News

# Trade pact's details reveal problems for postal banking, American workers


Photo by Stephen Melkisethian

**A march against the TPP was held in Washington, DC, on Oct. 14, 2015.**

**Thanks largely to the efforts of** legislators and a Nobel Prize-winning economist, conversations about the creation of a postal banking system continue in our nation's political discourse. The speculation on the subject would come to a swift end, though, if the Trans-Pacific Partnership (TPP) agreement, a vast free-trade pact, is passed by Congress. But its impact on postal banking—as well as other economic and labor issues—is just one of many concerns that NALC and others have with the TPP.

This U.S.-led agreement is intended to reduce restrictions on trade among 12 nations: the United States, Malaysia, Vietnam, Brunei, Singapore, New Zealand, Peru, Mexico, Canada, Chile, Australia and Japan. These nations comprise 36 percent of global trade and nearly a quarter of all exports. However, little was known about TPP's fine print until recently, because its details had been kept under lock and key by the Obama administration.

On Oct. 5, the Office of the U.S. Trade Representative released the details of the TPP. As the full details have come to light, many have become critical of the deal, warning that it would reduce wages and restrict the Postal Service's ability to offer a limited array of financial services.

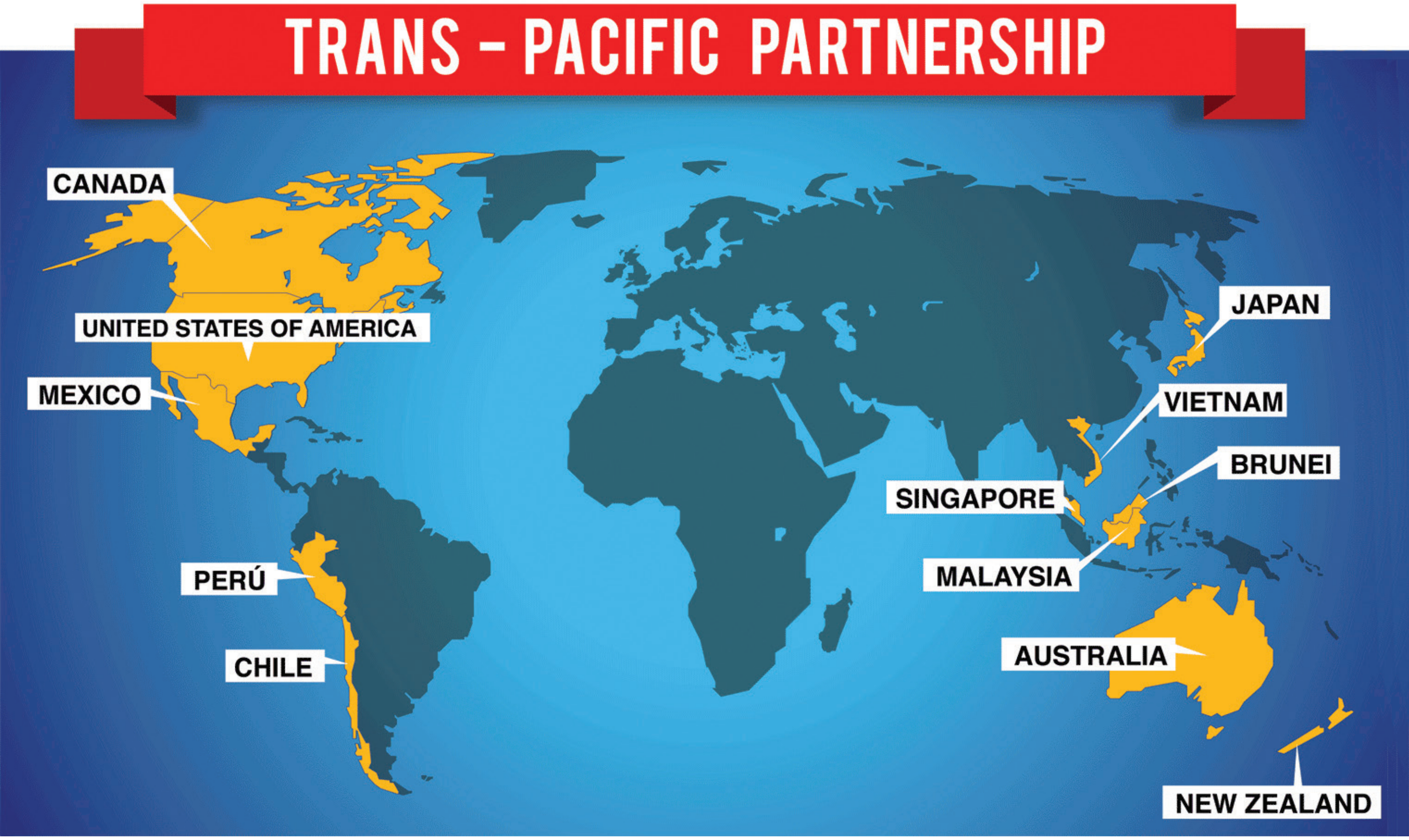
Language in the TPP was reportedly inserted on behalf of global insurance companies to combat unfair advantages that they claim governments around the world grant to their post offices. Unlike USPS, many countries' postal services offer some forms of banking and/or insurance services, which are often wildly popular and successful. For example, *The Washington Post* reported that Japan Post earned $50 billion in revenue from insurance premiums in 2014 alone. Private insurers want in on that action.

TPP would force countries to allow private firms to contract with post offices in those countries to sell their products alongside policies and products issued by those postal agencies. While such a move isn't expected to be a death knell for large, established postal banks such as Japan's, for nascent financial services, such as a possible USPS postal bank, the TPP's language could kill any financial services before they're even offered.

"We've seen this movie before," NALC President Fredric Rolando said. "Agreements like the TPP are not primarily about trade at all. They are secretly negotiated agreements designed to protect the interests of multinational corporations."

Postal services, however, are not the only issues with the TPP. Critics say that the pact will kill jobs and fail to uphold labor standards. A study by economists at the Global Development and Environment Institute at Tufts University has concluded that the TPP would cause job losses and increase income inequality, especially in the United States. One of the report's projections is that incomes will decline by half a percentage point compared with the change expected if the TPP is not put into effect. In addition, there is fear that the U.S. economy would contract, causing a loss of 488,000 jobs.

The Tufts economists also conclude that one industry that would suffer greatly under the TPP would be manufacturing. This concern has even been corroborated by other more favorable




analyses of the TPP. The Peterson Institute of International Economics said that while export revenues under the agreement are predicted to increase by 9.1 percent to $357 billion by 2030, when the agreement would be in full effect, some manufacturing jobs would be lost and replaced by lower-wage industries, such as agriculture and forestry.

Additionally, the Labor Advisory Committee on Trade Negotiations and Trade Policy (LAC), a government-appointed body of members of the labor community required by law to be consulted and to provide analysis of any U.S. trade deal, released a scathing critique of the TPP. LAC concluded that the agreement is "unbalanced in its provisions, skewing benefits to economic elites while leaving workers to bear the brunt of the TPP's downside. The TPP is likely to harm the U.S. economy, cost jobs and lower wages."

While LAC acknowledged that the agreement offered some opportunities for increased exports, the predicted outcome is that the trade deficit would increase and put a significant drag on job growth and wages. LAC found that, just as in the 1994 North American Free Trade Agreement (NAFTA), the TPP's provisions would likely decrease wages for many U.S. workers who lack college degrees. These factors would then suppress demand for goods and services, LAC said, which is crucial for economic growth.

Labor standards also are at issue within the pact's language. While the USTR has asserted that the TPP provides the "highest labor standards" of any trade agreement, LAC countered that this is a gross misrepresentation of what is actually included in the agreement. LAC describes most of the TPP's language as legally imprecise, including such vague assurances such as "may" or "endeavor to encourage."

In addition, much of the labor section within the agreement is simply a regurgitation of similar language from previous trade deals—language that corporations have circumvented.

If these were not enough reasons to be skeptical of the TPP deal, LAC pointed out that the agreement would protect corporations from public accountability by creating investor-to-state-dispute settlement (ISDS) systems, private "corporate courts" that increase corporations' power against any governance.

"Both the language in the agreement and independent analyses have shown that the TPP does not live up the hype being offered by the Obama administration," President Rolando said. "The agreement poses a grave threat to postal innovation and to the future success of the American workforce."

Congress must act on TPP within 90 legislative days of when the deal is presented to it. According to *Politico*, many expect Congress to vote on the bill either during the summer or during the lame-duck legislative session after the November elections. However, a fractious Congress may make passage difficult. According to *The New York Times*, the Obama administration is believed to lack sufficient support for passage, and other nations are holding off on their own ratification until it is approved by the U.S. **PR**