

The Trans-Pacific Partnership

Attacking Public Sector Jobs and Services

The Trans-Pacific Partnership (TPP) is poised to become the largest free trade agreement ever. Current negotiating countries account for 38% of the global economy and include the U.S., Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. Negotiators have refused to release the text of the TPP to the public but have given access to members of special advisory committees which are dominated by hundreds of corporate officials, lawyers and lobbyists. However, based on leaked text, previous trade agreements, news reports and public statements, we can safely conclude that the TPP would pose a special threat to public services and workers at the federal, state and local levels which will exacerbate our economic and fiscal crises, fray our social safety net and erode public accountability. Furthermore, the TPP will undermine our sovereignty and democracy by allowing foreign corporations to use international tribunals to sue the U.S. for the enforcement of state and federal public interest laws.

Destruction of Local Economies and Public Services

The U.S. suffered a 3.4 million *net* job loss due to just two trade deals – NAFTA and allowing China into the WTO.¹ Most of these were jobs in manufacturing. Overall, sixty thousand U.S. manufacturing facilities closed since NAFTA. One study calculated that workers displaced by trade with China experienced an average annual wage loss of more than \$13,500 even after accounting for the wages from replacement jobs.² The loss of these firms, factories, jobs, and wages extinguished a significant portion of the tax base of many communities. Local governments were simultaneously hit by declining revenue and increasing demand for services from residents adversely impacted by trade deals and globalization. This process has strained state and local finances and led to a significant crisis for local governments in the areas hardest hit.³ Here are just a few examples.

■ **Michigan** lost 352,000 manufacturing jobs from 1998-2011 (the earliest and latest years with comparable data). But these figures mask what's going on at the local level. Detroit is the most famous victim of globalization and unfair trade deals. From 1998-2011, Detroit lost 111 or 20% of its automobile factories, 66,300 jobs or 50% of its entire automobile workforce, and \$6 billion or 58% of the annual wages paid in the automobile sector.⁴ These factors contributed to a loss of 26,000 public sector jobs or 22% of Detroit's entire public sector workforce.⁵

■ **Ohio** lost 381,000 manufacturing jobs during the same time period. Cleveland alone lost 85,100 manufacturing jobs, \$4.5 billion in annual wages paid in the manufacturing sector and 1,200 manufacturing establishments.

■ **New Jersey** lost 171,100 manufacturing jobs while Trenton alone lost 36% of its manufacturing jobs.

■ **Tennessee and Mississippi** together lost 285,000 or 40% of their manufacturing jobs. The Memphis metro area which includes communities in both Tennessee and Mississippi lost 20,000 manufacturing jobs and \$762 million of the annual wages paid in the manufacturing sector.

States and communities throughout the country have been severely impacted by globalization and trade. The TPP will exacerbate these trends - more offshored jobs, more plant closings, lower wages and less revenue to fund vital public services and their associated public and private sector jobs.

■ **AT RISK** – *The economies of communities that are tied to firms and jobs sensitive to off-shoring and/or competition from imports.*

Privatization of Public Services

The TPP – just like some other U.S. trade agreements – would include rules limiting how governments may regulate the service sector including utilities, transportation, education and more. These rules cover all services, except those exclusively offered by a government without a fee for use, unless a government negotiates an exception. In the U.S., federal, state and local governments provide almost all public services through a mixed delivery system that includes both public and private components. Such government services would be treated like those of any private sector company under terms of the TPP. For example, public utilities would be subjected to provisions of the TPP, because fees are charged, and services provided both by governments and private firms. The TPP will lead to even more instances where local and state governments privatize public services. For example, municipal water systems would be especially vulnerable to companies like Veolia – the largest water and wastewater privatization firm in the world. Veolia has a tainted history in the U.S. Examples include a suit filed by Burlingame CA for dumping more than 10 million gallons of untreated wastewater and sewage into San Francisco Bay; a suit filed by Richmond CA for dumping more than 17 million gallons of sewage; a suit by Indianapolis for overcharging 250,000 residents; and multiple examples of corruption in the awarding of contracts in cities such as New Orleans LA, Rockland MA and Bridgeport CT.⁶

■ **AT RISK:** *Wastewater, water distribution, sanitation, solid waste, electric and gas utilities, medical and hospital services, environmental services, transportation, landscaping, museums, libraries, state lotteries, and many more public service jobs.*

(Continued)

Undermining of Government Preferences for American Made Goods and Services

The procurement chapter would undermine the ability of the U.S. government – and many state governments – to give preferences to U.S. based firms (and workers) when awarding contracts for the purchase of goods. The TPP would require that firms operating in any TPP signatory country be given equal access to the vast majority of U.S. federal procurement contracts — rather than allowing us to recycle our tax dollars here to create American jobs. Situations like the recent revelation that foreign companies obtained the vast majority of clean-energy stimulus funds would be commonplace under the TPP.⁷ In addition, rules requiring “renewable/recycled” or “sweat free” standards and obligations for firms to meet prevailing wages could be challenged by TPP governments before international trade tribunals. Companies also could not be barred because of their own horrible human rights conditions or that of their home countries.

■ **AT RISK:** *All firms that benefit from government contract preferences for American made goods and services as well as preferences for “renewable/recycled” or “sweatshop free”.*

Off-Shoring Government Jobs

The “trade in cross border services” section of the TPP would explicitly forbid the U.S. – or any country – from requiring that a foreign firm set up a domestic operation to provide services. This would allow corporations in other countries to supply services to the U.S. without employing any U.S. workers. For example, public sector call center work currently conducted by government employees or contracted out to private firms in the U.S. (ranging from E-ZPass to Medicaid eligibility centers) could be shifted to firms operating and employing workers in other countries.

■ **AT RISK:** *Any jobs in information technology, human resources, financing, accounting, purchasing, and call centers whether staffed by public workers or contracted to private U.S. firms.*

Undermining American Democracy

The leaked investment chapter of the TPP includes a special provision that allows foreign corporations the right to challenge any domestic law, rule or regulation that breaches the expansive investment rights included in the agreement. This procedure is called Investor-State Dispute Settlement (ISDS). Specifically, corporations could demand compensation for any alleged loss of expected future profits. In addition, the TPP establishes that corporate rights

include a government obligation to provide a stable regulatory environment that would not frustrate investors’ expectations at the time of their investments. These challenges would be heard by UN and World Bank tribunals staffed by private sector lawyers that could order governments to use taxpayer dollars to compensate the corporations. ISDS enables corporations to bypass and operate outside our entire federal legislative and judicial systems. There are over \$38 billion in pending claims filed by corporations against sovereign governments using the ISDS provisions of U.S. trade agreements that are similar to the TPP. Here are just two examples of how corporations are using ISDS to undermine public interest policies

■ Phillip Morris is using ISDS to challenge anti-smoking laws in Australia and Uruguay after failing to undermine the health laws in domestic courts. The corporation is asking a private UN tribunal to impose billions of dollars in compensation and to actually suspend the democratically passed health laws. These laws were enacted to reduce the incidence of lung cancer and other diseases caused by tobacco products. A victory by Philip Morris will open the floodgates for corporations to challenge similar public health laws in countries that signed trade agreements with ISDS provisions.

■ Veolia – the water privatization firm previously mentioned - is suing Egypt because it increased the minimum wage. Veolia is using the ISDS provisions set in the France-Egypt bilateral trade agreement. A special World Bank tribunal is hearing this suit.⁸ The TPP would enable corporations to challenge any significant change in the minimum wage in any country signing the agreement because it could constitute a change from their expectation of a stable regulatory environment.

ISDS undermines our national sovereignty and subverts democratically passed laws, including those dealing with labor, health, consumer safety, and the environment. This was recognized in 2012 by the National Conference of State Legislatures (NCSL) when it stated that “NCSL will not support any [Bilateral Investment Treaty] or [Free Trade Agreement] that provides for investor/state dispute resolution. NCSL firmly believes that when a state adopts a non-discriminatory law or regulation intended to serve a public purpose, it shall not constitute a violation of an investment agreement or treaty, even if the change in the legal environment thwarts foreign investors’ previous expectations.”⁹

■ **AT RISK:** *Policies that promote the public interest such as financial stability, job creation, wages, consumer safety, public health, environmental quality and educational access.*



**WHAT YOU CAN DO TO PROTECT
PUBLIC SECTOR JOBS AND SERVICES**

www.stoptheTPP.org

CWA

Communications Workers of America

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1 Robert Scott, “Heading South: US-Mexico Trade and job displacement after NAFTA, May 3, 2011 and The China Toll, August 23, 2012, Economic Policy Institute.

2 Robert Scott, Trading Away the Manufacturing Advantage, Economic Policy Institute, September 30, 2011.

3 The following statistics for both state and metropolitan areas are from the U.S. Census Bureau, MSA Business Patterns (NAICS) 1998 and 2011 using code 31 for manufacturing which can be found at <http://www.census.gov/econ/cbp/>

4 U.S. Census Bureau, MSA Business Patterns (NAICS) 2011 for Detroit-Warren-Livonia MSA and 1998 for Detroit using Industry Code 336 Transportation Equipment Manufacturing <http://censtats.census.gov/cgi-bin/msanaic/msa-sect.pl>. Annual wage figures were adjusted for inflation by using the Consumer Price Index.

5 U.S. Bureau of Labor Statistics, State and Area Employment, Hours and Earnings, Economy at a Glance <http://www.bls.gov/eag/> Detroit-Livonia-Dearborn, <http://data.bls.gov/pdq/SurveyOutputServlet>

6 Global Exchange, Veolia’s Other Offenses, <http://www.globalexchange.org/economicactivism/veolia/otheroffenses>

7 Politico, Stimulus Money Goes Overseas, March 3, 2010 <http://www.politico.com/news/stories/0310/33847.html>

8 International Centre for Settlement of Investment Disputes, Case Details, Veolia Preprete v Arab Republic of Egypt. <http://icsid.worldbank.org/ICSID/common/Print.jsp>

9 National Conference of State Legislatures, <http://www.ncsl.org/ncsl-in-dc/standing-committees/labor-and-economic-development/policy-positions-labor-and-economic-development.aspx>