Ports Privatization and the Peru FTA:
An Assault on Working People, the Public Interest and Security

During the debate over Dubai Ports World's (DPW) bid to run several major U.S. ports, many in Congress and elsewhere played up the Arab ethnicity of the company's owners as a basis for opposing the deal – a phenomenon that civil rights activists called "racist hysteria."[1] Others emphasized the fact that the *government* of the United Arab Emirates owned DPW as sufficient cause for concern, arguing that foreign government-owned entities would run a company in a way that was damaging to U.S. interests.[2]

But few bothered to probe to the deeper issue: namely, when it comes to ports and other sensitive infrastructure *either* security or profit can be the #1 focus. By putting these public assets into private, for-profit control, we have decided that security would not be paramount. **Twenty years of privatization of essential and critical public services, such as ports infrastructure have made it difficult to create more effective security plans in an era of global instability, while hanging working families out to dry and hampering other public interest policies.** In other words, the real insecurity that was the foundation for the DPW scandal is informed by a fundamental truth: the era of privatization *has* made us more insecure.

Now the Bush administration wants Congress to pass a NAFTA-style "trade" deal with Peru that would give DPW, which already has a subsidiary operation in Peru running Peru's main port, a new, FTA-granted right to run U.S. ports operations. If the U.S. government took any action interfering with this "right of establishment," as it did to keep DPW out of U.S. ports without repercussions last March, DPW could then sue the U.S. government in an international tribunal and demand millions in compensation if we decided to tighten security in a way that cut into their profits – as we must, given the overwhelming vulnerability of our ports.

U.S. Ports: Privatized and Run to Maximize Corporate Profit, Not Security

Long ago, working people and progressive reformers fought robber barons and other monopoly interests to create publicly-controlled port authorities that would run U.S. ports in the public interest.[3] But increasingly, after years of corporate- and World Bank-backed pro-privatization campaigns,[4] nearly all ports around the world are operated by corporations. In the U.S., 80 percent of the private, for-profit corporations are foreign-owned. According to a *New York Times* report, these companies often seek to make a buck by firing union workers and skimping on security measures.[5]

- The company that DPW acquired was not a U.S.-owned, but the *British-owned* P&O company.[6]
- APM Terminals, which operates terminals in Baltimore and Miami, is a publicly-traded *Dutch and Danish private* firm that is part of the A.P. Møller - Mærsk Group.[7]
- China Ocean Shipping Company, a *Chinese government-owned* company, operates a terminal at the Long Beach, California port.[8]
- Not all are foreign-operated. SSA Marine, a family-owned, *private* U.S. company, makes its bucks off of privatized port terminals in Seattle and around the United States.[9]
- In Searsport, Maine, Benicia, California, and other locations, private corporations both operate and *actually own* the ports, meaning that there is not even a nominally-public port authority.[10]

Even the Bush administration's own Department of Homeland Security has found that private port operators fail to prioritize our security needs. The Department's $75 million, three-year study "found that cargo containers can be opened secretly during shipment to add or remove items without alerting U.S. authorities."[11] Indeed, there is a growing consensus that some security measures should be in the public sector, as when U.S. airport security was de-privatized after 9-11. And transportation experts blamed the U.K.'s privatization of its airports for the near paralysis that ensued following the foiled August 2006 London terrorist attacks.[12]

Ports Profiteers Would Be the Real Beneficiaries Peru NAFTA Expansion Thanks to PUFTA's Sneaky Port Provision

After twenty-five years of stagnating in per capita income in Peru, caused in large part by policies similar to those in the PUFTA, a majority of voters there in the recent presidential election backed candidates that criticized the "trade" agreement.[13] Indeed, workers in Peru's longshoremen union have been fighting attempts to privatize ports for years. In June, former World Banker and Peruvian president Alejandro Toledo announced that a major port operating contract was being given to a consortium led by none-other-than Dubai Ports World.[14]

The proposed U.S.-Peru FTA would do grave harm to most people in both Peru and the United States. Because DPW has a Peruvian subsidiary, it can use the pact's trade rights to force its way into running U.S. ports operations or make us pay millions if we try to stop them. If future U.S. policy-makers attempt to reverse the misguided privatization of our own ports, DPW (and other companies enjoying FTA rights to establish U.S. landside port activities) would be able to initiate an FTA challenge of the reversal, thus putting a chill on counter-privatization initiatives. And the people of Peru will be stuck with an FTA that is opposed by the majority in the country and is projected to harm the agricultural sector, the environment, and the rural and indigenous poor, as well as the workers in key public sectors that elite bureaucrats are targeting for privatization.

We should oppose this expansion of the failed NAFTA model to Peru, and draw the link to privatization that has heightened insecurity not only in the U.S. but around the world.

**Contact Public Citizen's Global Trade Watch at
202-454-5111 and www.tradewatch.org to get involved!**

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[1] Rami El-Amine, "Anti-Arab Racism, Islam and the Left," *Left Turn*, Aug. 28, 2006.
[2] A similar argument was made when Congress blocked a takeover by the Chinese-government-owned corporation China National Offshore Oil Corporation of the California-based oil and gas company Unocal in 2005. *See* Edward M. Graham and David M. Marchick, *U.S. National Security and Foreign Direct Investment*, (Washington, D.C.: Institute for International Economics, 2006), at 130.
[3] Rexford B. Sherman, "Seaport Governance in the United States and Canada," American Association of Port Authorities Report, at 3.
[4] Douglas Hill, "Globalisation and labour relations: The case of Asian ports," Paper for The Association Of Industrial Relations Academics Of Australia And New Zealand 2005 Annual Conference "Reworking Work;"
"Feport's new chief will be scourge of European bureaucrats," *Lloyd's List*, March 23, 2005.
[5] Ibid and Simon Romero and Heather Timmons, "A Ship Already Sailed," *New York Times*, Feb. 24, 2006; Chris Kraul, "Brazil's Port Costs Hamstring Trade," *Los Angeles Times*, April 13, 2001. The World Bank, a fierce advocate of privatization and FTA-style trade liberalization, profiled several countries where "large employment reductions" and de-unionization accompanied the privatization of state enterprises. *See* Sunita Kikeri, "Privatization and Labor: What Happens to Workers When Governments Divest," World Bank Technical Paper No. 396, 1998, at 5-7.
[6] Kathleen Pender, "Foreign involvement is nothing new," *San Francisco Chronicle*, Feb. 23, 2006.
[7] Ibid, and Maersk.Com, accessed Sept. 22, 2006.
[8] Meredith Cohn, "Growing criticism puzzles many in shipping industry," *Baltimore Sun*, Feb. 22, 2006.
[9] Ibid, and SSAMarine.Com, accessed Sept. 22, 2006.
[10] Rexford B. Sherman, "Seaport Governance in the United States and Canada," American Association of Port Authorities Report, at 2.
[11] *See* Ted Bridis, "Port security study raises concern over unsecured cargo, manifest errors," *Associated Press*, March 12, 2006.
[12] Lizette Alvarez, "Bush Seeking House Allies on Airport Security Plan," *New York Times*, Nov. 1, 2001; Heather Timmons, "Airport Snarl in London Puts Scrutiny on Owner," *New York Times*, Aug. 14, 2006.
[13] Mark Weisbrot, "Peru's Election: Background on Economic Issues," Center for Economic and Policy Research Paper, April 2006; "Futuro gobierno en aprietos por tratado comercial con EEUU," *Interpress Service*, July 3, 2006.
[14] "Peruvian dockers in privatization strike," *Lloyd's List*, June 21, 2006.