-marie-a-marine-le-pen.html

PRISON, JUSTICE AND SOCIETY IN CONTEMPORARY ITALY

Centro per la riforma dello stato



The issue 3/2014 of the journal Democrazia e Diritto entitled "Carcere, giustizia e società nell'Italia contemporanea" focuses on the political significance of the issue in Italy, taken as a paradigm of contemporary socio-political trends. The individual contributions analyze the features of so-called "prepressive" (preventive and repressive) breakthrough in criminal law during the neo-liberal era and the post-disciplinary forms of social control in the twenty

years of Berlusconi's governments. Further analysis is made of the so-called "penal populism" and of the Italian prison system in the last two decades, with specific reference to incarceration policy, structural features and prison management. Finally, some insights on the cogency of international soft law in the penitentiary context and the on the potentials and limitations of non-custodial penal measures are provided.

[+] www.centroniformastato.it/32014-carcere-giustizia-e-societa-nellitalia-contemporanea/

SOCIAL PROGRESS WATCH 2014

Responsible Editor: Conny Reuter – Authors: Sterenn Coudray, Kristina Freiberga, Elsa Laino and Nina Rapo



'Social Progress Watch 2014' contains country studies that have been developed in the framework of the Social Progress Watch initiative, a tool implemented by members and partners of SOLIDAR to evaluate commitments of governments to promote active inclusion, reduce poverty, fight unemployment, defend and extend the right to decent work and quality jobs and promote universal social protection. In 2014, 15 country studies

have been developed regarding 13 Member States and 2 candidate countries. The country studies provide information about the state of play of social, employment and education development, present the main structural obstacles to the improvement of social conditions and propose specific recommendations on how to overcome those obstacles and implement the necessary policy reforms to stimulate social progress, inclusive and sustainable growth as well as wellbeing.

[+] www.solidar.org/IMG/pdf/country_studies_web.pdf

TURBULENT AND MIGHTY CONTINENT

What Future for Europe?

Review by Christophe Sente



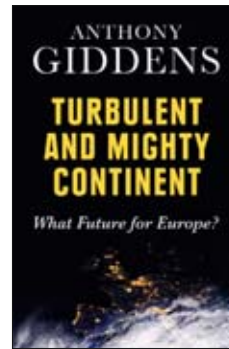
Tony Blair's optimistic view of capitalist development is often used by the European left as an excuse not to read Anthony Giddens, one of the minds behind the **Third Way**. Yet this disdain for the sociologist's political work is a mistake, given its valuable contribution to a scientific analysis of the transformations underway in European society.

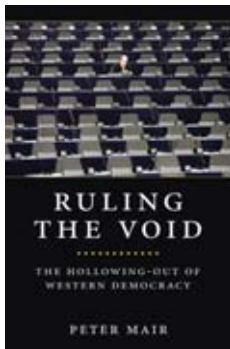
Turbulent and Mighty Continent is another pillar of the British academic's political register. Focusing on the future of the European Union, it espouses a federalist defence against the temptation to fall back on nationalist policies—to which the rise of populism exposes the traditional parties.

To counter the spread of a Eurosceptic fatalism fuelled by ambiguities in managing the financial crisis, Anthony Giddens shines the spotlight on the EU's success in turning our region into a community bound by a common destiny—albeit one made fragile by its reliance on the economic interdependence of its members rather than a solid system of government that empowers citizens.

The federalist solution championed by the book probably draws as much from developments in the United States as from the views of outstanding socialists such as Pierre-Joseph Proudhon and Jacques Delors. Light-years away from centralism, it embraces mechanisms of financial solidarity and pooling resources designed to structure relations between several different levels of government. Giddens also suggests rounding off this pan-European network of democratic institutions with a presidential election. The economic prospects of a turnaround driven by reindustrialisation and the bolstering of a continental labour market through social-security reforms express the same American tropism.

Turbulent and Mighty Continent: What Future for Europe? // Anthony Giddens (Polity Press, 2014)





RULING THE VOID

The Hollowing of Western Democracy

Review by Christophe Sente

Peter Mair passed away in 2011. He ranked alongside Giovanni Sartori as one of the leading experts in party systems. Published a year ago, this posthumous, pessimistic work packs a pertinent punch whenever voters are called to visit the ballot box. It is a book that merits

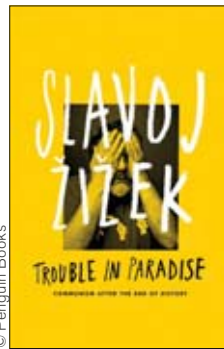
the attention of a social democracy now being badly mauled in surveys and at the polls.

The book's appeal lies in the fact that it does not ascribe today's democratic malaise to the rise of populist movements. Instead, it points the finger at an electoral behaviour characterised by abstention and volatility. In Mair's eyes, Europe is far from being an arena that fires the imagination of people across the continent; instead, he notes the sense of disenchantment that has been growing among citizens since the 1990s with regard to politics in general and parties in particular.

The presumed causes of this phenomenon are close to those found in the theories of Colin Crouch on the dawn of a "post-democratic" era, defined by the rise in internationalised, technocratic administration of modern societies.

Yet we can learn plenty from the shift in perspective offered by Peter Mair's analysis without necessarily sharing its pessimism. In suggesting that the threat to traditional parties stems not from new competition in the political market but instead from a loss of interest in the "market" itself, the author implicitly invites all partisan organisations to seek reform from the inside out while at the same time taking a fresh look at how the institutions they aim to occupy operate. The challenge lies in rebuilding political society and re-establishing the way in which it is governed.

Ruling the Void, The Hollowing of Western Democracy // Peter Mair (Verso, 2013)



TROUBLE IN PARADISE

From the End of History to the End of Capitalism

Review by Christophe Sente

At first glance, Slavoj Žižek's latest book is remarkable for its structure alone. Not only is it rare for a work of political philosophy to borrow its title from Ernst Lubitsch, but it is even less common for the chapters to be arranged along the lines of scene from a film. Suffice only for that scene to be found in a film by the same director, and things come full circle.

Yet Žižek's goal is not to indulge in one of those exercises in style dear to Raymond Queneau and Georges Perec. Instead, he seeks to deconstruct the theoretical plausibility of bringing together a global community through the combined virtues of political liberalism and capitalism. The author notably sets the dream of paradise on Earth against the theory of autonomy from capitalism and its ability to prosper as destructive economic rationale by accommodating ideological and cultural references beyond those of European society.

The prospect of an "eternally recurring" capitalism inspires no sense of fatalism in this revolutionary thinker and he holds to his belief in the modern-day relevance of a communist option independent of the Soviet experience. This belief leads him to call into question social democracy, which he blames for imbuing financial capitalism with all the vices of a mode of production.

Yet despite the diversification among the European left, Slavoj Žižek does not seize the opportunity to contribute to their dialogue. His writing bears the hallmark of psychoanalysis, favouring freedom of subject matter over any attempt to meet the needs of the parties.

Trouble In Paradise, From the End of History to the End of Capitalism // Slavoj Žižek (Allen Lane, 2014)



© Oliver Schopf

Oliver Schopf is an Austrian cartoonist, who has worked for many national and international newspapers, magazines and satirical magazines (*Der Standard*, *Süddeutsche Zeitung*, *Nebenspalter*, *Tagesanzeiger*, *Courrier International*, etc.).

FOUNDATION FOR EUROPEAN
PROGRESSIVE STUDIES
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About Queries

*Isaac Newton's famous book "Opticks" concludes with a set of "Queries."
These "Queries" are not questions in the ordinary sense, but rather
rhetorical questions intended to stimulate thinking.
This was Newton's mode of explaining "by query."*



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