



Written by [William F. Jasper](#) on January 14, 2016

## TPP's State-owned Enterprises: Unleashing the Big Foreign Gorillas on Mom & Pop

SOE. That's an acronym we are going to be hearing a lot more of, especially in relation to another acronym: TPP (Trans-Pacific Partnership), the multi-national "trade agreement." The mention of SOEs (State-owned Enterprises) usually brings to mind the mammoth SOEs that dominate Communist China's economy. China is not currently a member of the TPP (present members include 12 Pacific Rim states: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam), but the TPP's leading proponents have [repeatedly made it clear](#) that they intend to bring China into the "partnership" at the earliest agreeable date. And not only China, but Russia too, which also boasts huge SOEs, along with many "privately owned" corporations that are (as is also the case in China) merely disguised SOEs.



Russia is likely to eventually join the TPP. The same can be said for India, whose socialist "mixed economy" also has enormous SOEs. According to an [OECD study](#) in 2013, China, Russia, and India hold, respectively, the number 1, 3, and 7 spots for the largest SOE shares of their largest companies. China is the biggest future worry because it has the biggest SOEs with hundreds of billions of dollars that the Chinese government (meaning the Chinese Communist Party) can use to target U.S. businesses for takeover, or, even entire sectors of our economy — at national or regional level — for domination and control.

However, the SOE concern is not merely a theoretical future threat posed by China, Russia, and India; current TPP members — especially Japan, Malaysia, Singapore, and Vietnam (which, like China, is run by the Communist Party) have large SOEs that will be posing serious threats to American jobs, and to the struggling American small and medium-sized businesses that cannot or will not offshore their production. We will return to more fully examine the SOE dangers in the TPP text after first saying a few words about the urgency of the moment, and why we must build opposition immediately, if we seriously mean to stop this juggernaut.

Various clocks are now ticking down the days toward a final vote on the Trans-Pacific Partnership. They started ticking when the official TPP text was finally released by President Obama on November 5, 2015, after years of ultra-secret negotiations by the Bush and Obama administrations — and their privileged globalist/corporatist cronies. President Obama and his Republican TPP allies, House Speaker John Boehner and Senate Majority Leader Mitch McConnell, teamed up last year to ram "Fast Track"



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legislation (Trade Promotion Authority, TPA) through Congress. The purpose of TPA is to enable the globalist trade lobby to rush the massive TPP (over 5,500 pages of legalese) through Congress before there is time to study, digest, analyze, and expose it. The TPA “fast track” will now also apply to the still-brewing Transatlantic Trade and Investment Partnership (TTIP), as well as other trade agreements still in the hopper.

Under TPA rules, President Obama has to give Congress 90 days’ notice before signing the TPP. He gave that on November 5, which means that he could, and most likely will, sign the agreement as early as February 3, 2016. Thirty days after signing, he may submit TPP implementing legislation to Congress, which means that Congress may begin taking action on TPP as early as March 2. A worst-case scenario would see both houses immediately approving the TPP on that day, March 2 (only a few scant weeks away), before the American people have the slightest idea what is happening to them.

The importance of SOEs in the entire TPP scheme of things becomes apparent right at the start of the TPP text, in the [Preamble](#), which states:

The Parties to this Agreement, resolving to ... AFFIRM that state-owned enterprises can play a legitimate role in the diverse economies of the Parties, while recognising that the provision of unfair advantages to state-owned enterprises undermines fair and open trade and investment, and resolve to establish rules for state-owned enterprises that promote a level playing field with privately owned businesses, transparency and sound business practices.

The U.S. Trade Representative’s office (run by globalist Michael Froman of Goldman Sachs and the Council on Foreign Relations) assures us that the TPP’s SOE provisions are the best thing that has ever happened for American small businesses, farmers, ranchers, and manufacturers. The USTR webpage entitled [“State-Owned Enterprises and Competition Policy”](#) claims: “In TPP, the United States is pursuing pioneering rules to ensure that private sector businesses and workers are able to compete on fair terms with State-owned enterprises (SOEs), especially when such SOEs receive government backing to engage in commercial activity. SOEs are increasingly competing with U.S. businesses and workers on a global scale, in many cases distorting global markets, blocking U.S. exports, and undercutting U.S. workers with cheap subsidies and preferential regulatory treatment. TPP is an opportunity to put in place ground-breaking provisions and to help drive a higher global standard of fairness.”

Sounds great, right? It gets better. A more [recent USTR webpage](#) (sporting the USTR’s laughable “TPP: Made In America” logo) tells us: “The Trans-Pacific Partnership (TPP) levels the playing field for American workers and American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home.... TPP makes sure our farmers, ranchers, manufacturers and small businesses can compete — and win — in some of the fastest growing markets in the world.”

The same page goes on to claim:

TPP’s State-owned enterprises (SOE) rules take on a new and growing challenge in international trade and investment. While fully respecting the important role SOEs play in the United States and elsewhere, TPP ensures that foreign governments will not use these enterprises to gain unfair advantages over private American businesses and their workers. These ground-breaking provisions will create worldwide precedents that can help ensure fair competition in the global economy of the future.

How will the TPP accomplish these wonders? The USTR website continues: “TPP helps ensure fair



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competition by making SOEs operate on commercial grounds, increasing transparency, and requiring regulatory fairness. This is the first trade agreement to include this scope of rules on SOEs.”

But what, specifically, does the TPP text say to justify those rosy claims? Well, that depends on whose interpretation of a complex, convoluted, purposely ambiguous text you consult. The main portions of the 5,500+ page document concerning us here are [Chapter 17 – State-Owned Enterprises and Designated Monopolies](#) and [Annex IV: State-Owned Enterprises](#), in which 10 of the TPP members have stipulated their definitions, limitations, exclusions, and exceptions to the TPP rules.

Surprising admissions in this regard come from some important pro-TPP sources. The legal blogsite Law360 [interviewed](#) Thomas J. Bollyky, senior fellow for global health, economics, and development at the [Council on Foreign Relations \(CFR\)](#), the principal force behind the TPP and TTIP, as well as the force that has been propelling the global governance/world government movement for much of the past century. Law360 notes that “Bollyky focused specifically on the exception given to state-run sovereign wealth funds, which are excused from nearly all prongs of the SOE provisions, save for the rules governing noncommercial assistance.”

This development, it continues, “deals a considerable blow to businesses looking to counter the considerable heft of two such funds within Singapore, GIC Private Ltd. and Temasek Holdings (Private) Ltd.”

“In the short term, the practical effects of agreements like this are going to be limited, both because of what the provisions are but also because some of the biggest concerns are around these sovereign wealth funds and how they compete internationally and many of those entities are excluded,” Bollyky told Law360.

Another significant point of contention, notes Law360, “is the manner in which the text clarifies what an SOE is, limiting its definition only to enterprises in which the government controls 50 percent of the capital or voting rights, or retains the power to appoint a majority of the board.”

Timothy C. Brightbill, a partner at Wiley Rein LLP, told Law360 that that somewhat limited definition might seem to offer relief to SOEs that have a more limited governmental role on paper, but “warned that drawing a simple line at majority ownership will leave some considerable gaps.”

“There are arrangements where a government can have small shareholding but still wield an awful lot of power,” he told Law360. “There are different ways to set up an SOE without having majority government ownership.”

Brightbill also said “it was ‘not ideal’ for the text to apply only to national-level SOEs, adding that entities at the regional or local level can often cause market distortions comparable to their federal counterparts.”

Then there is the matter of the aforementioned annexes in which the TPP members lay out which of their SOEs and their functions will be exempted from various provisions of the TPP.

The United States has its own SOEs and designated monopolies, of course (Amtrak, Conrail, Fannie Mae, Freddie Mac, U.S. Postal Service, Export-Import Bank, Commodity Credit Corporation, Overseas Private Investment Corporation, etc.) and the United States has its own annex, which especially focuses on exempting Fannie and Freddie. Virtually all these U.S. SOEs (with the exception of the U.S. Postal Service) were created, and are sustained, in violation of the Constitution’s prohibition against the federal government’s exercise of any powers other than those expressly delegated in the Constitution.



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Genuine constitutionalists favor abolishing these illegal agencies and institutions, not enshrining them in international agreements.

The CFR's Bollyky has lost none of his ardor for the TPP, despite the SOE flaws he acknowledges. "The TPP is not a suicide pact," Bollyky told Law360. "It is not meant to prevent governments from responding to financial crises or providing essential public services. It is instead meant to try to reduce unfair competition that comes from widespread use of these state-owned enterprises to effectively close markets and nudge out foreign competitors and investors."

But, surely, Dr. Bollyky knows full well that the TPP program for political, social, and economic "integration" is indeed a suicide pact, modeled after the long-range integration scheme used to create the European Union, whose architects admitted it was a plan to force the sovereign nations to commit "hara-kiri" piecemeal, gradually yielding up their sovereignty over more and more of their national and local affairs until they are completely merged and swallowed by the newly created, omnipotent central state. (See [here](#), [here](#), and [here](#).)

That is the plan, and we have only weeks to stop it. It can be done; we've done it with similar threats — with similarly imposing odds — such as the North American Union/Security and Prosperity Partnership (NAU/SPP) and the Free Trade Area of the Americas (FTAA).

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