

The Trans-Pacific Partnership

Undermining Buy American

The Trans-Pacific Partnership Free Trade Agreement (TPP) is poised to become the largest free trade agreement ever. Current negotiating countries account for 38% of the global economy and include the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. No TPP text has been officially released — though there have been significant leaks. However, the TPP countries published an outline of the agreements in 2011 that makes clear that the TPP would pose a special threat to U.S. manufacturing firms, workers and communities that rely on the sale of their U.S. made goods to federal, state, and local governments.

Buy American Programs Stimulate U.S. Manufacturing Investment and Jobs

The Buy American Act was passed in 1933 by the U.S. Congress. The Act basically required the federal government to give a preference to goods produced in the United States when procuring goods above a certain value.¹ Buy American preferences ensure that billions

in U.S. government expenditures are recycled into our economy to create jobs, strengthen our manufacturing sector, and foster our own new cutting-edge industries. The government would purchase these goods anyway, so it makes sense that U.S. taxpayer dollars are funneled to U.S. firms employing U.S. workers. That's why Buy American is supported by four out of five U.S. voters — Republicans, Democrats and Independents. That's why Buy American is supported by four out of five U.S. voters -- Republicans, Democrats, Independents, according to a 2014 poll by the American Association of Manufacturers.

The TPP Would Undermine Buy American Policies

Under the proposed TPP framework, the U.S. government and the states would be obliged to bring policies into compliance with expansive rules set forth in 29 draft TPP chapters, including one imposing severe limits on government procurement policy.

■ **The procurement chapter of the TPP limits the government's ability to give prefer-**

ential treatment to U.S. businesses when purchasing goods. The TPP's procurement chapter would require that all firms operating in any signatory country be provided access equal to that of domestic firms to many if not most U.S. government procurement contracts over a certain dollar threshold. To implement this "national treatment" requirement, the United States would agree to waive Buy American procurement policies for bids coming from firms in TPP countries for any purchases of covered goods or services.

■ **The prohibition would be enforceable by trade sanctions and cases against the United States filed before international tribunals.** If the U.S. fails to conform our domestic policies to these terms, then the U.S. government could be subject to challenges by TPP trading partners and eventual trade sanctions.

TPP Would Help Foreign Firms at the Expense of U.S. Firms

Past U.S. Free Trade Agreements (FTA) have similarly required the U.S. government to waive Buy American procurement policies in favor of firms

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operating in FTA-signatory countries.

Effectively, in exchange for opportunities for some U.S. firms to bid on contracts in smaller foreign procurement markets, we traded away an important policy tool that can ensure that billions in U.S. government expenditures are recycled into our economy. This is a bad deal — the numbers don't add up.

Under the TPP, the deal would be even worse. Consider this:

■ The total U.S. federal government procurement market is about twice the size of the *combined* national procurement market of all other TPP negotiating parties: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.²

■ The United States already has access to the government procurement of many TPP countries and Japan through bilateral trade deals and the WTO.

■ **The size of the new procurement markets that the TPP may open for the United States is about \$53 billion to \$72 billion, while the federal U.S. procurement market is \$556 billion. If the 50 states are included, the U.S. procurement market totals a whopping to \$1.7 trillion.**³

Of special concern is the prospect that firms from non-TPP countries that operate in TPP countries, such as the many Chinese firms in Vietnam, could also obtain waivers from Buy American policies. When it is all added up, the TPP could result in large sums of U.S. tax dollars being in-

vested to strengthen other countries' manufacturing sectors, rather than our own.

The TPP Could Adversely Impact Other Forms of Governmental Preferences

The TPP will limit the effectiveness of “Buy American” and “Buy State” policies intended to support U.S. workers and their jobs. This is just the tip of the TPP iceberg. Other government purchasing standards could be run aground — rules requiring “renewable,” “recycled,” or “sweat free” goods and services and prevailing wage obligations could be challenged by firms from TPP countries that bid on U.S. contracts or by the TPP countries themselves.



WHAT YOU CAN DO TO PROTECT AMERICAN MANUFACTURING

www.stopthetpp.org

CWA

Communications Workers of America



¹ The Buy American Act applies to all U.S. federal agency purchases of goods valued over a micro-purchase threshold (including construction materials), but does not apply to services. Under the act, all goods for public use (articles, materials or supplies) must be produced in the United States, and manufactured items must be manufactured in the United States from U.S. materials unless an exception applies. Many states and municipalities include similar geographic production requirements in their procurements. The law applies to goods purchased by the government for its use (vehicles, office supplies, etc.), and to contracts for the construction materials used in the alteration or repair of any public building or work in the United States. There are three exceptions that would allow government agencies to purchase goods made in another country: unreasonable cost, inconsistent with the public interest or non-availability.

² Public Citizen, TPP Government Procurement Negotiations: Buy American Policy Banned, a Net Loss for the U.S., <http://www.citizen.org/documents/TPP-Buy-American.pdf>

³ Ibid.