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Local governments face new trade threats



Canadians elect municipal politicians to govern our communities in the public interest. However, local elected representatives at the municipal level sometimes find their hands tied by international trade agreements that are signed by upper levels of government with little or no consultation with the public, such as the North American Free Trade Agreement (NAFTA). Given we experience the full reality of the commitments made in these agreements in the communities where we live and work, trade agreements should be negotiated transparently and with full public consultation.

Status of CETA

For years, CUPE and other civil society organizations have raised the alarm about CETA, the Comprehensive Economic and Trade Agreement between Canada and the European Union. The Canadian government has signed CETA despite concerns voiced by millions of people who understand this agreement (and others like it) are mostly about expanding corporate rights. Legislation to enact CETA is imminent in Canada.

It's important for municipal leaders to understand that while CETA is likely to be enacted in 2018, it will only be "provisionally applied." This means key parts of the deal will only come into force once all 28 EU national governments have ratified the pact (plus some subnational governments like Wallonia, which have questioned the benefits of CETA). The most troubling part of CETA – the Investor Court System, which would allow private corporations to sue governments, and other investment protection chapters – will not immediately be in effect. This is a huge victory for the public interest.

However, the provisional CETA will still fully cover Canadian municipalities. Local governments will be subject to most of the terms and conditions negotiated between the EU and Canada regarding procurement of goods and services.

If the Investor Court System ever comes into force, its rules will allow private corporations to bypass our public courts to directly sue governments – including municipal governments – over legislation, regulations or policies that are made in good faith and in the public interest but which are seen to be interfering with a corporation's future profits. The Investor Court System is like the Investor State Dispute Settlement process (made infamous in NAFTA's Chapter 11). Both will allow private tribunals to rule on legislation enacted by democratically elected officials.

Any private extra-judicial arbitration system (whether it is called an Investor Court or Investor-State Dispute Settlement system) gives transnational corporations excessive power to undermine the authority of elected officials to enact laws. Our elected representatives should make regulations and policies that protect the public interest, including on the environment, labour rights, health and safety standards, climate policy, and the sustainability and safety of our food supply. Elected officials should not have to fear that their decisions might trigger lawsuits from investors in special courts outside our legal system.

Status of the TPP

The Trans-Pacific Partnership was signed between 12 nations including Canada and the United States. However, the US withdrawal from the TPP has stalled the pact. Access to the US economy was used as a bargaining chip to encourage the other countries in the TPP to give up control on a wide range of issues. Canada, for instance, had agreed to begin negotiations to include subnational government procurement in the TPP, within three years of the agreement coming into force.

However, without the promise of US market access, the central purpose of agreement is gone. Canada has been among the countries that have started meeting to see if they can negotiate a

TPP without the United States. But other than being a face-saving gesture for the governments that have promoted the TPP, there is very little to be gained.

Even with the United States as part of the TPP, trade between Canada and the other 11 countries was already 97 per cent tariff free. The text of the TPP – over 6,000 pages when finally released – is clear: the agreement was about giving investors the power to challenge laws that arguably impact their investments and profits in signatory countries where they are doing business.

The TPP generated a lot of popular anger among citizens in many countries. Notably, it was a wedge issue in the US election, leading to the US government pulling out of the TPP.

Governments should heed the warning signs of the US election – people are tired of being told that free trade agreements will solve the problems of rising inequality.

NAFTA renegotiation

The final trade deal for municipal officials to be concerned about is NAFTA. The United States is insisting on renegotiating NAFTA. Leaked drafts of America's objectives show that when it comes to Canada, the US is interested in access to government procurement. Wilbur Ross, the nominated United States Trade Representative, is on the record stating that the US will go into all trade negotiations assuming trade commitments made in the TPP are on the table. So, the fact that Canada had agreed to negotiate subnational procurement as part of the TPP makes this a primary target for the Americans.

Canadian municipalities – and other subnational entities such as Canadian provinces, school boards and districts, health regions and provincial hydro monopolies – should be deeply worried about what this means for service contracts and purchasing. The thresholds

that Canada has already agreed to with the EU in CETA, for instance, are so low as to severely restrict the ability of local authorities to enact “buy local” policies that aim to promote regional economic development or maintain environmental sustainability.

Economists agree that NAFTA has already cost Canada well over 300,000 manufacturing jobs – jobs that sustained families and ensured a healthy municipal tax base. If NAFTA is expanded to include public services, it has the potential to have the same devastating effect on the public sector that it has already had on the manufacturing sector in Canada.

American corporations already do business with municipalities and other entities just across the border in Canadian communities. Allowing these corporations to bid on goods and services contracts that are now held by local providers could potentially be disastrous for Canadian companies and for workers.

The federal government will be consulting broadly on NAFTA renegotiations. A key concern for municipalities will be ensuring NAFTA does not expand to cover subnational entities like school boards and health authorities. In addition, municipalities have an interest in preserving the few well-paying manufacturing jobs left in Canada, given that workers with good jobs are the bedrock tax base for most municipalities.

Impacts on public services and local governments

The precarious service sector jobs that are on the rise in Canada do not make up for the loss of good jobs in manufacturing.

What people want are better services and more access to them. For instance, health care is a top-of-mind concern for most Canadians and every level of government. Yet the patent extensions that Canada has agreed to in CETA

will inevitably lead to rising drug prices for everyone. Some experts estimate that the increased cost of pharmaceuticals in Canada will be as much as \$2 billion per year. Such rising costs for drugs will mean increased pressure on provincial treasuries which will impact municipal transfers and programs.

Municipalities in Canada have long been concerned by trade agreements that give corporate sweeping new powers and rights. More than 70 municipalities passed resolutions against CETA. That was part of the widespread public mobilization that has kept CETA from being fully applied.

Public outcry also derailed the TPP, as US voters voiced their dissatisfaction with corporate profit-seeking at the expense of communities. The renegotiation of NAFTA is being driven by similar feelings among disenchanted Americans. However, it is also an opportunity to protect democratic decision making. Municipalities can use their influence to demand that Canada does not agree to open government procurement to American investors as part of any renegotiations.

For more information on NAFTA renegotiations and updates on CETA, and the TPP, see cupe.ca/trade



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