Oral Testimony of Celeste Drake
On Behalf of the AFL-CIO
On "Investigation No. TPA-105-001, Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors"
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Chairwoman Broadbent, Vice Chairman Pinkert, Commissioners, good afternoon. I appreciate the opportunity to testify on the likely economic impact of the Trans-Pacific Partnership Trade Agreement. I have submitted written testimony for the record, and will highlight particular issues here.

The AFL-CIO is the federation of America's unions. We assist more than twelve and a half million working men and women in 56 unions with exercising their voice in the workplace. We also work globally to ensure that governments and firms respect fundamental labor rights and enact sustainable growth policies that promote broadly shared prosperity.

American workers live in a global economic environment. The relevant question is not whether the AFL-CIO supports trade with these eleven countries. We do. The question is whether imposing the rules enshrined in the TPP, as written, will promote higher wages and inclusive growth in the U.S. and across the TPP countries. In our view, it will not.

To date, increased trade liberalization of the corporate model has led to increasing trade deficits and a corresponding loss of jobs for America's workers. Our manufacturing sector has been hollowed out—losing about 5 million jobs and 60,000 factories since 2000. While failed trade policies are not the sole reason for this decline, they've played an enormous role.

Because the TPP repeats too many failed rules from prior trade deals—particularly with respect to labor rights, rules of origin, investment, procurement, the environment, and imbalanced restrictions on allowable legislation and regulation—we conclude that it will repeat the failures of prior deals: costing jobs, harming wages, increasing inequality, and enhancing corporate influence both here and overseas.

I will focus on two main issues in my testimony today. First, I'll explain our request that the ITC update and expand it techniques for evaluating the impacts of the TPP. Second, I'll highlight the failure of the TPP to meaningfully improve failed labor rules.

Unfortunately, the USTR has indicated its interested in the ITC working as fast as it can to complete this complex analysis. A hasty report may overestimate the benefits of the TPP while underestimating its harms.

Past ITC projections have not always matched reality, which is one reason not to rush to judgment. Another part of the problem is the computable general equilibrium model, which is better suited to tariff and quota deals than to the TPP's 30 chapters.

The CGE model unfortunately under predicted the trade imbalance from China's WTO accession, which has quadrupled in nominal terms to more than $343 billion for 2014. It also predicted a U.S. household welfare gain based on flexible exchange rates—which do not exist with China—and which will not exist in the TPP due to its total lack of currency provisions.

CGE projections for the KORUS and NAFTA deals were likewise overly optimistic.

The CGE model didn't adequately project how many U.S. manufacturers would close productive factories here and move them wholesale to China, Mexico, or elsewhere—primarily to manufacture for export to the U.S.

Nor does CGE delve adequately into distributive impacts. For working people, top line figures such as GDP growth are not particularly meaningful. We therefore ask the ITC to add meaningful projections regarding inequality, such as labor share of income, to help workers to understand why their slice of the pie is getting smaller.

A different model that considers distributive impacts, as does the UN's Global Policy Model, would also provide relevant information to Congress as it assesses the value of TPP to constituents.

The Tufts paper published yesterday used such a model—and projected that the U.S. economy would see nearly half a million jobs displaced and the labor share of income decrease by nearly one and a half percent.

Likewise, full employment and costless job transition assumptions inoculate CGE results against adverse projections for working people. We would also recommend incorporating high, medium, and low impact scenarios as well as accounting for social welfare costs of regulatory restraints and dangerously under inspected imports.

Therefore, we encourage you to adjust your economic models to account for real-world trade impacts, including investment, currency, inequality, and wages as well as variable outcomes.

With regard to wages and inequality, it is critical to mention here the TPP's failure to include labor provisions that will counter the race to the bottom.

The AFL-CIO has extensive experience in attempting to use the labor provisions in trade agreements, from NAFTA to CAFTA to Peru, Korea, and Colombia. Experience has taught us that—despite real improvements in the text—the model is simply inadequate to the task.

For TPP, we recommended a new approach, but our recommendations were rejected. Labor enforcement in TPP remains wholly discretionary.

Outside the main text, the TPP's labor consistency plans require three countries with egregious labor records to make noteworthy changes to their laws before the TPP's entry into force.

This would seem to be a significant step forward, but the promise is illusory. That's because evaluation of fulfillment of each plan's requirements will be wholly within the discretion of the next administration, well *after* Congress has voted to approve the TPP.

As we learned from the Labor Action Plan that accompanied the Colombia trade deal, progress toward achievement of some of the plan's requirements substituted for actual fulfillment. Now, years after entry into force, the government of Colombia continues to fail to investigate violence against labor activists, allows employers to deny labor rights, and fails to vigorously inspect much less prosecute alleged violations of labor laws. But USTR has not acted.

The labor provisions of the TPP should not be window dressing, nor considered moral rather than economic issues.

Enforcement of internationally recognized labor rights helps to level the playing field for trade and could help counteract the race to the bottom that corporate driven trade causes. But the TPP's labor provisions won't get us there, particularly with its problematic parties.

- Vietnam has no independent trade unions and no history of collective bargaining, nor does it protect the right of free speech so critical to labor advocacy.
- Malaysia fails to protect its workers' rights to freedom of association and collective bargaining. Forced labor and human trafficking are common—and the administration unfortunately upgraded its trafficking status last year to ease the passage of TPP.
- In Brunei, free speech, collective bargaining, and strikes are prohibited. Its consistency plan fails to require nondiscrimination against LGBT workers.
- And Mexico, with whom we have had labor commitments for more than 20 years, is still far from compliance with fundamental, international labor rights including freedom of association and collective bargaining. And it doesn't even have a "consistency plan" to point to, despite ongoing violations at maquiladoras in Ciudad Juarez.

These problems are too severe to solve quickly.

History shows that, as in Mexico and Colombia, labor violations not resolved prior to entry into force will persist—and that persistence will hold down wages for workers here and abroad.

Effective unions and collective bargaining are required to raise wages, alleviate income inequality, and increase demand across TPP countries. The TPP's ability to create the conditions necessary for collective bargaining—or its failure to do so—are critical to your analysis of the TPP's economic effects and we encourage you to update your methodology accordingly.

I thank the Commission for its time and would be pleased to answer any questions you may have.