

# Financial services in TTIP?

Understanding Finance #2



Finance Watch

Making finance serve society

Part of the Finance Watch Campaign **Change Finance!**



**PUT SOCIETY IN THE  
DRIVING SEAT**



**SLIM DOWN MEGABANKS**



**STOP SUBSIDIZING  
SPECULATION**



**INCENTIVIZE  
SUSTAINABLE INVESTING**



"Corporations everywhere may well agree that getting rid of regulations would be good for corporate profits. Trade negotiators might be persuaded that these trade agreements would be good for trade and corporate profits. But there would be some big losers — namely, the rest of us."

**Joseph E. Stiglitz,**  
**New York Times Blog, 15 March 2014**



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## Financial services in TTIP?

This multimedia dossier will make you familiar with some important facts you need to know about the “Transatlantic Trade and Investment Partnership” (TTIP), which is currently being negotiated between the United States and the European Union.

In the first part, called “Basics”, you will find some general information about trade agreements, current trends, and explanations of the different TTIP components, e.g. definitions of terms like “market access”.

In the second part, “Debate”, we explain why TTIP is so important for Finance Watch. We focus particularly on the question of the inclusion of financial services in TTIP.

**For us, including financial services in TTIP would not only pose a risk to the ability of states and the EU to regulate, a risk of regulatory chill, a risk of regulations being challenged by foreign investors with the costs for taxpayers, but also more generally, a risk of further dangerous liberalisation and growth of finance. Society has achieved so little in strengthening financial regulation after the crisis; we cannot afford to weaken it again.**

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## PART 1: The Basics

## What are trade agreements?

Generally speaking, trade agreements aim to stimulate trade between two or more countries, by setting up rules that make trade easier amongst these countries. Trade access can be facilitated via two main mechanisms:

- **Lowering or removing tariffs (known as tariff barriers to trade or TBTs)**, which are a type of taxes for products and services that enter a country. That way, the two (or more) countries can trade with each other while paying less of these import taxes.
- **Lowering or removing non-tariff barriers (NTBs) to trade**, which are rules, standards and all other limitations to free trade besides tariffs. For example, quotas, import bans and sanitary standards are said to be non-tariff barriers to trade.

Table C.1: Shallow versus deep integration

<b>Integration level</b>	<b>Type of PTA</b>	<b>Features</b>	<b>Example</b>
SHALLOW INTEGRATION    DEEP INTEGRATION	Free trade agreement (FTA)	Members liberalize internal trade but retain their independent external tariffs	US-Israel FTA
	FTA+	An FTA that in addition harmonizes some beyond the border standards (e.g. environmental standards)	NAFTA
	Customs Union (CU)	Members liberalize trade within the union and adopt common external tariffs against the rest of the world	SACU
	Common Market	Establishment of the free movement of all factors of production within the PTA, including labour and capital	EU
	Monetary Union	Establishment of a common currency and completely integrated monetary and exchange rate policy	Euro Area
	Fiscal Union	Establishment of a common fiscal policy	US

*Note:* The depth of integration of PTAs might overlap across types of agreements in certain circumstances.

Source: *The WTO and preferential trade agreements: From co-existence to coherence*, WTO, p.110.

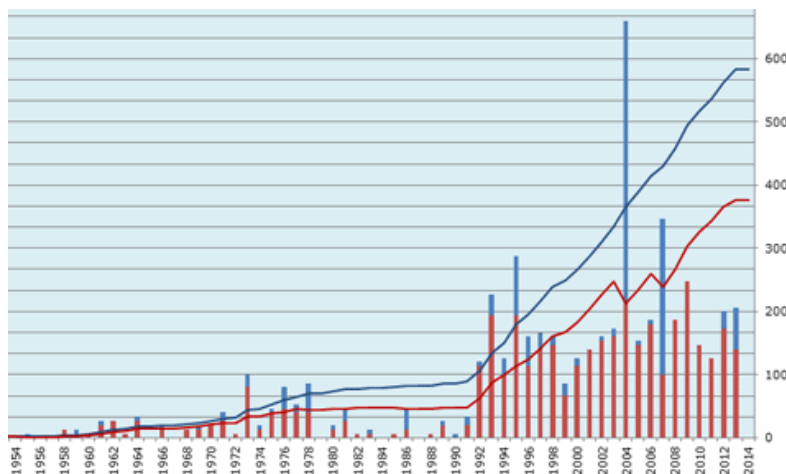
The countries party to the agreement sometimes also apply common external tariffs against other countries: the classic example is the EU itself with its common market and thus common tariffs decided at the EU level.

Today, **several types of agreement** exist, depending on the depth of market integration and on their reach (bilateral, multilateral...), as shown in the table on the left. TTIP would fall in the category “Free Trade Agreement (FTA) +”.

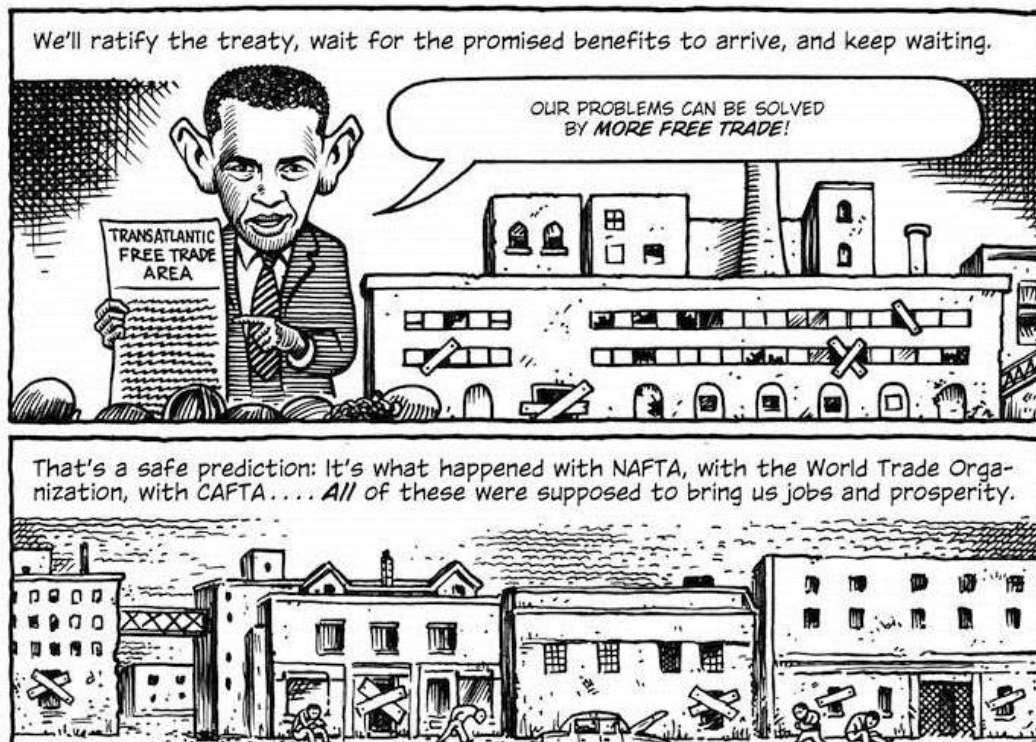
In 1947, nations worldwide tried to establish a **multilateral trading framework** through the General Agreement on Tariffs and Trade (GATT), replaced in 1995 by the World Trade Organisation (WTO) which today comprises 160 member countries. On the so-called **most-favoured nation (MFN) basis**, terms agreed bilaterally with one trading partner in the WTO apply also to the other WTO members. The General Agreement on Trade in Services (GATS) is a WTO treaty that entered into force in January 1995. The treaty was created to extend the multilateral trading system to the service sectors, in the same way the GATT provides such a system for merchandise trade. All members of the WTO are signatories to the GATS. The MFN principle applies to GATS as well.

However, besides this multilateral mechanism, **preferential trade agreements (PTA)** can also be concluded outside the WTO. These agreements are only beneficial to the particular states to which they relate, and not to all WTO members, thus not following the most-favoured nation rule. These preferential trade agreements are called 'bilateral' when they involve two partners and 'regional' when they involve more than two partners.

The number of preferential free trade agreements (outside the WTO) has increased significantly over the last decade:



Source: [The Regional trade agreements: Facts and figures](#), WTO.



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This trend arises from the failure of the WTO to further extend the agenda on which it was founded in 1995. Since its early days, strong opposition came from the anti-globalisation movement organising many protests around the world. The most famous demonstrations took place in Seattle in 1999 and in Genoa in 2001. Furthermore, the WTO practice of reaching decisions by consensus has allowed the developing world's majority to prevent many of the changes in WTO rules that some countries such as the US and the EU had been advocating. Those countries wishing to go forward without the consent of the WTO majority have thus resorted to preferential trade agreements to further their goals.

**TTIP is illustrative of this trend, being outside the WTO and going even further than a traditional trade agreement.**

## What is the purpose of TTIP?

### The TTIP mishmash

The European Commission sometimes calls TTIP an EU-US trade agreement. However, as its name suggests, TTIP negotiations go beyond traditional trade negotiations: they aim to create a free trade and investment

partnership, with more than just market access rules (see below).

To make things more confusing, the general concept of a free-trade area in the transatlantic region since the 1970s is known as "TAFTA" (Transatlantic Free Trade Area). It is broader than TTIP as it includes bilateral agreements between European countries, the US as well as [Canada](#) and Mexico.



[“What is the Transatlantic Trade Investment Partnership?”](#)

Watch the video by Attac Germany





In July 2013, EU Member States gave a mandate to the European Commission to start negotiating, on their behalf, the proposed TTIP between the European Union and the United States. The [European Commission says](#) that the “negotiations aim at removing trade barriers (tariffs, unnecessary regulations, restrictions on investment, etc.) in a wide range of economic sectors so as to make it easier to buy and sell goods and services between the EU and the US. The EU and US also want to make it easier for their companies to invest in each other’s economy”.

A particularity of the negotiations is their focus on “**regulatory barriers to trade**”. Indeed, as there are few remaining traditional barriers to trade such as tariffs and quotas between the US and EU, a core objective of TTIP is to “**discipline**” regulation to ensure that they do not form barriers to trade. **These so-called regulatory barriers that TTIP aims to reduce are in fact regulations and standards set to protect citizens.**

**Dean Baker**,  
co-director of the  
Center for Economic  
and Policy Research  
in Washington, DC:

*“The pursuit of free trade is just a cover for the real agenda of the TTIP. The deal is about imposing a regulatory structure to be enforced through an international policing mechanism that likely would not be approved through the normal political processes in each country. **The rules that will be put in place as a result of the deal are likely to be friendlier to corporations and less friendly to the environment and consumers than current rules.** And, they will likely impede economic growth.”*

TTIP thus falls within the category of **new types of trade agreements** which no longer focus on “the lowering of tariffs” but instead “involves more structured institutional arrangements” ([WTO’s 2011 report](#), p. 114).

## Overstating the benefits?

According to a study by the Centre for Economic Policy Research entitled “[Reducing barriers to Transatlantic Trade](#)”, and which was commissioned by the European Commission, the EU economy could benefit by up to €119 billion – equivalent to an extra €545 in income for a family of four in the EU – and “new job opportunities”. But the results of this economic assessment have not been communicated very clearly by the European Commission itself, e.g. that the benefits are one-off not annual. That’s why two NGOs, Friends of the Earth and BEUC, asked for more clarification in a [joint letter on 4 May 2014](#). The EU Commission has [rejected the claim](#) that it misrepresented the possible economic benefits of the TTIP.



The [UK journalist Glyn Moody shows](#) that even the EU’s best estimate of the economic benefit of TTIP doesn’t amount to very much.

**Studies should identify and weigh against each other not only the benefits but also the drawbacks/costs of TTIP:**

- Trade liberalisation creates **gains for some sectors** but also losses for other sectors of society.
- When we compare the losses that taxpayers endured after the crisis – which can be partly attributed to the **deregulation of financial markets** – to the benefits that could materialize with TTIP, caution seems warranted.
- It is **much easier to quantify the costs of regulation than its benefits**, and business is more organized and has better resources to prove its case than civil society.

TTIP is also being conceived as a “**living agreement**” which means that the text would be left open for further negotiation and new agreements/amendments could be included *a posteriori*. In such a living agreement, the EU and the US would pre-agree to work out the details in the future and possibly to review the adopted frameworks based on changes in the legal, political or economic environment.

If this were to become reality, many aspects for which no agreement could be found during the negotiations will be put on hold, a general agreement signed anyway, and **disagreements will be left to be resolved at a later stage with potentially less democratic oversight.**



## TTIP and financial services

As stated by [Andrew Lang in the context of WTO law](#), the core focus of free trade agreements tends to be on “the goal of economic efficiency at the expense of those ‘social’ goals and objectives which fall outside its mandate”. This means that even if concerns such as achieving financial stability are acknowledged, **they are not the primary aim of the agreement.**

For financial services this reveals **a tension between the desire to achieve greater safety at home and the desire to remain competitive in global markets.** Achieving financial stability on the one hand and combating financial fragmentation or encouraging competition in financial markets, which in theory should lower costs for consumers, on the other are objectives that need to be very carefully balanced as they are not only technical but also highly political issues.

More specifically, Finance Watch has identified three aspects of TTIP that are relevant insofar as financial services are concerned:

- ➔ **Market access**
- ➔ **A regulatory cooperation framework**
- ➔ **Investor protection, including ISDS**

(See below to get to know more about each of these points.)

**Each of these raises major concerns because of the effect they might have on the EU’s ability to pursue appropriate and much needed re-regulation of financial services.**

## But what exactly is trade in financial services?

“**Trade in financial services**” not only refers to services offered or consumed across borders (e.g. a citizen in one country can open an online savings account with a bank in another country). It also includes the cross-border movement of a foreign financial service provider via investment or commercial presence (e.g. the opening of a physical bank branch in another country). In other words, this is very much about opening up the financial sector to foreign direct investors.

“**Financial services**” and financial sector investors covered by the TTIP trade rules include: all savings and other bank services and insurance services, trading in stocks and derivatives (including the risky ‘over the counter’ or OTC derivatives market), pension fund management, trust services and tax advisory services (i.e. helping clients avoid or evade taxes), financial data transfer and processing services, retail banks, investment banks, hedge funds, private equity funds, (stock and commodity) exchanges, and all kinds of financial advisory consultancies including credit rating agencies.



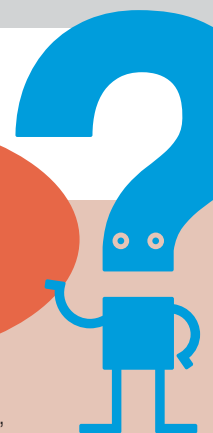
**Read more: “[TTIP undermines financial regulation and leaves citizens unprotected](#)” by SOMO researcher Myriam Vander Stichele**



## Market access – a question of liberalisation

As it seems, further liberalisation of the services sector is a key component of TTIP. As regards financial services, this means a level of market access going beyond what has been reached until now in the WTO.

What are  
“market access  
rules”?



### Mr Jargon answers your question

With the term “**market access**”, economists mean the conditions that make it easy or difficult for a good or service to enter a foreign market, e.g. to be sold in a foreign country. The easier the access, the more liberalised the market. As far as services are concerned, the aim is to remove non-tariff barriers, usually by creating disciplines (= domestic requirements) through multilateral agreements such as the GATS. Once these disciplines are reached, each country prepares a detailed list of commitments.

This list will cover all those financial services (sub-)sectors the partners want to permanently open up for investments and cross-border trading by each other’s financial services providers (**positive list**) or which they do not want to open up (**negative list**). This could include for instance, trade in OTC derivatives, trust services, asset management services (e.g. hedge funds, ETFs), about some of which the EU is still deciding on new regulations (e.g. banking structure, limits on bank leverage).

For all service sectors, where commitments have been made, the GATS obligations are likely to apply to the full extent. This includes the stipulation that no service provider should be treated less favourably than a national provider (“**national treatment**”). In addition, restrictions would be prohibited, e.g. on the number or value of market participants, transactions, foreign capital, exclusive rights, monopolies and other factors (“**market access rules**”).

**Let’s take an historical example from the 1990s to illustrate the consequences that those “market access” commitments can have, [summarized by Citizens.org](https://citizens.org/summary/2014/07/20140701-us-wto-commitments):**

“U.S. WTO commitments represented the aspirations of powerful financial service firms who were continuing their domestic push for deregulation. These firms pushed for U.S. WTO commitments that would then be used domestically to push Congress to change existing laws to conform to WTO requirements.

For instance, U.S. financial service firms had been working to **repeal the Glass-Steagall Act of 1933** which forbid bank holding companies from operating other financial services. The law had been created to establish “firewalls” between various financial services so that trouble in one sector would not contaminate the entire system and cause the sort of financial collapse that occurred during the Great Depression. This firewall policy, which applied to domestic and foreign banks, had the effect of preventing foreign banks that combined commercial and investment banking services from entering the U.S. market.

**By making “market access” commitments in various banking services, the Clinton administration created a conflict between U.S. WTO obligations and existing U.S. law.** The administration recognized this conflict and indeed made a formal commitment listed in the U.S. GATS schedule to support changes to the Glass-Steagall Act. The provisions of Glass-Steagall that prohibited a bank holding company from owning other financial companies were repealed in 1999 with passage of the Gramm-Leach-Bliley Act. *[Editor’s note: After multiple attacks on Glass-Steagall since the 1960s, that had progressively weakened it, this was the final cut.]*

The United States then used ongoing WTO financial service negotiations to **export the U.S. model of extreme financial service deregulation to the other 100-plus WTO signatory countries**, including through a 1999 WTO Financial Service Agreement (FSA).”





It is not difficult to imagine how this scenario could look if applied to the EU's proposed reforms of bank structure, e.g. reforms that would require particular legal forms of separation of retail and investment banking, and to the UK's 'ring-fencing' of banks. They could be prohibited if they are perceived as “*Measures which restrict or require specific types of legal entity or joint venture through which a service supplier may supply a service*” (GATS, Art XVI) and by this as contradictory to the market access rule.

The only way such measures could be allowed is if they were exempted in the list of commitments (see above). TTIP stipulates that exemptions to commitments can be made under the 'market access rule'. These exemptions are called “**prudential carve-outs**” and they allow states to take measures (otherwise in breach of TTIP rules) for prudential reasons such as financial stability and the protection of investors or depositors. However the 'prudential carve-out' clause stipulates that prudential measures should “***not be more burdensome than necessary***”.

[According to a leaked copy of the European Commission's draft negotiation mandate](#), indeed, free trade is put above prudential regulation in paragraph 39, where it suggests that the TTIP carve-out should be used “*in case of serious difficulties for monetary and exchange rate policy, or for prudential supervision and taxation*”. In practice, this would mean that the financial lobby could always argue that the regulations proposed are too burdensome, thus ruling out measures that are meant to prevent another financial crisis from occurring.

As [Michael S. Barr \(right\), an U.S. law professor and a key architect of the Dodd-Frank Wall Street Reform explains](#), the idea contained in TTIP that regulatory measures should not be more burdensome than necessary contradicts the lessons learned from the crisis: not all problems can be predicted in advance, and therefore measures are always needed that take preventative action.



**Market access rules in financial services are therefore likely to undermine the EU's ability to pass precautionary laws to prevent a future crisis.**

## A regulatory cooperation framework

While the US ambassador Anthony L. Gardner argued in July 2014 that there should be a chapter on financial market access in TTIP, the US does not see “*what would be achieved by having a formal mechanism about financial regulatory dialogue in a trade agreement*.” (see [interview on Euractiv](#), 14 July 2014).

The European Commission still wants to include a new framework for regulatory cooperation or dialogue for financial services to:

- avoid future regulations creating new barriers to trade in financial services, with the aim to create a more efficient market place for financial firms;
- make existing regulations more compatible between the EU and the US;
- establish more institutionalised dialogues or regulation, e.g. to discuss conflicts about regulations and to embed the conclusion of such dialogues under the TTIP treaty (although such fora already exist).

**What could be the consequences?** The European Commission aims to harmonize financial regulation across the Atlantic. This is designed to avoid a situation in which the financial sector must either follow two different laws (one in the US, one in the EU) or can exploit the weaker of the two. In practice, the European Commission's objectives could mean that regulations will be discussed between EU and US regulators before they are proposed to parliaments, putting pressure on democratic procedures. No objective is set to provide better services to citizens or to ensure that the financial needs of the economy (including SMEs) are being served. Additionally, the proposed enhanced cooperation in regulation is not matched by an equivalent proposition to improve the cooperation on supervision, a step that would be essential to guarantee financial stability.

# Introducing TISA, TTIP's big brother

Several other important bilateral and multilateral agreements are currently being negotiated, with the aim to further liberalise trade in financial services. The "[Trade in Services Agreement](#)" (TISA) is being negotiated between more than 50 countries, including the EU28 and other WTO members. A particular aim of this agreement is to tighten regulatory disciplines and to set a precedent for other services negotiations. TISA rules on financial services regulation may go beyond what is being discussed in the current TTIP negotiations (e.g. a standstill on regulations).

## Investor protection, including ISDS

The EU has proposed to include investor protection mechanisms in the free trade agreement, in particular an investor-to-state dispute settlement system (ISDS). It would allow big financial players to sue countries for direct and indirect [expropriation](#), which legally includes regulations that undermine (future) profits of investors. In other words: **Banks and other financial firms could sue governments for lost profits as a result of regulations needed to avoid another financial crisis.**

Already **the very principle of such a mechanism is anti-democratic**, because it allows investors to challenge legitimate regulations and other rules that have been created and voted by democratic institutions with a view to protecting their citizens. Moreover, should an investor win a case in such a private arbitration court, the sued state would have to pay financial compensation possibly amounting to billions of euros, at taxpayers' expense.

**No surprise that this plan met strong opposition from civil society at large!** In reaction to this, the European Commission decided to launch a [public consultation on ISDS](#) in March 2014. And it received an [incredible number of 150.000 replies](#); more than 99% came from citizens. In particular, a large

number of replies were submitted collectively through actions coordinated within civil society. Like many other NGOs that participated, Finance Watch said a clear "No 2 ISDS" in its response to the consultation. Unfortunately, the consultation failed to ask the most important question: [Do we need ISDS in the first place?](#)

As previous experience shows, regulations have been attacked and eventually withdrawn under other treaties that include investor-to-state dispute settlement systems. Even the threat of a dispute has been known to stop regulators from going ahead with legal proposals (this is called [regulatory chill](#)).

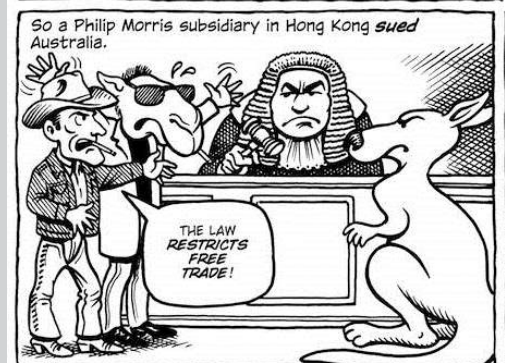
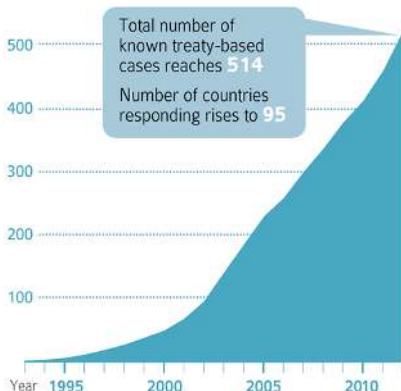
Here is one example of corporations suing over government action in a financial crisis: In May 2013, Slovak and Cypriot investors sued Greece for the 2012 debt swap which Athens had to negotiate

with its creditors to get bailout money from the EU and the International Monetary Fund (IMF). Both, the UN and the IMF have warned that investment agreements can severely curb states' abilities to fight financial and economic crises. [Get to know some more emblematic cases!](#)

In addition, due to the nature of these private tribunals – as opposed to direct litigation in the jurisdiction of the relevant government – it will be very difficult for civil society to effectively provide a counterweight to industry litigation. [UNCTAD research](#) indicates that US firms are very eager to use the ISDS mechanism to seek redress. According to the [Trans-Atlantic Consumer Dialogue \(TACD\) briefing on ISDS](#), "experience elsewhere shows how powerful interests from tobacco companies to corporate polluters have used investor-state dispute resolution provisions to challenge and undermine consumer and environmental protections."

### Deluge of disputes

Cumulative number of cases. Source: UNCTAD, Down to Earth



# PART 2 : THE DEBATE AND FINANCE WATCH'S POSITION

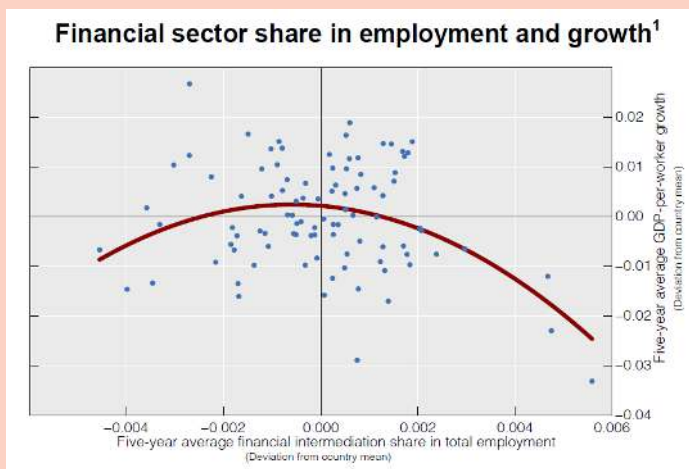
## Do we really need further financial liberalisation?

An important question behind all of this is whether we really need further financial liberalisation at all. There is mounting evidence that the main assumption behind TTIP, that the EU and US economies would benefit from having more finance, may be wrong.

After the worst financial crisis in decades, we cannot just assume that financial liberalisation is desirable in itself. We need to question and verify this powerful assumption, which has been the rationale behind financial deregulation since the 1980s. **It is indispensable to evaluate the role played by financial liberalisation in the increase of systemic risk before considering further liberalisation.**

Recent studies show that there can be “too much” finance! After a certain level of financialisation it adds little to real economic growth, and can even have **a negative impact**.

A recent [BIS study](#) has identified that “banks and markets foster economic growth in a complementary way, but also that there comes a point of negative returns: beyond it, additional banking intermediation or larger markets go hand in hand with lower growth”.



This graph shows that the relationship between growth and the financial sector's share in employment is an inverted U. At low levels, an increase in the financial sector's share in total employment is actually associated with higher GDP-per-worker growth. But there is a threshold beyond which a larger financial sector becomes a drag on productivity growth. And this threshold has been reached by far in all developed countries since quite a long time !

This is also confirmed by an [IMF study](#) saying that “in countries with very large financial sectors” such as the US and EU countries, “**there is no positive correlation between financial depth and economic growth.**”

This might be worth considering before promoting further financial liberalisation through TTIP...



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## **"You cannot fight fear with darkness"**

Since the first negotiations started between the European Commission and the US Representative in July 2013, TTIP has been harshly criticised by civil society groups as it could hurt consumers and, more generally, society by lowering regulatory standards. Despite this, the trade discussions have been taking place behind closed doors. The text and key documents are not available for citizens to see, and Members of the European Parliament (MEPs) only have a restricted access. **This lack of transparency is feeding speculation and makes it impossible to have a fact-based discussion about TTIP.**

*"You cannot fight fear with darkness... The public is right to be suspicious about TTIP simply because we do not know what is at stake. It is not right that the public must rely on leaked documents to know what is being negotiated in their name. Public commitments on transparency must be matched by meaningful disclosures about what, in detail, is being negotiated."*

**Thierry Philipponnat, March 2014**



Although the European Commission has tried to address transparency issues in trade negotiations in its factsheet of June 2013 and among others, or through the organisation of public Stakeholder briefings ([such as the one in July 2014 where protesters were removed by security - click to see the video](#)), these initiatives do not suffice to counterbalance the lack of effective public involvement.

*"If transparency would lead to widespread public opposition to a trade agreement, then that trade agreement should not be the policy of the United States."*

**Sen. Warren - June 19, 2013**

The **secrecy of the negotiations** does not allow for adequate democratic oversight and broad and effective stakeholder participation at all stages of the negotiations. Without effective involvement in the negotiations, civil society cannot effectively monitor how the different provisions of a treaty interact with each other.

**This is the reason why Finance Watch, along with 250 other organisations and networks, has called in a letter to the European Commission to open up the EU-US trade talks and make the negotiation process more transparent.**

[Read the letter here](#)







# Debunking the financial lobby myths

## TTIP promoters

*“With financial services in TTIP, the financial market will be larger, more integrated and safer, which will contribute to economic growth and job creation”*

The underlying assumption behind TTIP is that more finance (and more trade, in general) is good – but is it? Actually, there is no evidence showing that more finance means more growth, rather the opposite. The EU and US economies already have huge financial sectors; **further financialisation is likely to bring more problems than benefits**, with reduced growth and higher financial instability. Additionally, several studies have demonstrated that increased financialisation is associated with higher income inequality and unemployment.

(see above “Do we really need further financial liberalisation?”)

## Finance Watch

*“Trade negotiations should have a certain level of confidentiality in order to protect negotiators’ strategic positions and interests. And in any case, TTIP negotiations are the most transparent negotiations ever for a free-trade agreement.”*

As the [Corporate Europe Observatory explains](#), the European Commission has published papers on only some of the issues that are being discussed between the USA and the EU – the rest is still secret. **Some key information, such as the mandate given by the Council to the Commission to negotiate, is still not officially publicly available!**

Finally, the argument that trade negotiation should be kept secret does not hold: in the World Trade Organisation negotiations, all States (including European ones) make their negotiating positions public. Why not for TTIP?

*“It is important that the US and the EU harmonise their financial regulations, and coordinate when they create new rules. This will make it easier for financial firms to do business on both sides of the Atlantic, and will ultimately reduce costs for consumers.”*

More cooperation (or ‘regulatory convergence’ as it is called) sounds like common sense, right? But here is the trick: cooperation is already possible, be it through specific US-EU fora such as the [Financial Markets Regulatory Dialogue](#) (FMRD), or through international bodies such as the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) or the International Organization of Securities Commissions (IOSCO). In fact, **bilateral cooperation as foreseen in TTIP contradicts the work done by those institutions that consists in building a globally coherent regulation** (multilateral cooperation).

Finally, there is a risk that the lowest common denominator prevails when both sides harmonise their laws and standards or introduce a system of mutual recognition. The so called “race to the bottom” could start at the expense of citizens-taxpayers-consumers. EU Commissioner De Gucht is appeasing those fears by saying that there won’t be a lowering of standards, but available information does not make it clear how it would effectively work.

*“We need Investor-to-State Dispute Settlement (ISDS) mechanisms to ensure that investors are adequately protected.”*

ISDS were originally created to make sure that foreign investors would not be mistreated in countries with weak legal systems. But the US and the EU have amongst the strongest and most mature legal systems in the world! That means that **there already are many ways to ensure that investors receive an appropriate level of protection**. And why should foreign investors be granted rights citizens, public institutions, companies, etc. do not have?

ISDS, on the other hand, brings a **risk of ‘regulatory chill’**: democratically elected parliaments or governments could refrain from passing regulations aimed at protecting citizens or the environment for fear that companies would contest them through ISDS tribunals and win damages. Each case could potentially [cost a lot of money to the state](#)... that is, taxpayers’ money!





## What does Finance Watch think?

Finance Watch says that there is no proven case for including financial services in the TTIP. In fact, we are concerned that the EU's approach to regulatory cooperation will encourage convergence towards the lowest common standards, not the highest.

## Finance Watch speaks at ECON hearing in the European Parliament



*[If you want to know more, have a look at this 5 minute video.](#)*

Finance Watch's Secretary General was invited to speak at a European Parliament Committee hearing on **18 March 2014** and made three important points about the TTIP process. Firstly, public interest does not seem to be placed above all other interests. Secondly, a free trade agreement is not the right place to pursue regulatory convergence. Thirdly, if you want to harmonize regulation, you need to align supervision as well so that new rules are enforced consistently in different countries. TTIP has no means of ensuring that so far.

- Based on a [leaked copy of the negotiation mandate of the European Commission](#), specific aspects of the negotiations seem likely to weaken the ability of policymakers to put public interest ahead of private interests. This reverses the normal order of priorities, in which **public interest comes before private interests**.
- Finance Watch urges policymakers to publish a sector-by-sector breakdown of the claimed benefits of TTIP to demonstrate why the planned inclusion of financial services in both the market access and regulatory chapters would bring **benefits for the general public**.
- There is still no proper assessment of the impact of past rounds of liberalisation of financial services and the role they played in increasing interconnectedness, the formation of financial bubbles, their bursting and the rapid spread of fragility across the globe in the context of the latest financial crisis. Such an **assessment should be conducted before any further liberalisation is envisaged**.
- **A free trade agreement is not the right place to pursue regulatory convergence:** Convergence in financial regulation is a good objective but a free trade agreement seems to us the wrong place to pursue this. Priority should be given to the reform or strengthening of already existing financial regulation fora at the multilateral level (e.g. FSB, IOSCO, BCBS, IMF) – and/or of the existing bilateral ones such as the US/EU Financial Markets Regulatory Dialogue.

Read more in our [online dossier on TTIP](#).

## Conclusion

The public outcry against TTIP is very strong which is no surprise as TTIP covers many sectors beyond finance and might have a huge impact on our daily lives, from food safety and environmental and consumer protection up to health standards.

This dossier has looked only at whether, if there is a TTIP, financial services should be included in it. And on this question, Finance Watch's answer is very clear: **citizens on both sides of the Atlantic would be better protected and probably better off if financial services are not included!**

If you want to know more about other aspects of TTIP or how to engage yourself, we have prepared a selection of useful (as well as some entertaining) links below.



## What can you do?

### Get informed!

If you want to dig deeper into the topic, here are some useful (and sometimes entertaining) links:

#### Official documents / websites

- **European Commission:** [General information](#), [ISDS consultation](#)
- **US Trade Representative's** [webpages on TTIP](#), **US Mission to the EU** [webpages on TTIP](#)

#### Finance Watch material

- **Hearing at the ECON Committee** of the European Parliament on the inclusion of financial services in TTIP ([video](#))
- Response to the **consultation on ISDS** ([pdf](#)) and related blog article ([web page](#))
- **Online dossier on TTIP** ([web page](#))
- **Open letters** by civil society organisations, supported by Finance Watch, on "[Financial regulation and TTIP](#)" (1 October 2014) and on "[Transparency](#)" (19 May 2014)

#### Further information:

- **"TTIP Negotiations and Financial Services. Issues and Problems for Financial Services Regulation"**, by SOMO, 16 October 2013 ([pdf](#))
- **"Leaked document shows EU is going for a trade deal that will weaken financial regulation"**, CEO and SOMO, 1 July 2014 ([analysis](#))
- **"The Trans-Atlantic "Free Trade" Agreement (TAFTA): U.S. and European Corporations' Latest Venue to Attack Consumer and Environmental Safeguards?"**, Publicitizen ([web pages](#))
- **"The Transatlantic Trade and Investment Partnership"**, Rosa Luxemburg Stiftung, Brussels Office, March 2014 ([booklet as pdf](#))
- **"What is the Transatlantic Trade Investment Partnership?"**, Attac Germany, 2 July 2014 ([video](#))
- **"re:publica 14: TTIP - Closed shop agreement in times of open government initiatives?"**, Berlin, 6 May 2014 ([conference video](#))
- **Strawberry Thieves Socialist Choir with a bespoke TTIP version of Cole Porter's 'Don't Fence Me In'** ([video clip](#))
- **Economix explains "Free Trade"** ([cartoon](#))



### Get involved!

There are different initiatives led by civil society groups or others to express concerns or actively protest against TTIP. Here are some of them:

- **Stop TTIP:** <http://stop-ttip.org/> (The Stop-TTIP Alliance launched a European Citizens' Initiative against TTIP that was [blocked by the EU Commission](#) on 10 September 2014. Therefore, they started a self-organised European Citizens' Initiative against TTIP and CETA.)
- **No TTIP :** <http://nottip.org.uk> (Coalition of groups against TTIP, mainly UK)
- **Collectif Stop TAFTA:** [www.collectifstopafta.org](http://www.collectifstopafta.org) (French collective against TAFTA)
- **Campact Campaign:** [www.campact.de/ttip/](http://www.campact.de/ttip/) (Online campaign against TTIP, mainly German)
- **TTIP Unfairhandelbar:** [www.ttip-unfairhandelbar.de](http://www.ttip-unfairhandelbar.de) (German NGOs movement against TTIP)

## About Finance Watch

Finance Watch is an independently funded public interest association dedicated to making finance work for the good of society. Its mission is to strengthen the voice of society in the reform of financial regulation by conducting advocacy and presenting public interest arguments to lawmakers and the public. Finance Watch's members include consumer groups, housing associations, trade unions, NGOs, financial experts, academics and other civil society groups that collectively represent a large number of European citizens. Finance Watch's founding principles state that finance is essential for society in bringing capital to productive use in a transparent and sustainable manner, but that the legitimate pursuit of private interests by the financial industry should not be conducted to the detriment of society. For further information, see [www.finance-watch.org](http://www.finance-watch.org)



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