

# AFL-CIO's 10 CRITICAL PROBLEMS WITH THE TPP

**These critical flaws make the TPP a bad deal for America's working people.**

**1. The TPP allows currency-manipulating countries to kill U.S. jobs.** The current TPP text doesn't contain enforceable currency manipulation rules. Countries that intentionally devalue their currency cheat U.S. manufacturers and undermine any benefits from tariff reductions. Enforcing currency manipulation rules is probably the single most effective thing the United States could do to create jobs; in fact, doing so could add as many as 5.8 million jobs.<sup>1</sup>

**2. The TPP lets foreign corporations bypass U.S. law.** The current TPP text allows multinational companies to challenge U.S. laws, regulations and safeguards through a provision called investor-to-state dispute settlement (ISDS), a private justice system that undermines our democracy. Through ISDS, foreign investors can seek compensation from the United States for enforcing regulations and safeguards designed to protect America's working families. In fact, multinational companies currently are using ISDS to attack democratic policies and laws in Australia, Canada, Egypt, Peru and Uruguay, among many others.

**3. The TPP allows climate change to go unchecked.** The current TPP text doesn't contain any enforceable climate change commitments or "border fees" to offset the cost of environment-damaging imports. This undermines our efforts to address climate change and jeopardizes the important U.S.-China bilateral agreement on climate change

and clean energy.<sup>2</sup> It does *nothing* to discourage U.S. manufacturers from moving their factories to TPP countries with weak climate regulations. This damages both U.S. jobs and our efforts to address climate change.

**4. The TPP doesn't strengthen international labor rights protections.** There are extensive, well-documented labor problems in at least four TPP countries (Mexico, Vietnam, Brunei and Malaysia),<sup>3</sup> but the administration has not committed to requiring all countries to be in full compliance with international labor standards before they get benefits under the agreement. Worker rights obligations have never been fully enforced under existing free trade agreements, which have provided too much discretion for worker complaints to be delayed for years or indefinitely (e.g., Honduras, Guatemala). A progressive TPP would eliminate this shortcoming, not repeat it. Given that no administration has ever self-initiated labor enforcement under a free trade agreement, any promise to "strongly enforce" the TPP should be met with skepticism.

**5. The TPP could allow public services to be permanently outsourced.** Public services such as sanitation, transit and utilities should be carved out of trade deals—but the TPP puts them at risk. The current TPP text does not ensure that governments can pull out of wasteful and failing public service privatization efforts without shelling out taxpayer dollars or otherwise compensating foreign firms or trading partners.<sup>4</sup>

**6. The TPP allows foreign state-owned enterprises to continue to undermine small business.** The current TPP text doesn't adequately protect small businesses from the predatory tactics of foreign state-owned and state-subsidized companies. Often, these enterprises benefit from government support and drive their American competitors out of business or put pressure on our companies to ship American jobs overseas. While the TPP contains some limited provisions to address state-owned enterprises, it's not clear it would level the playing field and provide the fast action small firms need to stay in business when faced with unfair competition.

**7. The TPP's weak rules of origin benefit China and other non-TPP countries.** The rules of origin in the current TPP text are weak and allow China and other nonparticipating countries to reap the agreement's benefits without having to follow its rules. In fact, the TPP's auto content requirement allows the majority of the auto content to be Chinese and manufactured outside the trade agreement's rules. This has the effect of promoting jobs in China while destroying U.S. auto supply-chain jobs.

**8. The TPP takes America out of "Buy American."** The current TPP text will require the U.S. government to treat Vietnamese, Malaysian and other TPP firms exactly the same as U.S. firms for many purchasing decisions—even when "Buy American" rules apply. This will send U.S. taxpayer dollars overseas and undermine U.S. job creation efforts. The TPP also could mean government purchasing contracts might not be able to include low carbon, "clean hands," living wage or other responsibility requirements in their bids.

**9. The TPP gives global banks even more power.** The current TPP text could make it even harder for countries facing an economic crisis to stabilize their economies. Not only can large international banks still sue countries in crisis using the "prudential exception," the TPP expands the rights of international banks to use ISDS to challenge bank regulations in front of private tribunals. Giving global banks more power makes another global financial meltdown more likely, not less.

**10. The TPP makes affordable medicines harder to find.** Quality, affordable and accessible health care is a human right and trade policy should not interfere with public health care choices, nor should it threaten public health. Unfortunately, the current TPP text threatens access to affordable medicines by including new monopoly rights for pharmaceutical companies—delaying competition by affordable generics—and allowing companies more opportunities to interfere with government cost-saving efforts.

**We need a trade agreement that works for America's working families. Help us stop the TPP!**

- Call your representative and tell him or her to reject TPP unless it's drastically reformed.
- Work with your community to pass a local resolution opposing bad trade deals that threaten jobs and democracy.
- Text TPP to 235246.

1. Robert E. Scott, "Stop Currency Manipulation and Create Millions of Jobs," Economic Policy Institute, Feb. 26, 2014.

2. "FACT SHEET: U.S.-China Joint Announcement on Climate Change and Clean Energy Cooperation," Executive Office of the President, Office of the Press Secretary.

3. "The Trans-Pacific Partnership: Four Countries that Don't Comply with U.S. Trade Law," AFL-CIO.

4. In 2011, the Project on Government Oversight (POGO) compared the costs of federal employees and contractors in a seminal study titled *Bad Business: Billions of Taxpayer Dollars Wasted on Hiring Contractors*, the first to compare service contractor billing rates with the salaries and benefits of federal employees. POGO determined that "on average, contractors charge the government almost twice as much as the annual compensation of comparable federal employees. Of the 35 types of jobs that POGO looked at in its new report, it was cheaper to hire federal workers in all but just 2 cases."