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Statement of the International Brotherhood of Teamsters
Investigation No. TPA-105-001, Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors

On behalf of our 1.4 Million members, we are grateful to the Commission for the opportunity to describe our concerns about the Trans-Pacific Partnership (TPP) and its likely effect, if ratified, on the U.S. economy.

As America's transportation union, our members on the roads and rails, in warehouses and ports coast to coast, depend on exports for their livelihoods. Teamsters in milk production and processing, throughout the supply chain, prepare Grade A products for foreign markets. Our members, who work in food processing, bakeries and breweries, want to compete globally. Teamsters who work on movie sets know the importance of growing foreign markets for the American motion picture industry. Teamsters are pro-trade; but we want fair trade.

The Teamsters represent over 200,000 workers engaged in manufacturing, including food processing, and tens of thousands of other workers involved in warehousing and distribution of those goods. Many of those workers produce things – from cheese to helicopters -- that flow into global supply chains, often transported by Teamster members on the rails or the docks, in warehouses and freight distribution centers. The International Trade Commission, through this Investigation, is charged with predicting the real-life effects of the TPP on these workers and their employers. This is a difficult undertaking, requiring the considerable testimony and written submissions that you have collected coupled with a rigorous macroeconomic analysis. The economic model and methods that you choose to examine the data are important, a key to the validity of your conclusions upon which the Congress will rely as it decides whether to ratify the agreement.

We observe that two competing models have been recommended to you, each of which predicts fewer jobs in the manufacturing sector due to the TPP for the ten-year period following entry into force of the pact in all twelve countries.

The first is the flawed "comparable general equilibrium" (CGE) model that assumes full employment and constant income distribution between workers and the corporate and investment elites – that is, no increase in income inequality. An example of the CGE model applied to the TPP is the Peterson Institute study, in which U.S. GDP is projected to grow by one iota, defined as a 0.036 percent increase over a decade, during which time 121,000 fewer U.S. manufacturing jobs will be created than without the TPP. The other model is the United Nations Global Policy Model (GPM), which we urge you to utilize in this Investigation because it allows for changes in employment and inequality and their effect on demand and growth and is, therefore, more realistic. An example of the application of the GPM model is the recent analysis by the Global Development and Environment Institute at Tufts University, which predicts net GDP loss in the U.S. of .54 percent and the net loss of over 400,000 jobs over ten years, mostly in manufacturing.

Significantly, the Tufts analysis adopts the trade flow assumptions of the Peterson report, to which it specifically replies, in order to hold trade balance projections constant so the analyses are comparable. Tufts predicts manufacturing job loss; Peterson predicts slower growth in the manufacturing sector. In other words, regardless of the macroeconomic modeling, the TPP will have an adverse impact on domestic manufacturing. We conclude that, as with previous multilateral "free trade" agreements which the Teamsters have opposed – principally the North American and Central American deals (NAFTA and CAFTA) -- the TPP is designed to support the global supply chains of multinational companies through continued outsourcing of production and offshoring of jobs. In light of these macroeconomic projections, and given our experience with those earlier "free trade" experiments, it is difficult to overstate the concern of Teamster workers in the manufacturing sector. Under the TPP, their employers will either expand production to meet new market access opportunities in the other TPP countries, or they won't and, as is more likely, they will reduce domestic production due to import surges from the other countries.

The U.S. dairy industry employs 140,000 workers - about 40,000 of them are Teamster members, all through the supply chain and coast to coast. We are concerned that the TPP will pose a drag on dairy industry jobs and wages. Especially concerning are the unbalanced dairy market access provisions of the TPP and the failure of the agreement to include enforceable disciplines against currency manipulation.

U.S. dairy exports to TPP partner countries have been growing steadily for the last decade. Japan is already the sixth largest market for U.S. dairy products; U.S. exports to Malaysia are five times the value of that market access ten years ago; similarly, in 2014 the U.S. exported $264 million of dairy products to Vietnam, quintuple the value of a decade ago. We believe these trends demonstrate that U.S.-based dairy farmers and workers, in production and processing, would continue to expand market share throughout the Pacific Rim even without the TPP. The TPP provides no guarantee that export growth will accelerate.

The lengthy phase-out of tariffs supports our skepticism about the purported benefits to the dairy industry of this agreement. For example, Japan's tariffs on cheese will not be eliminated for 16 years; and its tariffs on whey will not go away for 21 years. Malaysia enjoys a 15-year transitional period to create new tariff-rate quotas (TRQs) covering fluid milk and Canada will take a decade to eliminate its high tariffs on whey powder. Further, Canada's commitments to TRQ percentage increases over the next twenty years are all in the low single digits. These dairy market access concessions hardly comprise the economic benefit that farmers, processors, and dairy workers were led to believe would be a legacy of the TPP—particularly in light of the new access provided in our own market and the TPP's inclusion of dairy export powerhouse New Zealand and its monopolistic dairy industry.

The bottom line, however, lengthy and anemic market access provisions notwithstanding, is that tariff reductions are meaningless in an agreement that fails to halt currency misalignment by all the signatory states. As our TPP partners inevitably and opportunistically devalue their currencies against the dollar, U.S. dairy exports will be less competitive, as will all the other products manufactured by Teamsters members. Unfortunately, the TPP fails to include effective or enforceable disciplines on currency manipulation. Thus, any benefits that might otherwise accrue to our industries from lowered tariffs, absent enforceable disciplines grounded in IMF standards, will be erased when TPP partners, present or future, adjust their currencies against the dollar.

As the Commission is well aware, the U.S. has run chronic trade deficits for nearly twenty years, going back to the ballooning deficits with our NAFTA partners in the years since its entry into force. Economists agree that, for the last decade, these deficits have been driven by conscious monetary strategies of our trading partners to buy dollar denominated financial assets to increase the value of our currency against theirs, with the intended effect of making their exports cheaper.

The Congress agrees that the TPP should anticipate and protect against currency manipulation; that's why bipartisan majorities on both sides of Capitol Hill sent letters to the President demanding that the TPP include enforceable disciplines against currency management "to bolster our ongoing efforts to respond to these trade-distorting policies." In short, in this Investigation, the Commission should consider not just what is in the TPP, but what is missing, starting with a mechanism to deny the benefits of the agreement to other countries that intentionally misalign their currencies in order to advantage their economies with trade surpluses in manufactured goods.

In this context, it is important to note that the TPP's docking clause will expand the benefits of the agreement to other countries, thereby multiplying potential negative effects. Countries ranging from Indonesia, Thailand, South Korea and China have been identified as potential entrants. These countries, and China especially, are eager to enjoy growing access to American markets. Without protection against currency manipulation in the core text of the TPP, implementation of TPP rules and tariff concessions bodes badly for working families and Teamster members.

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Six years ago, in response to a request from the USTR (74 Fed Reg 66720), the Teamsters filed Comments, attached and incorporated by reference hereto, in which we described the conditions for our support of a final TPP. Now that the pact is finally published and recently signed, we can compare it to those criteria.

We called for a Fair Trade TPP that rewards the work that creates wealth, with real protections for our workers and our planet – an agreement that is truly free and fair for all. Unfortunately, the TPP does not meet this fundamental policy goal. Again, using a realistic macroeconomic model – like the GPM preferred by the United Nations -- to predict the socioeconomic effects of the TPP reveals that the deal will exacerbate income inequality in the U.S. The Tufts report mentioned above anticipates a lower labor share of national income. Specifically, the economists the Commission should heed predict that TPP will cause labor's share to decrease 1.31 percent over ten years. Specifically, the Teamsters cannot support another trade deal that continues a trend of growing inequality.

In our original Comments we insisted on a TPP with binding obligations to protect the right to collective bargaining and other core labor standards recognized by the International Labor Organization. Again, sadly, the TPP fails to sufficiently advance labor rights and offers only false promises of progress.

Our Comments specified eight ILO Conventions that we suggested should be explicitly incorporated into the TPP, but to no avail. Like disciplines against currency manipulation, the ILO Conventions are missing from the final deal. Furthermore, the Labor Chapter repeatedly includes aspirational terms such as ‘may’, ‘endeavor’ and ‘as appropriate’. The impact of those terms, combined with the wholly discretionary nature of the enforcement provisions, is clear -- countries will have to do little, if anything, to comply with the commitments of the Labor Chapter.

Six years ago, we hoped for a TPP that would not grant foreign investors any rights in the U.S. greater than those of Americans, but the final agreement dashed that hope. The Investment Chapter disadvantages Teamster employers – many of them small and medium sized companies -- that only manufacture in the U.S. because they will have no rights under, nor access to, the investor-state (ISDS) mechanism that is reserved for their TPP competitors and foreign investors. Furthermore, this aspect of the Investment Chapter makes it more attractive for larger manufacturing companies to send production and investment to other TPP countries, where the additional legal protections of ISDS would obtain.

We revisit our 2010 Comments now to argue against the final deal to the extent that it fails to meet the criteria we originally offered to the USTR, and to persuade the Commission to evaluate the deal from the perspective of the manufacturing workers, including over 200,000 Teamsters, whose job security will be undermined.

The Teamsters are proud and active members of all the national Fair Trade coalitions, including a couple that have filed submissions as part and parcel of this Investigation, and we concur in their critiques of the TPP. The Citizens Trade Campaign (CTC), which we joined during the NAFTA debate, represents labor, environment, family farm and faith-based groups in all fifty states. Teamsters are represented in the Coalition for a Prosperous America (CPA), along with small and medium-sized businesses, ranchers and farmers. Internationally, the Teamsters are an affiliate of many of the international labor secretariats and global union federations that officially oppose the TPP on behalf of their affiliates in all the TPP countries (where there are independent unions, that is): the International Union of Food Workers (IUF), Public Services International (PSI), International Transport Workers (ITF), Building and Woodworkers International (BWI) and the IndustriALL and UNI Global Unions.

Our members in the U.S. and Canada, in solidarity with all the members of these global labor networks, oppose the TPP. On their behalf, we would like to thank the Commission for undertaking this Investigation and this important inquiry about the likely real-life effects of the TPP on working families.