Prosperity Undermined

The Status Quo Trade Model's 21-Year Record of Massive U.S. Trade Deficits, Job Loss and Wage Suppression

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Introduction

Polling and congressional trade agreement voting records over the past two decades show a steady erosion of what had been bipartisan support for trade agreements.[1] Polls show the U.S. public supports the concept of trade expansion,[2] but opposes the status quo trade model.[3] The actual results of trade pacts since the controversial North American Free Trade Agreement (NAFTA) have fueled this trend.

Over 21 years, a series of trade agreements not only have failed to meet their corporate and political backers' glowing promises of job creation,[4] but instead have contributed to unprecedented and unsustainable trade deficits,[5] the net loss of nearly 5 million U.S. manufacturing jobs[6] and more than 55,000 factories,[7] the offshoring of higher-wage service sector jobs,[8] flat median wages despite significant productivity gains[9] and the worst U.S. income inequality in the last century.[10] Even for U.S. agriculture, a sector that consistently has been promised gains from trade pacts, U.S. food exports have stagnated while U.S. food imports have surged under NAFTA-style deals.[11] Given that the Trans-Pacific Partnership (TPP) pact now under negotiation replicates and expands on the same model, opposition in Congress and among the public is deep and broad.[12]

"The United States has a $178 billion goods trade deficit with its 20 free trade agreement (FTA) partners. The job-displacing U.S. trade deficit with FTA partners has surged 427 percent since the pacts took effect…"

"Three of every five displaced manufacturing workers who were rehired in 2014 took home smaller paychecks, and one in three lost more than 20 percent, according to U.S. Department of Labor data."

The United States has a $178 billion goods trade deficit with its 20 free trade agreement (FTA) partners.[13] The job-displacing U.S. trade deficit with FTA partners has surged 427 percent since the pacts took effect, as imports have ballooned and exports to FTA partners actually have lagged behind exports to the rest of the world.[14] Even eliminating trade in fossil fuels, the United States has a more than $92 billion trade deficit with its NAFTA partners alone.[15] In contrast, the United States had a small surplus with Mexico and a $30 billion deficit with Canada before NAFTA.[16] A 2011 study found that the ballooning trade deficit with Mexico alone under NAFTA resulted in the *net* loss of about 700,000 U.S. jobs,[17] and more than 850,000 specific U.S. jobs have been certified as NAFTA casualties under just one narrow U.S. Department of Labor program called Trade Adjustment Assistance (TAA).[18] The U.S. trade deficit with China has grown from $112 billion in 2001, when China joined the World Trade Organization (WTO) with U.S. congressional approval, to $350 billion today,[19] spurring an estimated 3.2 million U.S. job losses.[20] U.S. manufacturing workers who lose jobs to trade and find reemployment are typically forced to take pay cuts. Three of every five displaced manufacturing workers who were rehired in 2014 took home smaller paychecks, and one in three lost more than 20 percent, according to U.S. Department of Labor data.[21]

Economists across the political spectrum agree that trade flows during the era of FTAs have contributed to rising U.S. income inequality, from Nobel laureate Paul Krugman[22] to International Monetary Fund economists.[23] The only debate is the extent of the blame to be placed on trade. Even the pro-NAFTA Peterson Institute for International Economics has estimated that 39 percent of observed growth in U.S. wage inequality is attributable to trade trends.[24]

"Economists across the political spectrum agree that trade flows during the era of FTAs have contributed to rising U.S. income inequality…"

Under the most recent major FTA – a 2012 deal with Korea that literally served as the U.S. opening offer for the TPP negotiations – the U.S. trade deficit with Korea ballooned 90 percent in just the first three years.[25] That equates to the loss of another 90,000-plus U.S. jobs, counting both exports and imports, according to the ratio the Obama administration used to claim the pact would create jobs.[26] The trade deficit surge in the FTA's first three years was driven by a 7 percent ($3 billion) *decline* in U.S. goods exports to Korea and an 18 percent ($10.6 billion) increase in goods imports from Korea.[27] Despite promises that small businesses would be major winners under such deals, small U.S. firms have endured an even steeper drop in exports to Korea than large firms under the Korea FTA.[28] The Obama administration has incited even more congressional opposition[29] by trying to dissemble these disastrous outcomes with cooked data.[30]

In the face of the relentless evidence that our status quo trade agreement model is not working, the Obama administration has doubled down on the old model with the TPP.[31] But the push for more of the same trade policy has hit a wall of opposition from the largest, most diverse coalition to ever oppose a U.S. trade deal, fueled by the two-decade legacy of the TPP's predecessor pacts.[32]

Executive Summary

Trade Deficits Surge, Good U.S. Jobs Destroyed

- **U.S. trade deficits have surged under the status quo trade policy model, costing U.S. jobs and diminishing U.S. economic growth.** Since establishment of NAFTA and the WTO, the U.S. goods trade deficit has more than quadrupled, from $218 billion (in today's dollars) to $917 billion – an increase from two percent to more than five percent of national income.[33] Standard macroeconomics shows that a burgeoning U.S. trade deficit costs U.S. jobs and puts a damper on U.S. economic growth when the U.S. economy is not at full employment (as it has not been since the 2007-2008 financial crisis).[34] In addition, economists – from Federal Reserve officials to Nobel laureates – widely agree that this huge trade deficit is unsustainable: unless the United States implements policies to shrink it, the U.S. and global economies are exposed to risk of crisis and instability.[35] Status quo trade policy has only exacerbated these problems. The aggregate U.S. goods trade deficit with the 20 U.S. FTA partners is now $178 billion – more than five times as high as before the deals went into effect. Since China entered the WTO with Congress' approval in 2001, the U.S. goods trade deficit with China has surged from $112 billion to $350 billion.[36] And in the first three years of the 2012 FTA with Korea, the U.S. template for the TPP, the U.S. goods trade deficit with Korea swelled 90 percent as U.S. exports to Korea fell and imports ballooned.[37] The 90 percent trade deficit increase under the Korea FTA's first three years starkly contrasts with the 2 percent *decrease* in the global U.S. goods trade deficit during the same period.[38]

- **U.S. agricultural exports are lagging under U.S. trade deals while agricultural imports are surging, belying empty promises used to sell the deals to farmers and ranchers.** NAFTA and WTO supporters told U.S. farmers that the pacts would increase exports and thus provide a new path for struggling farmers to succeed economically.[39] But data from the U.S. Department of Agriculture show that the volume of U.S. food exports to all FTA partners has risen just 1 percent since 2008 while rising 24 percent to the rest of the world.[40] In the first three years of the 2012 Korea FTA, total U.S. agricultural exports to Korea *have fallen* 5 percent, while rising 4 percent to the rest of the world.[41] Meanwhile, agricultural imports from FTA countries have surged. In 2014,

the 20 U.S. FTA partners were the source of 71 percent of all U.S. food imports, but were the destination of just 35 percent of all U.S. food exports (by volume).[42] Due to stagnant U.S. food exports to FTA countries and a surge in food imports from those countries, the U.S. food trade balance with FTA countries has fallen 13 percent since 2011, the year before the most recent FTAs took effect. In contrast, the U.S. food trade surplus with the rest of the world has *risen* 23 percent since 2011.[43] The disparity owes in part to the fact that the U.S. agricultural trade balance with NAFTA partners has fallen from a $2.5 billion trade *surplus* in the year before NAFTA to a $1.1 billion trade *deficit* in 2014 – the largest NAFTA agricultural trade deficit to date.[44] Smaller-scale U.S. family farms have been hardest hit by such unbalanced agricultural trade under deals like NAFTA and the WTO. Nearly 180,000 small U.S. family farms – one out of 10 – have gone under since NAFTA and the WTO took effect.[45] Status quo U.S. trade policy also poses serious risks to food safety, as our current trade agreements both increase imports *and* set limits on the safety standards and inspection rates for imported foods.[46] WTO and NAFTA required the United States to replace its long-standing requirement that only meat and poultry meeting U.S. safety standards could be imported. Under this standard, only meat from plants specifically approved by U.S. Department of Agriculture inspectors could be imported. But WTO and NAFTA – and the FTAs that followed – required the United States to accept meat and poultry from all facilities in a trade partner country if that country's system was found to be "equivalent," even if core aspects of U.S. food safety requirements, such as continuous inspection or the use of government (not company-paid) inspectors, were not met.[47]

- **Nearly 5 million U.S. manufacturing jobs – one out of four – have been lost in the era of NAFTA, the WTO and NAFTA expansion deals.**[48] The U.S. manufacturing sector has long been a source of innovation, productivity, growth and good jobs.[49] By 2014, the United States had just 12 million manufacturing jobs left, with less than 9 percent of the U.S. workforce in manufacturing for the first time in modern history.[50] The U.S. Department of Labor lists millions of workers as losing jobs to trade since NAFTA and the WTO were established – and that is under just one narrow program that excludes many whose job loss is trade-related.[51] The Economic Policy Institute (EPI) estimates that the ballooning trade deficit with Mexico alone under NAFTA resulted in the *net* loss of about 700,000 U.S. jobs by 2010,[52] and that the massive increase in the U.S.-China trade deficit since China's entry into the WTO has cost an estimated 3.2 million U.S. jobs, including 2.4 million manufacturing jobs.[53] In addition, the 90 percent increase in the U.S. goods trade deficit with Korea in the first three years of the Korea FTA equates to the loss of more than 90,000 U.S. jobs, counting both exports and imports, according to the trade-jobs ratio that the Obama administration used to project job *gains* from the deal.[54] Analysts and policymakers of diverse political stripes believe that the rebuilding of the manufacturing sector is important to U.S. security and economic well-being.[55] Some argue that technology-related efficiency gains also spur U.S. manufacturing job loss in attempt to diminish the role of trade policy.[56] But an oft-cited 2013 National Bureau of Economic Research study on the job impacts of both technology and trade found "no net employment decline" from technological change from 1990 to 2007 while finding a strong correlation between increasing import competition from China and "significant falls in employment, particularly in manufacturing and among non-college workers."[57] In any case, Congress actually has a say over trade policy. Why would we not push for a new trade policy that fosters rather than erodes our manufacturing base?

- **Offshoring of U.S. jobs is moving rapidly up the income and skills ladder.** Alan S. Blinder, a former Federal Reserve vice chairman, Princeton economics professor, and NAFTA-WTO supporter, says that one out of every four U.S. jobs could be offshored in the foreseeable future.[58] In a study Blinder conducted with Alan Krueger, fellow Princeton economist and former Chairman

of President Obama's Council of Economic Advisers, the economists found the most offshorable industry to be finance, not manufacturing (with information and professional services also showing high offshoring propensity).[59] Indeed, according to their data, U.S. workers with a four-year college degree and with annual salaries above $75,000 are those most vulnerable to having their jobs offshored, meaning the United States could see its best remaining jobs moving abroad.[60]

- **Devastation of U.S. manufacturing is eroding the tax base that supports U.S. schools, hospitals and the construction of such facilities, highways and other essential infrastructure.** The erosion of manufacturing employment means there are fewer firms and well-paid workers to contribute to local tax bases. Research shows that a broader manufacturing base contributes to a wider local tax base and offering of social services.[61] With the loss of manufacturing, tax revenue that could have expanded social services or funded local infrastructure projects has declined,[62] while displaced workers have turned to welfare programs that are ever-shrinking.[63] This has resulted in the virtual collapse of some local governments.[64] Building trade and construction workers have also been directly hit both by shrinking government funds for infrastructure projects and declining demand for maintenance of manufacturing firms. Meanwhile, more-of-the-same trade agreements could also undermine our access to essential services, given that they contain provisions that limit the policies federal and state governments can use to regulate service sectors.[65]

- **The WTO, NAFTA and NAFTA expansion agreements ban Buy American preferences and forbid federal and many state governments from requiring that U.S. workers perform the jobs created by the outsourcing of government work.** "Anti-offshoring" and Buy American requirements, which reinvest our tax dollars in our local communities to create jobs here, are prohibited under NAFTA-style trade agreements' procurement rules.[66] These rules require that all firms operating in trade-pact partner countries be treated as if they were domestic firms when bidding on U.S. government contracts to supply goods or services.[67] Complying with this requirement means gutting existing Buy American or Buy Local procurement preferences that require U.S. taxpayer-funded government purchases to prioritize U.S.-made goods, or rules that require outsourced government work to be performed by U.S workers. By expanding past trade deals' procurement restrictions, the TPP would promote further offshoring of our tax dollars.[68] Trade pacts' limits on domestic procurement policies could also subject prevailing wage laws – ensuring fair wages for non-offshorable construction work – to challenge in foreign tribunals.[69]

U.S. Wages Stagnate, Despite Doubled Worker Productivity

- **U.S. middle-class wages have remained flat in real terms since the 1970s, even as U.S. worker productivity has doubled.** In 1979, the median weekly wage for U.S. workers in today's dollars was about $749. In 2014, it had increased just four dollars to $753 per week. Over the same period, U.S. workers' productivity doubled.[70] Economists now widely name "increased globalization and trade openness" as a key explanation for the unprecedented failure of wages to keep pace with productivity, as noted in recent Federal Reserve Bank research.[71] Even economists who defend status-quo trade policies attribute much of the wage-productivity disconnect to a form of "labor arbitrage" that allows multinational firms to continually offshore jobs to lower-wage countries.[72]

- **Trade agreement foreign investor privileges promote offshoring of production from the United States to low-wage nations.** Trade competition has traditionally come from imports of products made by foreign companies operating in their home countries. But today's "trade" agreements also contain extraordinary foreign investor privileges that reduce many of the risks and

costs associated with relocating production from developed countries to low-wage developing countries. Due in part to such offshoring incentives, many imports now entering the United States come from companies originally located in the United States and other wealthy countries that have moved production to low-wage countries. For instance, nearly half of China's exports are now produced by foreign enterprises, not Chinese firms.[73] Underlying this trend is what the Horizon Project called the "growing divergence between the national interests of the United States and the interests of many U.S. multinational corporations which, if given their druthers, seem tempted to offshore almost everything but consumption."[74] U.S. workers effectively are now competing in a globalized labor market where some poor nations' workers earn less than 10 cents per hour.[75]

- **Manufacturing workers displaced by trade have taken significant pay cuts.** Trade affects the *composition* of jobs available in an economy. As mentioned, trade deficits also inhibit the overall *number* of jobs available when the economy is not at full employment. But even when unemployment is low and the overall *quantity* of jobs is largely stable, trade policy impacts the *quality* of jobs available. In the two decades of NAFTA-style deals, the United States has lost higher-paying manufacturing jobs even in years when unemployment has remained low, as new lower-paying service sector jobs have been created.[76] The result has been downward pressure on U.S. middle-class wages. A recent National Bureau of Economic Research study concludes, "offshoring to low wage countries and imports [are] both associated with wage declines for US workers. We present evidence that globalization has led to the reallocation of workers away from high wage manufacturing jobs into other sectors and other occupations, with large declines in wages among workers who switch…"[77] Indeed, according to the U.S. Bureau of Labor Statistics, about three out of every five displaced manufacturing workers who were rehired in 2014 experienced a wage reduction. About one out of every three displaced manufacturing workers took a pay cut of greater than 20 percent.[78] For the median manufacturing worker earning more than $38,000 per year, this meant an annual loss of at least $7,600.[79]

- **Trade policy holds back wages even of jobs that can't be offshored.** Economists have known for more than 70 years that *all* middle-class workers – not just manufacturing workers – in developed countries like the United States could face downward wage pressure from free trade.[80] NAFTA-style deals only exacerbate this inequality-spurring effect by creating a selective form of "free trade" in goods that non-professional workers produce while extending monopoly protections – the opposite of free trade – for certain multinational firms (e.g. patent protections for pharmaceutical corporations).[81] When manufacturing workers are displaced by offshoring or imports and seek new jobs, they add to the supply of U.S. workers available for non-offshorable, non-professional jobs in hospitality, retail, health care and more. But as increasing numbers of U.S. workers, displaced from better-paying jobs, have joined the glut of workers competing for these non-offshorable jobs, real wages have actually been declining in these growing sectors.[82] Thus, proposals to retool U.S. programs that retrain workers who lose their jobs to trade, while welcome, do not address much of the impact of status quo U.S. trade policies. The damage is not just to those workers who actually lose jobs, but to the majority of U.S. workers who see their wages stagnate.

- **The bargaining power of U.S. workers has been eroded by threats of offshoring.** In the past, U.S. workers represented by unions were able to bargain for their fair share of economic gains generated by productivity increases.[83] But the foreign investor protections in today's "trade" agreements, by facilitating the offshoring of production, alter the power dynamic between workers and their employers. NAFTA-style deals boost firms' ability to suppress workers' requests for wage increases with credible threats to offshore their jobs. For instance, a study for the North American Commission on Labor Cooperation – the body established in the labor side agreement of

NAFTA – showed that after passage of NAFTA, as many as 62 percent of U.S. union drives faced employer threats to relocate abroad. After NAFTA took effect, the factory shut-down rate following successful union certifications tripled.[84]

- **The current trade model's downward pressure on wages outweighs the gains of access to cheaper imported goods, making most U.S. workers net losers.** Trade theory states that while workers may lose their jobs or endure downward wage pressure under trade "liberalization," they also gain from greater access to cheaper imported goods. When the non-partisan Center for Economic and Policy Research (CEPR) applied the actual data to the trade theory, they discovered that when you compare the lower prices of cheaper goods to the income lost from low-wage competition under status quo trade policies, the trade-related wage losses outweigh the gains in cheaper goods for the majority of U.S. workers.[85] The CEPR study found that U.S. workers without college degrees (61 percent of the workforce)[86] have lost an amount equal to about 10 percent of their wages, even after accounting for the benefits of cheaper goods.[87] That means a net loss of more than $3,500 per year for a worker earning the median annual wage of $35,540.[88]

- **Powerful sectors obtained protection in NAFTA and WTO-style pacts, raising consumer prices.** While agreements like NAFTA and the WTO contribute to downward pressure on U.S. wages, they also include special industry protections that, beyond being antithetical to "free trade," directly increase the prices of key consumer products, further reducing workers' buying power. For instance, special protections for pharmaceutical companies included in the WTO required signatory governments, including the U.S. government, to change domestic laws so as to provide the corporations longer monopoly patent protections for medicines.[89] The University of Minnesota found that extending U.S. monopoly patent terms by three years as required by the WTO increased the prices that U.S. consumers paid for medicine by more than $8.7 billion in today's dollars.[90] That figure only covers medicines that were under patent in 1994 (when WTO membership was approved by Congress), so the total cost to us today is much higher.

U.S. Income Inequality Increases

- **The inequality between the rich and the rest of us in the United States has jumped to levels not seen since the pre-depression 1920s.** The richest 10 percent in the United States are now taking half of the economic pie, while the top 1 percent is taking more than one fifth. Wealthy individuals' share of national income was stable for the first several decades after World War II, but started increasing in the early 1980s, and then shot up even faster in the era of NAFTA, the WTO and NAFTA expansion pacts. From 1981 until the establishment of NAFTA and the WTO, the income share of the richest 10 percent increased 1.3 percent each year. In the first six years of NAFTA and the WTO, this inequality increase rate doubled, with the top 10 percent gaining 2.6 percent more of the national income share each year (from 1994 through 2000). Since then, the income disparity has increased even further.[91] Is there a connection to trade policy?

- **Longstanding economic theory states that trade will likely increase income inequality in developed countries like the United States**. As competition with low-wage labor abroad puts downward pressure on middle-class wages while boosting the profits of multinational firms, the gap between the rich and everyone else widens. In the 1990s a spate of economic studies put the theory to the test, resulting in an academic consensus that trade flows had indeed contributed to rising U.S. income inequality.[92] The pro-"free trade" Peterson Institute for International Economics, for example, found that 39 percent of the increase in U.S. wage inequality was

attributable to U.S. trade flows.[93] In 2013, when EPI updated an oft-cited 1990s model estimate of trade's impact on U.S. income inequality, it found that using the model's own conservative assumptions, trade with low-wage countries played a much larger role in spurring U.S. income inequality in the last two decades. EPI found that trade flows, according to the well-known model, accounted for 93 percent of the increase in U.S. income inequality from 1995-2011 – an era marked by the establishment of NAFTA, the WTO and NAFTA expansion pacts.[94] Expressed in dollar terms, EPI estimated that trade's inequality-exacerbating impact spelled a $1,761 loss in wages in 2011 for the average full-time U.S. worker without a college degree.[95]

- **The TPP's expansion of status quo trade policy would result in pay cuts for all but the richest 10 percent of U.S. workers.** In 2013 economists at CEPR dug into the results of a study done by the pro-TPP Peterson Institute for International Economics that, despite using overoptimistic assumptions, projected the TPP would result in tiny economic gains in 2025. CEPR assessed whether those projected gains would counterbalance increased downward pressure on middle-class wages from the TPP, applying the empirical evidence on how recent trade flows have contributed to growing U.S. income inequality. Even with the most conservative estimate from the economic literature of trade's contribution to inequality (that trade is responsible for just 10 percent of the recent rise in income inequality), they found that the losses from projected TPP-produced inequality would wipe out the tiny projected gains for the median U.S. worker. With the still-conservative estimate that trade is responsible for just 15 percent of the recent rise in U.S. income inequality, the CEPR study found that the TPP would mean wage losses for all but the richest 10 percent of U.S. workers.[96] That is, for any workers making less than $90,060 per year (the current 90th percentile wage), the TPP would mean a pay cut.[97]

- **Technological changes or education levels do not fully account for U.S. wage pressures.** Some have argued that advances in computer technology explain why less technologically-literate U.S. workers have been left behind, asserting that more education – rather than a different trade policy – is how the United States will prosper in the future.[98] While more education and skills are desirable for many reasons, these goals alone will not solve the problems of growing inequality. First, recent studies indicate that the role of technological progress has been overstated. For example, Federal Reserve economists found "limited support" in a 2013 study for the notion that technological change explained U.S. workers' declining share of national income, while identifying increasing import competition and offshoring as "a leading potential explanation."[99] Second, even college-educated workers have seen wage growth stagnate, such as in technologically sophisticated fields like engineering, as offshoring has moved up the income ladder.[100] Thus, addressing trade policy, not only better educating U.S. workers, is an essential part of tackling rising income inequality.

- **Is it even possible to compensate those losing under status quo trade policy, rather than change the policy?** To compensate the "losers" from our trade policy – the majority of U.S. workers facing downward wage pressures – CEPR finds that the government would have to annually tax the incomes of the limited number of "winners" more than $50 billion and redistribute this sum to middle-class families.[101] In contrast, the main compensating program – TAA – was allocated less than $2 billion in FY2010, its highest funding year ever. Since then, its funding has been slashed 67 percent, falling below $0.7 billion in FY2015.[102] The $50 billion needed to compensate wage losers would thus be more than 27 times the highest-ever level of funding for the program. Would the tax hike needed to cover such costs be politically feasible? Even if so, would its economic distortions outweigh supposed "efficiency gains" from existing trade deals?

Small Businesses' Exports and Export Shares Decline

- **U.S. small businesses have endured lagging exports under NAFTA and falling exports under the Korea FTA**. In effort to sell controversial FTAs to Congress and the U.S. public, corporate and government officials typically promise that small businesses would be major winners from the deals. But U.S. Census Bureau data reveal that small firms endured an even steeper decline in exports to Korea than large firms in the Korea FTA's first two years (the latest available data separated by firm size). Firms with fewer than 100 employees saw exports to Korea drop 19 percent while firms with more than 500 employees saw exports decline 3 percent.[103] Meanwhile, small businesses' exports have lagged under NAFTA. Growth of U.S. small businesses' exports to all *non-NAFTA* countries was *nearly twice as high* as the growth of their exports to NAFTA partners Canada and Mexico from 1996 to 2013 (the earliest and latest years of available data separated by firm size).[104] During the same NAFTA timeframe, small firms' exports to Mexico and Canada grew less than half as much as large firms' exports (39 percent vs. 93 percent). As a result, U.S. small businesses' share of total U.S. exports to Mexico and Canada has fallen under NAFTA, from 14 to 10 percent. Had U.S. small firms not lost their share of exports to Canada and Mexico under NAFTA, they would be exporting $18.6 billion more to those nations today.[105]

- **Most U.S. small and medium businesses do not benefit from NAFTA-style deals.** The Obama administration has claimed that the NAFTA-expanding TPP would be a boon to small and medium enterprises (SMEs) on the basis that small and medium firms comprise most U.S. exporters. First, government data show that FTAs have failed to increase export growth for U.S. firms overall – growth of U.S. exports to FTA partners actually has been 20 percent lower than U.S. export growth to the rest of the world over the last decade.[106] Second, SMEs comprise most U.S. exporting firms simply because they constitute 99.7 percent of U.S. firms overall.[107] The more relevant question is what share of SMEs actually depend on exports for their success. Only 3 percent of U.S. SMEs (firms with fewer than 500 employees) export any good to any country. In contrast, 38 percent of large U.S. firms (with more than 500 employees) are exporters.[108] Indeed, after two decades of NAFTA, just 0.6 percent and 1.1 percent of U.S. small businesses export to Mexico and Canada, respectively, compared to 19 percent and 26 percent of large firms.[109] Even if FTAs actually succeeded in boosting exports, exporting is primarily the domain of large firms, not small ones.

Job-Displacing Trade Deficits Surge under FTAs: U.S. Trade Deficits Grow 427% with FTA Countries

The aggregate U.S. goods trade deficit with FTA partners is more than five times as high as before the deals went into effect, while the aggregate trade deficit with non-FTA countries has actually fallen. The key differences are soaring imports into the United States from FTA partners and *lower* growth in U.S. exports to those nations than to non-FTA nations. **Growth of U.S. exports to FTA partners has been 20 percent *lower* than U.S. export growth to the rest of the world over the last decade** (annual average growth of 5.3 percent to non-FTA nations vs. 4.3 percent to FTA nations).[110]

The aggregate U.S. trade deficit with FTA partners has *increased* by about $144 billion, or 427 percent, since the FTAs were implemented. In contrast, the aggregate trade deficit with all non-FTA countries has *decreased* by about $95 billion, or 11 percent, since 2006 (the median entry date of

existing FTAs). Using the Obama administration's trade-jobs ratio[111] and counting both exports and imports, **the FTA trade deficit surge implies the loss of about 780,000 U.S. jobs.** NAFTA contributed the most to the widening FTA deficit – under NAFTA, the U.S. trade deficit with Canada has ballooned and a U.S. trade surplus with Mexico has turned into a nearly $100 billion deficit. More recent deals, such as the Korea FTA, have produced similar results.

FTA Partner	Entry Date	Pre-FTA Trade Balance	2014 Balance	Change in Balance Since FTA
Israel*	1985	($1.0)	($15.2)	($14.2)
Canada	1989	($23.9)	($82.4)	($58.5)
Mexico	1994	$2.6	($99.8)	($102.3)
Jordan	2001	$0.3	$0.6	$0.3
Chile	2004	($2.0)	$5.8	$7.8
Singapore	2004	$0.8	$10.2	$9.4
Australia	2005	$7.4	$13.6	$6.2
Bahrain	2006	($0.1)	$0.1	$0.2
El Salvador	2006	($0.2)	$0.7	$0.9
Guatemala	2006	($0.6)	$1.5	$2.1
Honduras	2006	($0.7)	$1.2	$1.9
Morocco	2006	$0.1	$1.0	$1.0
Nicaragua	2006	($0.7)	($2.2)	($1.5)
Dominican Republic	2007	$0.6	$2.8	$2.2
Costa Rica	2009	$1.2	($3.2)	($4.4)
Oman	2009	$0.6	$0.9	$0.4
Peru	2009	($0.2)	$2.9	$3.0
Korea	2012	($15.4)	($26.6)	($11.2)
Colombia	2012	($10.0)	$1.2	$11.2
Panama	2012	$7.8	$9.4	$1.6
FTA TOTAL:		($33.7)	($177.5)	**($143.9)**
Non-FTA TOTAL:	[2006]	($829.3)	($734.2)	**$95.1**
FTA Deficit INCREASE: 427%			**Non-FTA Deficit DECREASE: 11%**	

*Billions of 2014 USD. Source: U.S. International Trade Commission. (*Measured since 1989 due to data availability.)*

"Higher Standards" Have Failed to Alter FTA Legacy of Ballooning Trade Deficits

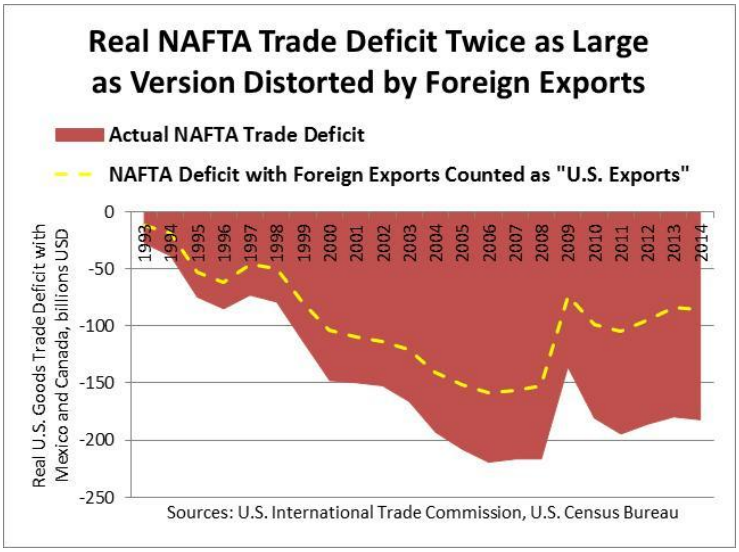
Some proponents of status quo trade have claimed that post-NAFTA FTAs have included higher standards and thus have yielded trade balance improvements.[112] But the Korea FTA included the higher labor and environmental standards of the May 10, 2007 deal between congressional leaders and the George W. Bush administration, and still the U.S. trade deficit with Korea has ballooned in the three years since the deal's passage. Meanwhile, most post-NAFTA FTAs that have resulted in (small) trade balance improvements *did not* contain the "May 10" standards. The evidence shows no correlation between an FTA's inclusion of "May 10" standards and its trade balance impact. Reducing the massive U.S. trade deficit will require a more fundamental rethink of the core status quo trade pact model extending from NAFTA through the Korea FTA, not more of the same.

Corporate FTA Boosters Use Errant Methods to Claim Higher Exports under FTAs

Members of Congress will invariably be shown data by defenders of our status quo trade policy that appear to indicate that FTAs have generated an export boom. Indeed, to promote congressional support for new NAFTA-style FTAs, industry associations like the U.S. Chamber of Commerce have funded an entire body of research designed to create the appearance that the existing pacts have both boosted exports and reversed trade deficits with FTA partner countries. This work relies on several methodological tricks that fail basic standards of accuracy:

- **Ignoring imports:** U.S. Chamber of Commerce studies regularly omit mention of soaring imports under FTAs, instead focusing only on exports.[113] But any study claiming to evaluate the net impact of trade deals must deal with both sides of the trade equation. In the same way that exports are associated with job opportunities, imports are associated with lost job opportunities when they outstrip exports, as dramatically seen under FTAs.

- **Counting "foreign exports":** The U.S. Chamber of Commerce errantly claims that the United States has a trade surplus with FTA nations by counting foreign-made goods as "U.S. exports."[114] Their data include "foreign exports" – goods made elsewhere that pass through the United States without alteration before being re-exported abroad. Foreign exports support zero U.S. production jobs and their inclusion artificially diminishes real FTA deficits.[115]



- **Omitting major FTAs:** The U.S. Chamber of Commerce has repeatedly claimed that U.S. export growth is higher to FTA nations that to non-FTA nations by simply omitting FTAs that do not support their claim. One U.S. Chamber of Commerce study omitted all FTAs implemented before 2003 to estimate export growth.[116] This excluded major FTAs like NAFTA that comprised more than 83 percent of all U.S. FTA exports. Given NAFTA's leading role in the 427 percent aggregate FTA deficit surge, its omission vastly skews the findings.

- **Failing to correct for inflation:** U.S. Chamber of Commerce studies that have claimed high FTA export growth have not adjusted the data for inflation, thus errantly counting price increases as export gains.[117]

- **Comparing apples and oranges:** The U.S. Chamber of Commerce has claimed higher U.S. exports under FTAs by using two completely different methods to calculate the growth of U.S. exports to FTA partners (an unweighted average) versus non-FTA partners (a weighted average).[118] This inconsistency creates the false impression of higher export growth to FTA partners by giving equal weight to FTA countries that are vastly different in importance to U.S. exports (e.g. Canada, where U.S. exports exceed $260 billion, and Bahrain, where they do not reach $1 billion), despite accounting for such critical differences for non-FTA countries.

Millions of U.S. Jobs Lost under Status Quo Trade Deals

Nearly 5 million U.S. manufacturing jobs – one out of every four – have been lost since the establishment of NAFTA, the WTO and NAFTA expansion deals.[119] Since NAFTA took effect, more than 55,000 U.S. manufacturing facilities have closed.[120] The U.S. manufacturing sector has long been a source of innovation, productivity, growth and good jobs.[121] But by 2014, manufacturing accounted for less than 9 percent of the U.S. workforce for the first time in modern history.[122]

Deals like NAFTA have contributed to the hemorrhaging of U.S. manufacturing and other jobs by incentivizing offshoring and fueling massive U.S. trade deficits. The U.S. Department of Labor lists more than 2.7 million workers as specifically losing their jobs to offshoring and import competition since the enactment of NAFTA, the WTO and NAFTA expansion FTAs – and that is under just one narrow program that excludes many whose job loss is trade-related.[123]

NAFTA-style deals have included foreign investor protections that offer special benefits to firms that offshore U.S. jobs. The TPP's investment chapter would expand such offshoring incentives, eliminating many of the usual risks that make firms think twice about moving to low-wage countries, such as TPP member Vietnam.

For detailed data on trade-related job loss, visit Public Citizen's Trade Data Center: www.citizen.org/trade-data-center

- Find regularly updated data on the total number of manufacturing jobs lost in your state.
- Track specific, factory-by-factory, trade-related job losses in your area, certified by the Department of Labor.
- See how much job-displacing trade deficits have increased under existing FTAs in the goods that are important to your state.
- Get estimates of job losses in your state from China trade and NAFTA.

Under NAFTA-style FTAs, imports have surged while exports have slowed, contributing to a fourfold increase in the U.S. goods trade deficit since 1993.[124] (Growth of U.S. exports to FTA partners actually has been 20 percent *lower* than U.S. export growth to the rest of the world over the last decade.) [125] The aggregate U.S. trade deficit with its 20 FTA partners has increased by about $144 billion, or 427 percent, since the FTAs were implemented.[126] Standard macroeconomics shows that a large U.S. trade deficit costs U.S. jobs when the U.S. economy is not at full employment, as it has not been since the 2007-2008 financial crisis.[127] The TPP would further fuel the job-displacing U.S. trade deficit by forcing U.S. workers to compete directly with workers in Vietnam, where minimum wages average less than 60 cents an hour,[128] independent unions are banned and child labor is rampant.[129]

Burgeoning Job Losses under NAFTA, the WTO and the Korea FTA

After 21 years of NAFTA, a small pre-NAFTA U.S. trade surplus with Mexico and $30 billion trade deficit with Canada turned into a combined NAFTA trade deficit of $182 billion by 2014 – a real increase in the "NAFTA deficit" of 565 percent.[130] EPI estimates that the ballooning trade deficit with Mexico alone destroyed about 700,000 *net* U.S. jobs between NAFTA's implementation and 2010.[131] And since NAFTA, the U.S. Department of Labor has certified more than 850,000 specific U.S. workers for TAA – a narrow program that is difficult to qualify for – as having lost their jobs due to imports from Canada and Mexico or the relocation of factories to those countries.[132]

The rapid growth of the U.S. trade deficit with China since that country entered the WTO in 2001 has also had a devastating effect on U.S. workers. Since China's WTO entry, the U.S. goods trade deficit with China has grown from $112 billion to $350 billion.[133] EPI estimates that between 2001 and 2013, 3.2 million U.S. jobs, including 2.4 million manufacturing jobs, were lost or displaced due to the burgeoning trade deficit with China.[134] Indeed, a recent National Bureau of Economic Research study finds a direct link between the congressional vote that paved the way for China's WTO entry and "the sharp drop in U.S. manufacturing employment after 2001."[135] Another recent National Bureau of Economic Research study concludes, "We find that the increase in U.S. imports from China, which accelerated after 2000, was a major force behind recent reductions in U.S. manufacturing employment and that…it appears to have significantly suppressed overall U.S. job growth."[136]

Like NAFTA and the WTO, the 2012 Korea FTA – the U.S. template for the TPP – was sold by the Obama administration with the promise that it would yield "more exports, more jobs."[137] In contrast, U.S. goods exports to Korea dropped 7 percent ($3 billion) in the first three years of the FTA, while imports increased 18 percent ($10.6 billion).[138] As a result, the U.S. goods trade deficit with Korea ballooned 90 percent ($13.6 billion). In contrast, the global U.S. goods trade deficit during the same period *decreased* 2 percent.[139] The U.S.-Korea trade deficit rise in the first three years of the Korea FTA equates to the loss of more than 90,000 U.S. jobs, counting both exports and imports, according to the trade-jobs ratio that the Obama administration used to project job *gains* from the deal.[140]

Offshoring of U.S. Jobs Is Moving Rapidly Up the Income and Skills Ladder

Alan S. Blinder, a former Federal Reserve vice chairman, Princeton economics professor and NAFTA-WTO supporter, says that under current U.S. trade policy one out of every four U.S. jobs could be offshored in the foreseeable future.[141] In a study Blinder conducted with Alan Krueger, fellow Princeton economist and former Chairman of President Obama's Council of Economic Advisers, the economists found the most offshorable industry to be finance and insurance, not manufacturing (with information and professional services also showing high offshoring propensity).[142] Indeed, according to their data, U.S. workers with a four-year college degree and with annual salaries above $75,000 are those most vulnerable to having their jobs offshored, meaning the United States could see its best remaining jobs move abroad.[143]

Buy American Banned: More U.S. Jobs Lost as Tax Dollars Are Offshored

The WTO, NAFTA and NAFTA-expansion agreements ban Buy American preferences and forbid federal and many state governments from requiring that U.S. workers perform the jobs created by the outsourcing of government work. "Anti-offshoring" and Buy American requirements, which reinvest our tax dollars in our local communities to create jobs here, are prohibited under NAFTA-style trade agreements' procurement rules.[144] These rules require that all firms operating in trade-pact partner countries be treated as if they were domestic firms when bidding on U.S. government contracts to supply goods or services.[145] Complying with this requirement means waiving existing Buy American or Buy Local procurement preferences that require U.S. taxpayer-funded government purchases to prioritize U.S.-made goods, or rules that require outsourced government work to be performed by U.S workers. The TPP would further gut Buy American policies, requiring the U.S. government to give any company operating in a TPP country, including Chinese firms in Malaysia or Vietnam, the same access as U.S. firms to U.S. taxpayer-funded government contracts.[146]

NAFTA in Depth: Two Decades of Losses for U.S. Workers

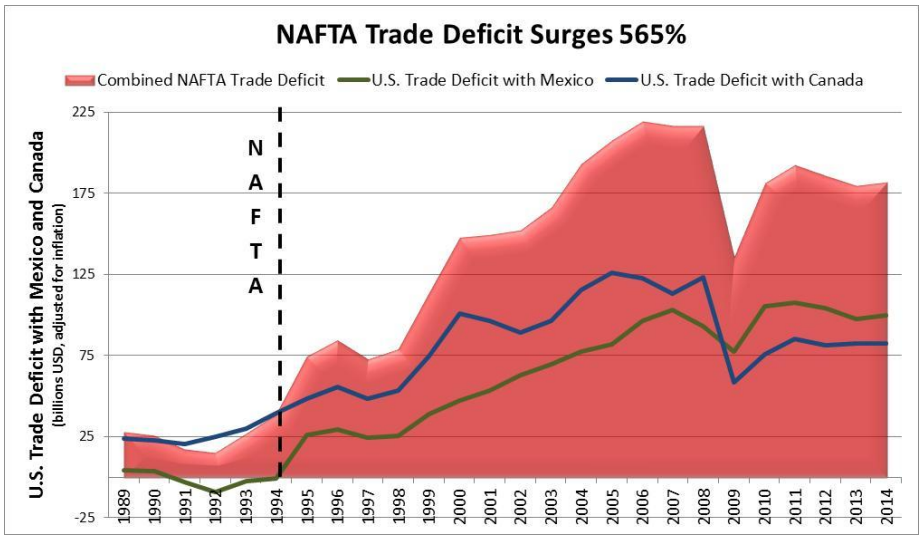
In 1993, Gary Hufbauer and Jeffrey Schott of the pro-NAFTA Peterson Institute for International Economics (PIIE) projected that NAFTA would lead to a rising U.S. trade surplus with Mexico, which would create 170,000 net new jobs in the United States within the pact's first two years.[147] Then-U.S. Trade Representative Mickey Kantor similarly predicted "export jobs related to Mexico" would reach 200,000 "by 1995 if NAFTA with the supplemental agreements is implemented."[148] President Bill Clinton went even further, stating, "I believe that NAFTA will create a million jobs in the first five years of its impact."[149]

Hufbauer and Schott based their projection on the observation that when export growth outpaces the growth of imports, more jobs are created by trade than are destroyed by trade.[150] Instead of an improved trade balance with Canada and Mexico, however, NAFTA resulted in a surge of imports from Mexico and Canada that led to huge U.S. trade deficits.

According to Hufbauer and Schott's own methodology, these deficits meant major job loss. Less than two years after NAFTA's implementation, even before the depth of the NAFTA deficit became evident, Hufbauer recognized that his jobs prediction was incongruent with the facts, telling *The Wall Street Journal*, "The best figure for the jobs effect of NAFTA is approximately zero…the lesson for me is to stay away from job forecasting."[151] The Obama administration apparently has not learned that lesson. Repeating the tactics of the Clinton administration, in 2015 Obama administration officials cited a PIIE study to claim that the TPP would create 650,000 new jobs, despite that the study itself did not project any new job creation from the deal. Even *The Washington Post*, with a pro-TPP editorial board, assigned the claim four Pinocchios and dismissed the jobs promise as "illusionary."[152]

NAFTA Results: Massive Job Loss, Ballooning Deficits, Slow Export Growth

The U.S. goods trade deficit with Canada of $30 billion and the $2.6 billion surplus with Mexico in 1993 (the year before NAFTA took effect) turned into a combined NAFTA trade deficit of $182.1 billion by 2014, as indicated in the graph below.[153] These are inflation-adjusted numbers, meaning the difference is not due to inflation, but an increase in the deficit in real terms. EPI calculates that the ballooning trade deficit with Mexico alone destroyed about 700,000 *net* U.S. jobs between NAFTA's implementation and 2010.[154] This toll has likely grown since 2010, as the non-fossil fuel U.S. goods trade deficit with Mexico has risen 11 percent further.[155] Much of the job erosion stems from the decisions of U.S. firms to embrace NAFTA's new foreign investor privileges and relocate production to Mexico to take advantage of its lower wages and weaker environmental standards. The U.S. trade deficit with NAFTA partners Mexico and Canada has worsened considerably more than the



U.S. trade deficit with countries with which we have not signed NAFTA-style deals. Since NAFTA, the annual growth of the U.S. trade deficit has been 45 percent higher with Mexico and Canada than with countries that are not party to a NAFTA-style U.S. trade pact.[156]

Defenders of NAFTA argue that the NAFTA deficit is really only due to fossil fuel imports. Although fossil fuels account for a substantial portion of the trade deficit with Canada and Mexico, the fossil fuel share of the trade deficit with Canada and Mexico actually declined from 82 percent in 1993 to 49 percent in 2014. Indeed, the non-fossil fuel deficit with Canada and Mexico has risen to an even greater degree than the overall deficit, multiplying over 19-fold since NAFTA's implementation.[157]

The NAFTA trade deficit increase owes in part to the fact that U.S. manufacturing and services exports have grown *more slowly* since NAFTA took effect. Since NAFTA's enactment, annual growth in U.S. manufacturing exports to Canada and Mexico has fallen 41 percent below the annual rate seen in the years before NAFTA.[158] Even growth in services exports, which were supposed to do especially well under the trade pact given a presumed U.S. comparative advantage in services, dropped precipitously after NAFTA's implementation. Annual growth of U.S. services exports to Mexico and Canada since NAFTA has dropped to less than half the pre-NAFTA rate.[159]

Trade Adjustment Assistance Data Tracks U.S. Job Loss from NAFTA

While EPI's estimates of the job losses resulting from NAFTA summarize the overall effect of the trade deficit, the government itself tracks some of the layoffs known to have specifically occurred due to imports or offshoring, through the U.S. Department of Labor's TAA program. TAA is quite narrow, only covering a subset of the jobs lost at manufacturing facilities, while excluding a portion of the jobs that have directly relocated to Mexico or Canada. The program is also difficult to qualify for, which has led some unions to direct workers to other assistance programs. Even a report by the pro-NAFTA PIIE estimated that fewer than 10 percent of workers who lose their jobs in industries facing heavy import competition receive assistance under TAA.[160] Thus, the NAFTA TAA numbers significantly undercount NAFTA job loss. Still, under TAA, more than 850,000 workers have been certified as having lost their jobs due to imports from Canada and Mexico or the relocation of factories to those countries.[161] To see the full set of TAA-certified job losses – searchable by company, product, congressional district and city – visit Public Citizen's TAA database at www.citizen.org/taadatabase.

The U.S. government also tried to identify specific jobs *created* by NAFTA rather than destroyed. The U.S. Department of Commerce established such a program, but after finding fewer than 1,500 specific jobs attributable to NAFTA, the program was shut down because its findings were so bleak.[162]

Corporate Promises of Job Creation Are Broken

In addition to NAFTA supporters' unfulfilled promises of overall job creation, specific companies also lobbied for NAFTA by claiming that the deal would boost their own hiring and reduce the need to move jobs to Mexico and Canada. In reality, the vast majority of their promises of job creation failed to materialize, and many of these companies have actually moved operations to Mexico and Canada since NAFTA's passage.[163] For example, Chrysler declared that if NAFTA passed, it would export 25,000 vehicles to Mexico and Canada by 1995, claiming that the sales would support 4,000 U.S. jobs. In reality, since NAFTA's passage Chrysler has eliminated 7,108 U.S. jobs explicitly certified under TAA as displaced by rising imports from Canada and Mexico or decisions to offshore production to those countries (thousands more trade-related job losses at Chrysler do not specify a country). Siemens made claims similar to Chrysler's, and yet it has eliminated more than 1,400 U.S. jobs by offshoring

production to Mexico.[164] Johnson & Johnson promised that it would hire hundreds of U.S. workers if NAFTA was approved, but ended up offshoring 950 U.S. jobs to Mexico and Canada.[165] The table below details a few examples of corporations' empty promises of NAFTA job growth.

Specific Corporate Promises of NAFTA Job Gains versus Actual Outcomes

Corporation	Promise	Reality
Chrysler	"With the passage of NAFTA, Chrysler is planning to export 25,000 vehicles to Mexico and Canada by 1995 and 80,000 by the year 2000. The sales will support 4,000 U.S. jobs by 1995, including Chrysler employees and U.S. suppliers." "NAFTA: We Need It: How U.S. Companies View Their Business Prospects Under NAFTA," *National Association of Manufacturers, November 1993.*	Chrysler has eliminated **17,757 U.S. jobs** due to imports or offshoring under NAFTA, including 7,108 job losses explicitly attributed to rising imports from Canada and Mexico or decisions to offshore production to those countries (the remainder of the job losses do not specify the country).
Fruit of the Loom	In a Senate floor speech on November 19, 1993, Sen. Mitch McConnell (R-Ky.) explained that he would be voting for NAFTA because "American firms will not move to Mexico just for lower wages… without NAFTA, United States firms are more likely to move production to Mexico." He specifically cited Fruit of the Loom, stating, "…consider Fruit of the Loom. This fine Kentucky firm, which is my State's largest private employer, expects to boost sales to Mexico under NAFTA and eventually create 1,000 new jobs." *Congressional Record, November 19, 1993.*	Fruit of the Loom has eliminated **12,155 U.S. jobs** due to imports or offshoring under NAFTA. That includes 2,936 job losses explicitly attributed to offshoring to Mexico or rising imports from Canada and Mexico (the remainder of the job losses do not specify the country). More than 3,600 of Fruit of the Loom's trade-related layoffs have occurred in Kentucky.
General Electric	"We are looking at another $7.5 billion in potential sales over the next 10 years. These sales could support 10,000 jobs for General Electric and its suppliers. We fervently believe that these jobs depend on the success of this agreement." *Michael Gadbaw, General Electric, before the House Foreign Affairs Committee, October 21, 1993.*	General Electric has eliminated **11,675 U.S. jobs** due to imports or offshoring under NAFTA, including 6,135 job losses explicitly attributed to rising imports from Canada and Mexico or decisions to offshore production to those countries (the remainder of the job losses do not specify the country).
Caterpillar	"The NAFTA would eliminate the incentive to move operations to Mexico...U.S. companies would be better able to serve the Mexican market by exporting, rather than by moving production...Caterpillar estimates NAFTA-mandated tariff reductions – coupled with increased economic growth – would increase demand in Mexico by 250-350 units annually." *"The Impact of NAFTA on Illinois," prepared for USA*NAFTA by the Trade Partnership, Washington D.C., June 1993.*	Caterpillar has eliminated **3,270 U.S. jobs** due to imports or offshoring under NAFTA, including 738 job losses explicitly attributed to rising imports from Canada and Mexico or decisions to offshore production to those countries (the remainder of the job losses do not specify the country).

Source for corporate promises: Public Citizen, "NAFTA's Broken Promises: Failure to Create U.S. Jobs," January 1997, Available at: www.citizen.org/trade/article_redirect.cfm?ID=1767. Source for TAA-certified job losses: Public Citizen, Trade Adjustment Assistance Database, 2014. Available at: www.citizen.org/taadatabase.

Special Investor Privileges Promote Offshoring of U.S. Jobs

NAFTA's special new rights and privileges for foreign investors eliminated many of the risks and costs that had been associated with relocating production to a low-wage venue. The incentives these rules offered for offshoring included a guaranteed minimum standard of treatment that Mexico had to provide to relocating U.S. firms, which went above and beyond the treatment provided to domestic firms. This included the right for foreign investors to challenge the Mexican government directly in United Nations and World Bank tribunals, demanding compensation for environmental, zoning, health and other government regulatory actions of general application that investors claimed as undermining their expectations.[166] The protections granted to corporations interested in offshoring contributed to the flow of foreign investment into Mexico, which quadrupled after the implementation of NAFTA.[167]

Studies Reveal Consensus: Trade Flows during "Free Trade" Era Have Exacerbated U.S. Income Inequality

Recent Studies: Trade's Contribution to Inequality Has Increased amid Status Quo Trade Deals and Is Likely to Increase Further

U.S. income inequality has jumped to levels not seen since the pre-depression 1920s, as middle-class wages have stagnated while the incomes of the rich have surged.[168] In 1979, the median weekly wage for U.S. workers in today's dollars was about $749. In 2014, it had increased just four dollars to $753 per week. Over the same period, U.S. workers' productivity doubled.[169] Meanwhile, the richest 10 percent in the United States are now taking half of the economic pie, while the top 1 percent is taking more than one fifth. Wealthy individuals' share of national income was stable for the first several decades after World War II, but started increasing in the early 1980s, and then rose even faster in the era of NAFTA, the WTO and NAFTA expansion pacts. From 1981 until the establishment of NAFTA and the WTO, the income share of the richest 10 percent increased 1.3 percent each year. In the first six years of NAFTA and the WTO, this inequality increase rate doubled, with the top 10 percent gaining 2.6 percent more of the national income share each year (from 1994 through 2000). Since then, the income disparity has increased even further.[170]

Since 1941 standard economic theory has held that trade liberalization is likely to contribute to greater income inequality in developed countries like the United States.[171] As direct competition with low-wage labor abroad puts downward pressure on middle-class wages, the profits of multinational firms rise, and the income gap between the rich and everyone else widens. NAFTA-style deals only exacerbate this inequality-spurring effect by creating a selective form of "free trade" in goods that non-professional workers produce while extending monopoly protections – the opposite of free trade – for certain multinational firms (e.g. patent protections for pharmaceutical corporations).[172]

In the early 1990s, as U.S. income inequality soared amid the enactment of U.S. "free trade" deals, a spate of economic studies put the theory to the test, aiming to determine the relative contribution of trade flows to the rise in U.S. income inequality. **The result was an academic consensus that trade flows had, in fact, contributed to rising U.S. income inequality. The only debate was *the extent* of trade's role**, with most studies estimating that between 10 and 40 percent of the rise in inequality during the 1980s and early 1990s stemmed from trade flows, as indicated in the table below.[173]

1990s Studies on Trade's Impact on U.S. Income Inequality		
Author(s)	**Year of Study**	**Portion of Inequality Increase Attributed to Trade**
Borjas, Freeman, Katz	1997	**5%**
Lawrence	1996	**9%**
Borjas and Ramey	1993	**10%**
Cooper	1994	**10%**
Krugman	1995	**10%**
Baldwin and Cain	1994	**9-14%**
Leamer	1994	**20%**
Cline	1997	**39%**
Karoly and Klerman	1994	**55-141%**
Wood	1994	**100%**

Status Quo Trade Deals Increase Inequality by Depressing Middle-Class Wages

U.S. FTAs have contributed to the historic rise in U.S. income inequality primarily by exerting downward pressure on middle-class wages. Status quo trade deals have forced U.S. workers to compete directly with low-wage workers in countries with lax or nonexistent labor protections, while offering special protections to U.S. firms that offshore their production to those countries.[174] The predictable result has been the loss of U.S. jobs, primarily in higher-paying manufacturing sectors.

Of course, most workers who lose their jobs to imports or offshoring eventually find new work. But as manufacturing jobs have become scarcer, many trade-displaced workers have been forced to take lower-paying jobs in non-offshoreable service sectors. A recent National Bureau of Economic Research study concludes, "offshoring to low wage countries and imports [are] both associated with wage declines for US workers. We present evidence that **globalization has led to the reallocation of workers away from high wage manufacturing jobs into other sectors and other occupations, with large declines in wages among workers who switch**…"[175] Indeed, according to the U.S. Bureau of Labor Statistics, about three out of every five displaced manufacturing workers who were rehired in 2014 experienced a wage reduction. About one out of every three took a pay cut of greater than 20 percent.[176] For the median manufacturing worker earning more than $38,000 per year, this meant an annual loss of at least $7,600.[177]

But the wage losses are not limited to those workers who actually lose their jobs under trade deals. When manufacturing workers are displaced and seek new jobs, they add to the supply of U.S. workers available for non-offshorable, non-professional jobs in hospitality, retail, health care and more. **As increasing numbers of trade-displaced workers have joined the glut of workers competing for these non-offshorable jobs, real wages have actually been declining in these growing sectors.**[178] The downward pressure on wages thus spreads to much of the middle class.

Meanwhile, status quo trade deals have eroded U.S. workers' power to reverse the middle-class wage stagnation via collective bargaining. In the past, U.S. workers represented by unions were able to bargain for their fair share of economic gains generated by productivity increases.[179] But the foreign investor protections in today's "trade" agreements, by facilitating the offshoring of production, alter the power dynamic between workers and their employers. **NAFTA-style deals boost firms' ability to suppress workers' requests for wage increases with credible threats to offshore their jobs.** For instance, a study for the North American Commission on Labor Cooperation – the body established in

the labor side agreement of NAFTA – showed that after passage of NAFTA, as many as 62 percent of U.S. union drives faced employer threats to relocate abroad. After NAFTA took effect, the factory shut-down rate following successful union certifications tripled.[180]

Some analysts argue that technology-related efficiency gains also spur U.S. manufacturing job loss and exert downward pressure on middle-class wages, in attempt to diminish the role of trade policy in exacerbating U.S. income inequality.[181] But recent studies indicate that the role of technology has been overstated. A 2013 National Bureau of Economic Research study on the U.S. job impacts of both technology and trade finds "no net employment decline" from technological change from 1990 to 2007 while finding a strong correlation between increasing import competition from China and "significant falls in employment, particularly in manufacturing and among non-college workers."[182] In another 2013 study, **Federal Reserve economists find "limited support" for the notion that technological change explains U.S. workers' declining share of national income, while identifying increasing import competition and offshoring as "a leading potential explanation."**[183] An earlier study by International Monetary Fund economists similarly concludes, "Among developed countries…the adverse impact of globalization [on income inequality] is somewhat larger than that of technological progress."[184] Regardless of how much importance should be ascribed to technological change, the importance of status quo trade in spurring income inequality is a consistent finding of the panoply of studies cited above and below. Since Congress actually has a say over trade policy, why would we not push for a new trade policy that fosters rather than erodes middle-class wages and diminishes rather than widens the yawning income gap?

Pro-FTA Think Tank: Trade Responsible for 39% of Inequality Growth

In one of the more frequently cited studies from the 1990s – a 1997 report published by the pro-"free trade" Institute for International Economics (now the Peterson Institute for International Economics)[185] – author William Cline estimated that trade was responsible for a 7 percent gross increase in U.S. wage inequality during a time period in which wage inequality rose by a total of 18 percent – meaning that **the trade impact on U.S. wage inequality amounted to 39 percent of observed inequality growth**.

Cline used an economic model to calculate that trade liberalization, trade costs, and offshoring were responsible for an estimated 7 percent gross increase in the wage inequality that had occurred from 1973 to 1993 (i.e. a 7 percent rise in the ratio of the wages earned by those with some college education compared to the wages earned by those with a high school education or lower).[186] Cline reported an 18 percent total wage inequality increase during this time period.[187] Dividing the 7 percent trade-prompted inequality increase by the 18 percent total inequality increase amounts to a 39 percent contribution of trade to the rise in inequality.

In his study, Cline noted that trade was just one of several factors contributing to the rise in inequality, and that trade's 7 percent gross contribution was less than 10 percent of the total estimated *gross* contributions of all inequality-exacerbating factors.[188] While Cline attempted to downplay the results of his own model (trade's estimated 39 percent contribution to the net increase in inequality) and instead emphasize trade's smaller share of the total estimated *gross* contributions to inequality, Cline himself admitted that this interpretation of the results was not "typical[]."[189] Indeed, in his review of other scholars' studies listed in the above table, Cline himself reported the primary result of each study by dividing the estimated trade-prompted gross inequality increase by the observed net inequality increase – the same method used to arrive at the 39 percent estimate using the data from Cline's study.[190] This standard approach makes sense, because if trade flows had not spurred a 7 percent

increase in U.S. wage inequality (to use Cline's study), the total observed rise in inequality indeed would have been about 39 percent lower.

Further, while Cline's study named several non-trade factors contributing to the rise in income inequality, the factor with the largest substantiated gross contribution to inequality was trade. Other inequality-exacerbating factors included increased immigration (an estimated 2 percent contribution), a reduced real minimum wage (an estimated 5 percent contribution) and deunionization (an estimated 3 percent contribution – one arguably influenced by trade deals that enable the offshoring threats used to counter union drives).[191] After accounting for all of these factors, Cline was left with a missing 67 percent gross contribution to wage inequality (required to arrive at the observed 18 percent *net* inequality increase after taking into account downward pressures on inequality).[192] Cline then "arbitrarily" assigned half of this mystery category to "skill biased technical change" and kept the other half as "unexplained."[193] While the resulting role allocated to technological change significantly exceeded that found for trade, the allocation was not substantiated by any economic model or calculation, leaving trade as the study's largest inequality-exacerbating factor backed up by data.

Recent Studies Reveal Rising Impact of Trade on U.S. Income Inequality

More recent studies have concluded that **trade's role in exacerbating U.S. income inequality has likely grown since the 1990s**, as U.S. imports from lower-wage countries, and U.S. job offshoring to those countries, have risen dramatically amid the implementation of NAFTA, the WTO and a series of NAFTA expansion pacts, impacting an increasing swath of middle-class jobs. Further, an array of studies now project future increases in the offshoring of U.S. jobs, suggesting that **even under current U.S. trade policy, trade flows will soon be responsible for an even greater share of rising U.S income inequality**. Were the TPP to take effect, expanding status quo U.S. trade policy and incentivizing further offshoring to low-wage countries like Vietnam, it would only exacerbate trade's contribution to historically high U.S. income inequality.

Why are American Workers getting Poorer? China, Trade and Offshoring*; Avraham Ebenstein, Ann Harrison and Margaret McMillan; National Bureau of Economic Research; March 2015*

In this study on trade's impact on U.S. workers' wages, the authors conclude, "We find significant effects of globalization, with offshoring to low wage countries and imports both associated with wage declines for US workers. We present evidence that globalization has led to the reallocation of workers away from high wage manufacturing jobs into other sectors and other occupations, with large declines in wages among workers who switch..."[194] Running econometric tests on wage and trade data from 1983-2008, the economists find that **a 10 percent increase in an occupation's exposure to import competition was associated with a more than 15 percent drop in wages for U.S. workers performing somewhat routine tasks** (and a nearly 3 percent wage decline for U.S. workers overall). As many middle-class occupations have faced surging imports from FTA countries, this finding indicates particularly large wage losses for U.S. workers under status quo trade deals. The authors also find statistically significant wage declines associated with the offshoring of U.S. jobs to low-wage countries, particularly in recent years (2000-2008), as offshoring has increased.[195] The study controlled for technological change so as to capture the impacts of imports and offshoring alone.[196]

IV Quantile Regression for Group-level Treatments, with an Application to the Distributional Effects of Trade; *Denis Chetverikov, Bradley Larsen, and Christopher Palmer; National Bureau of Economic Research; March 2015*

This study on the U.S. wage impacts of rising import competition from China from 1990 to 2007 finds that "Chinese import competition affected the wages of low-wage earners more than high-wage earners, **demonstrating how increases in trade can causally exacerbate local income inequality**." Indeed, the authors' econometric tests find that for the lower third of U.S. workers by income, the downward pressure on wages from the import competition was twice as strong as the average effect.[197]

The Decline of the U.S. Labor Share*; Michael W. L. Elsby, Bart Hobijn and Aysegul Sahin; The Brookings Institution; Fall 2013*

Economists at the Federal Reserve and University of Edinburgh used this study to identify why U.S. workers' share of national income has been steadily declining over the past couple decades. After a battery of econometric tests, the authors find "limited support" for the theory that technological change primarily explains middle-class workers' diminishing slice of the economic pie. Instead, they conclude, "our analysis identifies offshoring of the labor-intensive component of the U.S. supply chain as a leading potential explanation of the decline in the U.S. labor share over the past 25 years."[198] Indeed, their findings "suggest that increases in the import exposure of U.S. businesses can account for 3.3 percentage points of the 3.9 percentage point decline in the U.S. payroll share over the past quarter century."[199] That is, **increases in offshoring and import competition since about the dawn of the NAFTA era are associated with 85 percent of the observed decline in U.S. workers' share of national income** – a result that the economists find "striking," leading them to suggest that if the trade status quo continues, "the labor share will continue to decline."[200]

Using Standard Models to Benchmark the Costs of Globalization for American Workers without a College Degree*; Josh Bivens; Economic Policy Institute; March 22, 2013*

In this study Josh Bivens, an economist at EPI, updates an early-1990s model estimate of the impact of trade flows on U.S. income inequality and finds that, using the model's own conservative assumptions, one third of the increase in U.S. income inequality from 1973 to 2011 was due to trade with low-wage countries.[201] More importantly, Bivens finds that the trade-attributable share of the rise in income inequality has increased rapidly since the 1990s as manufacturing imports from low-wage countries have escalated. The data reveal that **while trade spurred 17 percent of the income inequality increase occurring from 1973 to 1995, trade flows were responsible for more than 93 percent of the rise in income inequality from 1995 to 2011 – a period marked by a series of U.S. "free trade" deals**.[202] Expressed in dollar terms, Bivens estimates that trade's inequality-exacerbating impact spelled a $1,761 loss in wages in 2011 for the average full-time U.S. worker without a college degree.[203] Bivens concludes, "various policy decisions that have governed how the American economy is integrated into the global economy have increased the damage done to American workers…[including] pursuing expanded global integration through trade agreements that carve out protections for corporate investors but not for American workers…"[204]

Rising Income Inequality: Technology, or Trade and Financial Globalization?*; Florence Jaumotte, Subir Lall, and Chris Papageorgiou; International Monetary Fund; July 2008*

The International Monetary Fund authors find that the rise in income inequality from 1981-2003 in 20 developed countries, including the United States, is *primarily* attributable to trade and financial globalization trends. They conclude that globalization's contribution to inequality has outweighed the role of technological advancement: **"Among developed countries…the adverse impact of globalization is somewhat larger than that of technological progress."**[205]

Trade and Wages, Reconsidered*; Paul Krugman; The Brookings Institution; Spring 2008*

In a Brookings Institution study, Nobel-winning economist Paul Krugman finds that trade flows likely now account for an even greater degree of U.S. income inequality than that found in a series of studies from the early 1990s, which had already concluded that trade liberalization had a negative, but modest, impact on income inequality in developed countries like the United States. Like Bivens (see above), Krugman notes that U.S. manufacturing imports from low-wage developing countries have grown dramatically in the last two decades, suggesting that the role of trade flows in spurring U.S. income inequality growth is "considerably larger" than before.[206] Krugman concludes, **"…there has been a dramatic increase in manufactured imports from developing countries since the early 1990s. And it is probably true that this increase has been a force for greater inequality in the United States and other developed countries."**[207]

Globalization, American Wages, and Inequality: Past, Present, and Future*; Josh Bivens; Economic Policy Institute; September 6, 2007*

In this report Bivens cites an array of recent economic studies that project that the offshoring of U.S. jobs will increase under current trade policy, suggesting a substantial further rise in the impact of trade flows on U.S. income inequality.[208] For example, Princeton economist and former Council of Economic Advisors member Alan Blinder estimates that about one in every four U.S. jobs, including higher-paying service-sector jobs, could be offshored in the foreseeable future.[209] While such studies differ in the projected extent of future U.S. job offshoreability, all imply an increase in the impact of trade flows on U.S. income inequality. Bivens finds that **the range of projections for increased offshoring suggest a further 74 to 262 percent increase in U.S. income inequality attributable to trade with lower-wage countries, compared to the level seen in 2006**.[210] Bivens concludes, "The potential level of redistribution caused by offshoring is vast, and, so should be the policy response."[211]

TPP-Spurred Inequality Increase Would Mean a Pay Cut for 90% of Workers

The TPP would further exacerbate U.S. income inequality by forcing U.S. workers to compete directly with even lower-paid workers abroad while expanding past FTAs' incentives for firms to offshore middle-class U.S. jobs to low-wage countries. The pact's investment chapter would create extraordinary rights and privileges for foreign investors, eliminating many of the usual risks and costs that make firms think twice before relocating abroad.[212] In addition, the TPP would place U.S. workers in direct competition with workers in low-wage TPP member countries like Vietnam, where wages average less than 60 cents an hour,[213] independent unions are banned and child labor is rampant.[214] If the legacy of existing FTAs provides any indication, this uneven playing field would spur a surge in imported goods from TPP countries, resulting in more layoffs of middle-class U.S. workers.[215] Like manufacturing workers displaced under current trade pacts, many workers who would lose their jobs to TPP-spurred offshoring or imports would be forced to compete for lower-paying service sector jobs, putting further downward pressure on middle-class wages and fueling greater income inequality.

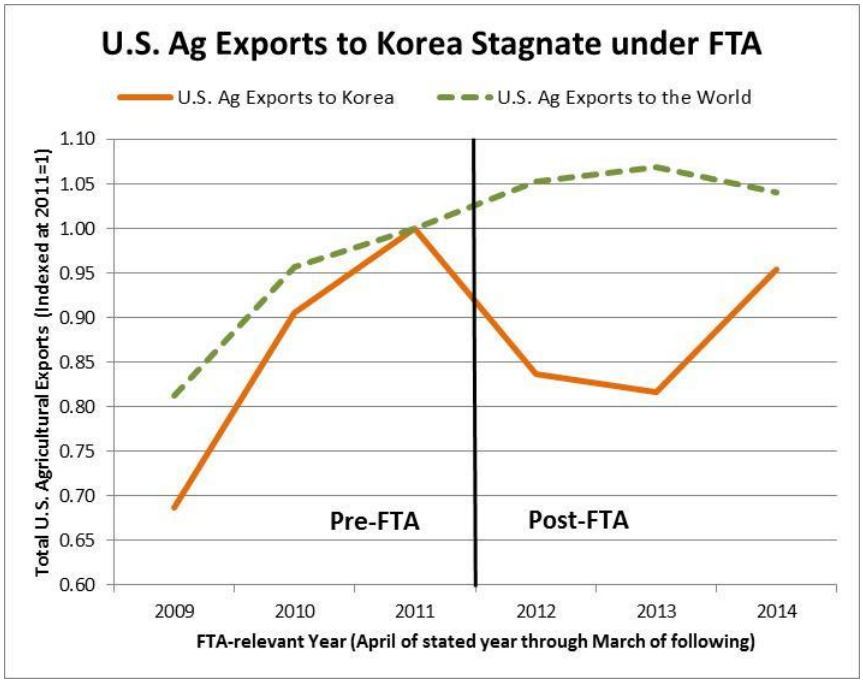
Defenders of the TPP sometimes acknowledge the pact likely would further constrain middle-class wages, but claim that the deal would produce economic gains, largely in the form of cheaper imported consumer goods, that would outweigh those costs for most U.S. workers. Economists at CEPR put that theory to the test, using the results of a study by the pro-TPP Peterson Institute for International Economics that, despite using overoptimistic assumptions, projected the TPP would result in tiny economic gains in 2025. CEPR assessed whether those projected gains would counterbalance increased downward pressure on middle-class wages from the TPP, applying the empirical evidence on how recent trade flows have contributed to growing U.S. income inequality. Even with the most

conservative estimate of trade's contribution to inequality from the studies cited above (that trade is responsible for just 10 percent of the recent rise in income inequality), they found that the losses from projected TPP-produced inequality would wipe out the tiny projected gains for the median U.S. worker. With the still-conservative estimate that trade is responsible for just 15 percent of the recent rise in U.S. income inequality, the CEPR study found that the TPP would mean wage losses for all but the richest 10 percent of U.S. workers.[216] That is, for any workers making less than $90,060 per year (the current 90th percentile wage), the TPP would mean a pay cut.[217]

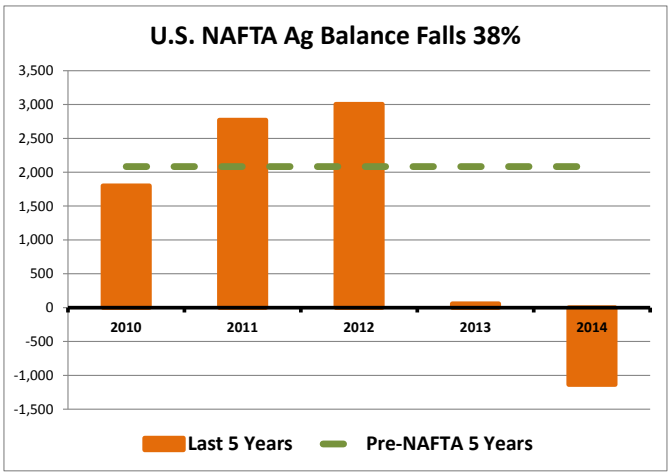
Agricultural Exports Lag under Trade Deals, Belying Empty Promises Recycled for the TPP

Time and again, U.S. farmers and ranchers have been promised that controversial FTAs would provide a path to economic success by boosting exports. Time and again, these promises have been broken. Data from the U.S. Department of Agriculture (USDA) reveal that U.S. agricultural exports have lagged, agricultural imports have surged and family farms have disappeared under existing FTAs. Undeterred by its own data, USDA recently repeated the standard FTA sales pitch with a factsheet claiming that the TPP, which would expand the status quo trade model, would "support expansion of U.S. agricultural exports, increase farm income, generate more rural economic activity, and promote job growth."[218] That promise contradicts the actual outcomes of the FTAs that serve as the TPP's blueprint.

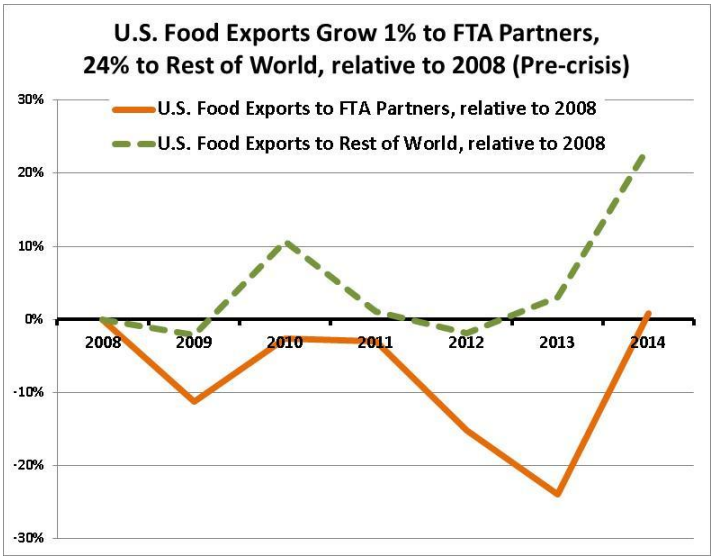
Agricultural exports stagnate under most recent FTA: Before the 2011 passage of the Korea FTA – which U.S. negotiators used as the template for the TPP – U.S. Secretary of Agriculture Tom Vilsack stated, "we believe a ratified U.S. Free Trade Agreement [with Korea] will expand agricultural exports by what we believe to be $1.8 billion."[219] In reality, exports of all U.S. agricultural products to Korea *fell* $323 million, or 5 percent, from the year before the FTA took effect to its recently-completed third year of implementation. During that same period, total U.S. agricultural exports to the world *rose* 4 percent. Even if comparing the average agricultural export level in the three years before the FTA took effect (including 2009, when global trade declined due to the worldwide recession) with the average level in the three post-FTA years, U.S. agricultural exports to Korea only have increased by $31 million, or 1 percent. U.S. agricultural exports to the world during that period have risen 14 percent.[220]



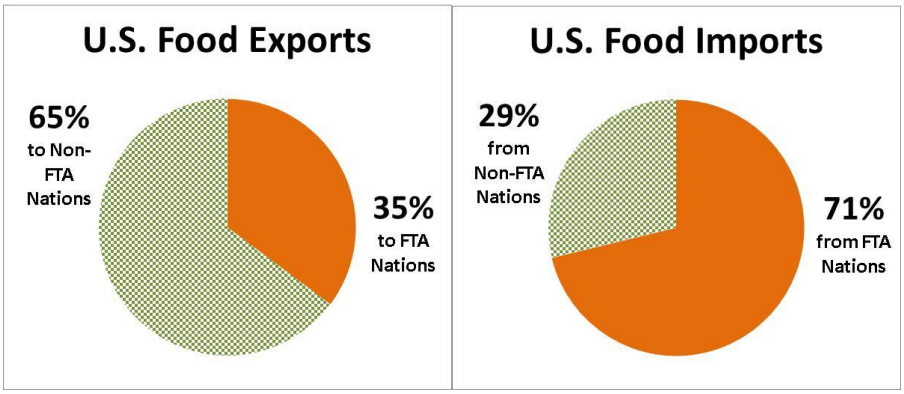
Agricultural trade surplus turns into a trade deficit under NAFTA: the U.S. agricultural trade balance with NAFTA partners has fallen from a $2.5 billion trade surplus in the year before NAFTA to a $1.1 billion trade deficit in 2014 – the largest NAFTA agricultural trade deficit to date. Even if one includes agricultural trade over the preceding several years, when agricultural export values were inflated by anomalously high international food prices, the average U.S. agricultural trade balance with NAFTA countries over the last five years still fell 38 percent below the average balance in the five years before NAFTA.



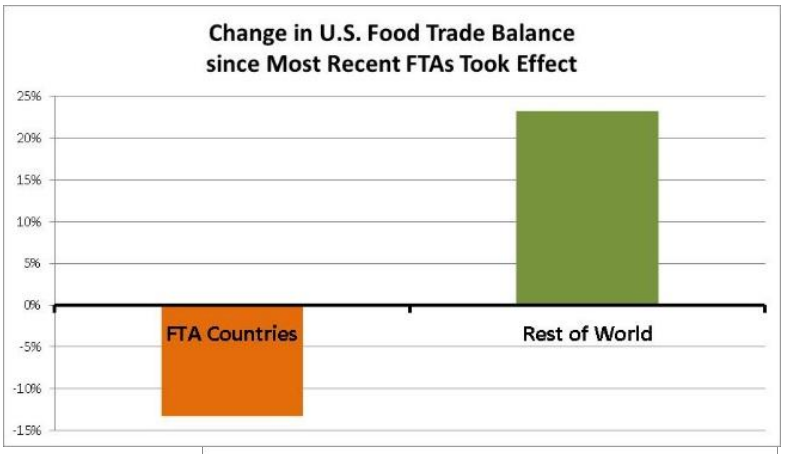
Agricultural exports to FTA partners lag behind: USDA data show that U.S. food exports to FTA partners have trailed behind food exports to the rest of the world in recent years, despite the claim in USDA's factsheet that "in countries where the United States has free trade agreements, our exports of food and agricultural products have grown significantly."[221] The volume of U.S. food exports to non-FTA countries rebounded quickly after the 2009 drop in global trade following the financial crisis. But U.S. food exports to FTA partners remained below the 2008 level until 2014. Even then, U.S. food exports to FTA partners were just 1 percent higher than in 2008, while U.S. food exports to the rest of the world stood 24 percent above the 2008 level.



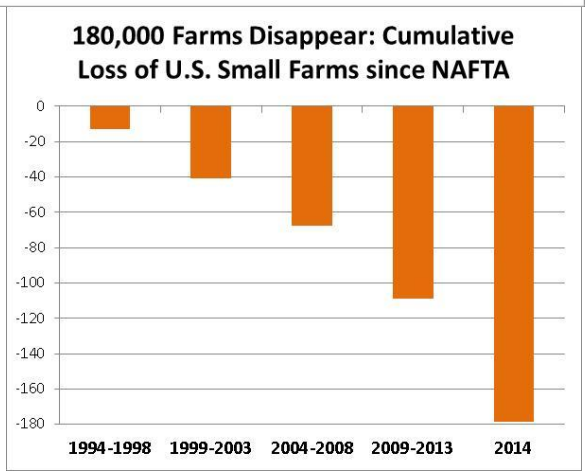
FTA partners account for most U.S. agricultural imports, relatively few agricultural exports: The USDA factsheet makes no mention of agricultural imports that undercut business for U.S. farmers. Most U.S. food imports come from FTA countries, while most U.S. food exports *are not* sold in FTA countries. This counterintuitive outcome is the opposite of what FTA proponents have promised U.S. farmers and ranchers. *In 2014, the 20 U.S. FTA partners were the source of 71 percent of all U.S. food imports, but were the destination of just 35 percent of all U.S. food exports* (measuring by volume).



Agricultural trade balance suffers under FTAs: Due to stagnant U.S. food exports to FTA countries and a surge in food imports from those countries, the U.S. food trade balance (by volume) with FTA countries has fallen 13 percent since 2011, the year before the most recent FTAs took effect. In contrast, the U.S. food trade surplus with the rest of the world has risen 23 percent since 2011.



Small U.S. farms disappear during FTA era: Smaller-scale U.S. family farms have been hardest hit by rising agricultural imports and declining agricultural trade balances under FTAs. Since NAFTA and NAFTA expansion pacts have taken effect, one out of every 10 small U.S. farms has disappeared. By 2014, nearly 180,000 small U.S. farms had been lost.[222]



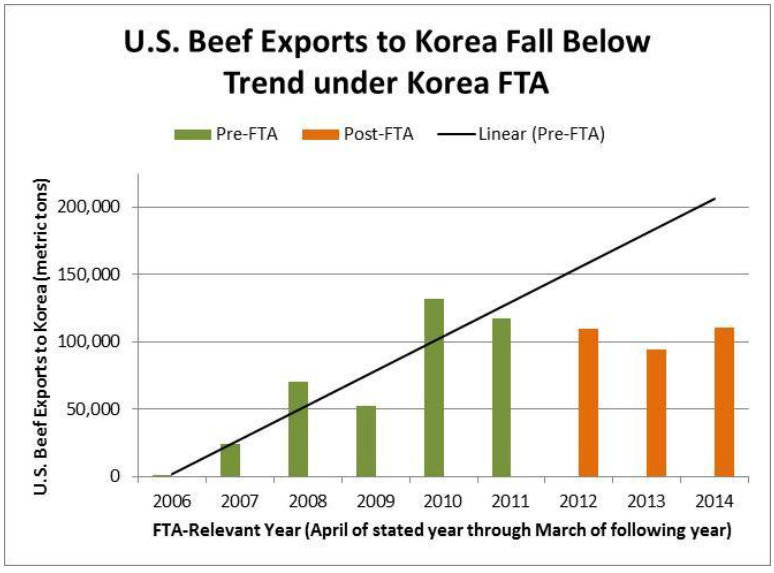
Falling Exports, Rising Trade Deficits in Key U.S. Crops under Status Quo Trade Deals

Most of the agricultural products that USDA highlights in its factsheets as prospective winners under the TPP have actually been losers under the FTA model that the TPP would expand:

- **Apples:** U.S. exports to Korea of apples have fallen 10 percent in the first three years of the Korea FTA.[223]

- **Barley:** U.S. exports of barley to U.S. FTA partners have grown just 12 percent (14,000 metric tons) while growing 144 percent (120,000 metric tons) to the rest of the world since 2011 (the year before the most recent FTAs took effect).

- **Beef:** U.S. beef exports to Korea have stagnated under the Korea FTA, falling below the historical growth trend and defying the administration's promises that beef exports to Korea would grow even more than in the past.[224] Even without an FTA, U.S. beef exports would be expected to grow as a product of Korea's population and economic growth. Instead, they have flatlined.



- **Beer:** U.S. exports to Korea of beer have increased just 2 percent in the first three years of the Korea FTA,

while total U.S. beer exports to the world have increased 42 percent during the same period.

- **Citrus Fruits and Juices:** U.S. exports to Korea of citrus fruits have fallen 4 percent under the first three years of the Korea FTA – a loss of more than 6,000 metric tons of citrus fruit exports each year. And under 21 years of NAFTA, U.S. net exports of orange juice and grapefruit juice to Canada and Mexico have fallen by more than 200,000 kiloliters.

- **Corn:** U.S. exports to Korea of corn have dropped 59 percent under the Korea FTA's first three years – a loss of more than 3.7 million metric tons of corn exports each year.

- **Dairy Products:** U.S. exports to Korea of milk, cream and whey have plummeted 91 percent in the first three years of the Korea FTA – a loss of more than 3.4 million liters of dairy exports each year.

- **Distilled Spirits:** U.S. exports of distilled spirits to U.S. FTA partners have grown just 3 percent (2.5 million liters) while growing 27 percent (32.2 million liters) to the rest of the world since 2011 (the year before the most recent FTAs took effect).

- **Feeds and Fodder:** U.S. exports of feeds and fodder to U.S. FTA partners have *fallen* 5 percent (more than 382,000 metric tons) while *growing* 80 percent (more than 8.8 million metric tons) to the rest of the world since 2011 (the year before the most recent FTAs took effect).

- **Hides and Skins:** U.S. exports to Korea of hides and skins have dropped 14 percent under the first three years of the Korea FTA.

- **Potatoes:** U.S. net exports of potatoes to Canada and Mexico have fallen 580,000 metric tons under 21 years of NAFTA.

- **Poultry:** U.S. exports to Korea of poultry have plummeted 31 percent under the first three years of the Korea FTA – a loss of more than 24,000 metric tons of poultry exports each year.

- **Rice:** U.S. exports to Korea of rice have fallen 13 percent under the Korea FTA's first three years – a loss of nearly 13,000 metric tons of rice exports each year.

- **Soybeans and Soybean Products:** U.S. exports of soybeans and soybean products to U.S. FTA partners have grown just 8 percent (759,000 metric tons) while growing 52 percent (17.3 million metric tons) to the rest of the world since 2011 (the year before the most recent FTAs took effect).

- **Vegetables:** U.S. exports of vegetables to U.S. FTA partners have *fallen* 21 percent (more than 13,000 kiloliters) while *growing* 721 percent (more than 14,000 kiloliters) to the rest of the world since 2011 (the year before the most recent FTAs took effect).

- **Wine:** U.S. net exports of wine to Canada and Mexico have fallen more than 24,000 kiloliters under 21 years of NAFTA. And while FTA proponents have claimed wine as a winner under the Korea FTA, average annual U.S. exports of wine to Korea have increased by just 166 kiloliters – less than 0.005 percent of the wine sold in the United States each year. More wine is sold in an average *half hour* in the United States than the gain in U.S. wine exports to Korea in an average *year* under the Korea FTA.[225]

Three Years of Korea FTA Show Failure of Obama's 'More Exports, More Jobs' Trade Pact Promises

Trade Deficit With Korea Balloons 90 Percent as Exports Fall and Imports Surge Under Korea Pact Used as Trans-Pacific Partnership Template

U.S. government trade data covering the full first three years of the U.S.-Korea FTA reveals that the U.S. goods trade deficit with Korea has nearly doubled.[226] The U.S. International Trade Commission data show Korea FTA outcomes that are the opposite of the Obama administration's "more exports, more jobs" promise for that pact,[227] which it is now repeating for the TPP as it tries to persuade Congress to approve the controversial deal:[228]

- **The U.S. goods trade deficit with Korea has swelled 90 percent, or $13.6 billion**, in the first three years of the Korea FTA (comparing the year before the FTA took effect with the third year of implementation).

- The trade deficit increase equates to **the loss of more than 90,000 U.S. jobs** in the first three years of the Korea FTA, counting both exports and imports, according to the trade-jobs ratio that the Obama administration used to project job *gains* from the deal.[229]

- **U.S. goods exports to Korea have dropped 7 percent, or $3 billion**, under the Korea FTA's first three years.

- **U.S. imports of goods from Korea have surged 18 percent, or $10.6 billion** in the first three years of the Korea FTA.

- Record-breaking U.S. trade deficits with Korea have become the new normal under the FTA – **in 35 of the 36 months since the Korea FTA took effect, the U.S. goods trade deficit with Korea has exceeded the average monthly trade deficit in the three years before the deal.** In January 2015, the monthly U.S. goods trade deficit with Korea topped $3 billion – the highest level on record.

- **The 90 percent surge in the U.S.-Korea goods trade deficit in the first three years of the FTA starkly contrasts with the 2 percent *decrease* in the global U.S. goods trade deficit during the same period.** And while the strengthening value of the dollar has inhibited overall U.S. exports recently, U.S. goods exports to the world have remained level (zero percent change) while U.S. exports to Korea have fallen during the FTA's first three years.

- **The U.S. manufacturing trade deficit with Korea has grown 47 percent**, or $10.6 billion, since implementation of the Korea FTA. The increase owes to a 1 percent, or $0.5 billion, decline in U.S. exports to Korea of manufactured goods and a 17 percent, or $10.1 billion, increase in imports of manufactured goods from Korea.[230]

- **U.S. exports to Korea of agricultural goods have** fallen **5 percent**, or $323 million, in the first three years of the Korea FTA. U.S. agricultural imports from Korea, meanwhile, have grown 29

percent, or $103 million, under the FTA. As a result, the U.S. agricultural trade balance with Korea has declined 6 percent, or $426 million, since the FTA's implementation.[231]

Data Omissions and Distortions Cannot Hide Bleak Korea FTA Outcomes

The Office of the U.S. Trade Representative (USTR) has tried to obscure the bleak Korea FTA results, as congressional ire about the pact is fueling opposition to the administration's push for Congress to approve the TPP, for which the Korea FTA served as the U.S. template. USTR's factsheet on the third anniversary of the Korea FTA's implementation included these data omissions and distortions:[232]

- USTR misleadingly emphasizes a relatively small increase in U.S. exports to Korea of passenger vehicles under the FTA, while omitting the much larger surge in job-displacing imports of passenger vehicles from Korea. U.S. imports of passenger vehicles from Korea have ballooned by 416,893 vehicles in the first three years of the Korea FTA, dwarfing a 24,217-vehicle increase in U.S. passenger vehicle exports to Korea. As a result, the U.S. trade deficit with Korea in passenger vehicles has grown 46 percent.[233] And while total U.S. automotive exports to Korea have increased $0.7 billion in the FTA's first three years, U.S. automotive imports from Korea have risen $6.4 billion. As a result, the U.S. automotive trade deficit with Korea has swelled 36 percent, or $5.7 billion, under the FTA.[234]

- USTR also claims that the decline in U.S. exports to Korea under the FTA is due to decreases in exports of fossil fuels and corn. But even after removing fossil fuels and corn products, U.S. exports to Korea still have declined by $1.5 billion, or 4 percent, in the first three years of the FTA.[235] Product-specific anomalies cannot explain away the broad-based drop in U.S. goods exports to Korea under the FTA.

- USTR also tries to dismiss the decline in U.S. exports to Korea under the FTA as due to a weak economy in Korea. But the Korean economy has grown each year since the FTA passed, even as U.S. exports to Korea have shrunk.[236] Korea's gross domestic product in 2014 was 12 percent higher than in the year before the FTA took effect, suggesting that U.S. exports to Korea should have expanded, with or without the FTA, as a simple product of Korea's economic growth.[237] Instead, U.S. exports to Korea have fallen 7 percent in the first three years of the FTA.

- USTR counts foreign-produced goods as "U.S. exports," falsely inflating actual U.S. export figures. USTR often reports export numbers that include "foreign exports," also known as "re-exports" – goods made abroad that pass through the United States before being re-exported to other countries. By U.S. Census Bureau definition, foreign exports undergo zero alteration in the United States, and thus support zero U.S. production jobs.[238] Each month, the U.S. International Trade Commission removes foreign exports from the raw data reported by the U.S. Census Bureau. But USTR regularly uses the uncorrected data, inflating the actual U.S. export figures and deflating U.S. trade deficits with FTA partners like Korea. *In the first three years of the Korea FTA, foreign exports to Korea have risen 13 percent, or $290 million, which USTR errantly counts as an increase in "U.S. exports."*[239]

U.S. Small Businesses Have Endured Slow and Declining Exports under "Free Trade" Deals

Large corporations pushing for the TPP and Trans-Atlantic Free Trade Agreement (TAFTA), two sweeping deals under negotiation that would expand the status quo trade model, have created a new sales pitch: these controversial pacts would be a gift not primarily to them, but to *small* businesses.[240] The Obama administration has made similar claims that these pacts would help U.S. small and medium enterprises boost exports,[241] often on the basis that SMEs comprise most U.S. exporters.[242]

But SMEs comprise most U.S. exporting firms simply because they constitute 99.7 percent of U.S. firms overall.[243] The more relevant questions are what share of SMEs actually depend on exports for their success, and for those that actually do export, how have they fared under FTAs serving as a model for the TPP and TAFTA?

Only 3 percent of U.S. SMEs (firms with fewer than 500 employees) export any good to any country. In contrast, 38 percent of large U.S. firms (with more than 500 employees) are exporters.[244] Even if FTAs actually succeeded in boosting exports, which government data show they do not,[245] exporting is primarily the domain of large corporations, not small businesses.

The relatively few small businesses that do actually export have seen even more disappointing export performance under FTAs than large firms have seen. Small firms have endured a particularly steep fall in exports under the Korea FTA (the U.S. template for the TPP), particularly slow export growth under NAFTA (the U.S. template for the Korea FTA), and declining export shares under both deals.

- **U.S. small businesses have seen their exports to Korea *decline* even more sharply than large firms under the Korea FTA**. U.S. Census Bureau data reveal that both small and large U.S. firms saw their exports to Korea fall in the FTA's first two years (the latest available data separated by firm size), compared to the year before implementation. But small firms fared the worst. Firms with fewer than 100 employees saw exports to Korea drop 19 percent while firms with more than 500 employees saw exports decline 3 percent. As a result, under the Korea FTA, small firms are capturing an even smaller share of the value of U.S. exports to Korea (14 percent), while big businesses' share has increased to 67 percent.[246]

- **Small businesses' exports have lagged under NAFTA.** Corporate and government officials promised that small businesses would be major winners from NAFTA. Instead, growth of U.S. small businesses' exports to all *non-NAFTA* countries was *nearly twice as high* as the growth of their exports to NAFTA partners Canada and Mexico from 1996 to 2013 (the earliest and latest years of available data separated by firm size). Small firms' exports to NAFTA partners increased by 39 percent, while their exports to the rest of the world grew by 77 percent, according to U.S. Census Bureau data.[247]

- **Small firms' exports to Mexico and Canada under NAFTA have grown less than half as much as large firms' exports to NAFTA partners** (39 percent vs. 93 percent in the 1996-2013 window of data availability). As a result, U.S. small businesses' share of total U.S. exports to Mexico and Canada has fallen under NAFTA. U.S. firms with fewer than 100 employees saw their share of U.S. exports to NAFTA partners decline from 14 to 10 percent from 1996 to 2013. Had

U.S. small firms not lost their share of exports to Canada and Mexico under NAFTA, they would be exporting $18.6 billion more to those nations today.[248]

- **NAFTA has done nothing to change the fact that a miniscule portion of U.S. small businesses export.** After 20 years of NAFTA, just 0.6 percent and 1.1 percent of U.S. small businesses exported to Mexico and Canada, respectively, compared to 19 percent and 26 percent of large firms (in 2013, the latest year of available data on total firms by size).[249] Selling another FTA as a boon for small business exports contradicts the empirical evidence.

Unpacking Data Tricks Used to Hide Job-Displacing Trade Deficits under U.S. FTAs

The Office of the U.S. Trade Representative claims that the United States has a trade surplus with its 20 FTA partner countries.[250] This assertion is at the center of the administration's efforts to convince Congress to approve the TPP, which is modeled on the past FTAs. **Yet, if one reviews the U.S. government trade data available to all on the U.S. International Trade Commission (USITC) website, in fact in 2014 we had a $177.5 billion goods trade deficit with the FTA nations.[251] Typically our services surplus with FTA partners is in the $75-80 billion range.[252] That means we have a large overall trade deficit with our FTA partners.** So, how can USTR claim we have a surplus? To make the data support their political message, USTR either cobbles together broad sectors in which we have trade deficits (e.g. what they call "energy") and simply excludes them, and/or artificially inflates export levels by counting foreign-made goods as U.S. exports. After USTR's methodology was challenged yet again, in a March 19, 2015 letter signed by members of Congress,[253] USTR issued a "fact sheet."[254] Below are USTR's claims versus the facts.

USTR Claim: "The reality is that the United States runs a trade surplus in goods and services with our collective free trade agreement partners. Look at the official U.S. government data collected by the Census Bureau consistent with UN Statistical Guidelines. Add up all the exports to our FTA partners and subtract all the imports and you get a surplus."

FACT: **The reality is that the combined U.S. goods and services trade balance with our 20 FTA partners in 2013 was a $105 billion deficit (a $180 billion goods trade deficit and a $75 billion services trade surplus). The United States ran a** $177.5 billion goods trade deficit**, collectively, with its 20 FTA partners in 2014.** As USTR notes, one can look at the official U.S. government data collected by the U.S. Census Bureau with respect to trade in goods and do the math yourself. But, what you get when you add up all of the exports and subtract all of the imports from our FTA partners is a large goods trade deficit. The data are made available to the public by the USITC at http://dataweb.usitc.gov/. The USITC presentation of the data are consistent with UN Statistical Guidelines, which recommend that re-exports "be separately identified (coded) for analytical purposes."[255] As for services – contrary to USTR's claim, the Census Bureau doesn't collect services trade data. That comes from the Bureau of Economic Analysis on a quarterly basis and can be accessed here. (Services trade data for 2014 have only been posted for some U.S. FTA partners.)

USTR Claim: "If you buy something from Canada for 100 dollars and sell it to Mexico for 200 dollars, you aren't losing a 100 dollars"[sic]

FACT: USTR tries to explain why it **counts foreign-made products as "U.S exports," which is how USTR artificially inflates U.S. export figures and deflates U.S. trade deficits with FTA partners.**[256] "Foreign exports" (also known as "re-exports") are goods made abroad, imported into the United States, and then re-exported again *without undergoing any alteration in the United States.* (That is the U.S. Census Bureau definition.[257]) USTR's numbers count as "U.S. exports," for example, goods manufactured entirely in China that enter the San Diego port and do nothing but sit in a warehouse before being trucked 18 miles south and re-exported to Mexico. In order to get the numbers necessary to support its claim that we have a trade surplus with our FTA partners, USTR must count these as U.S. exports even though the goods were not produced here, nor did they support a single U.S. production job. While USTR is correct that a firm – say, Walmart – does not lose money by landing cases of Canadian grown and processed canola oil at a southern California port, and then shipping it by truck for sale in Mexico at a marked up price, this is unrelated to the fact that these Canadian goods should not be counted as U.S. exports.

USTR Claim: "*For an apples-to-apples comparison, you have to look at measures that look comprehensively at both imports and exports. That is what the Department of Commerce, the official source of U.S. trade data, does when it releases trade balance data every month. That's what UN statistical guidelines suggest. We think that's a better approach than systematically overstating imports relative to exports."*

FACT: No one contests that the U.S. Census Bureau gathers the official government data on U.S. goods exports, including whether goods that were shipped out of U.S. ports were produced here (i.e. U.S. "domestic exports") or were just re-exports of foreign-produced goods (i.e. "foreign exports"). But the U.S. Census Bureau's monthly trade data reports on U.S. exports to each U.S. trade partner lump foreign exports in with U.S. domestic exports. However, the USITC reports these government trade data with foreign exports removed, providing the official data on U.S.-made exports. USTR chooses to use the raw data with foreign exports still included. **We think that counting only U.S.-made exports as "U.S. exports" is a better approach than using foreign-produced goods to systematically overstate U.S. exports to FTA partners.** And only counting U.S.-made exports is the standard practice of the USITC when it prepares the statutorily-required reports on the probable economic effects of pending FTAs for Congress and the administration (*see* 19 USC 3804(f)).[258] That is, **the official, statutorily-required government analysis of pending FTAs on which the administration and Congress rely does not count "foreign exports" as "U.S. exports," as USTR does**. In addition, these reports typically become the basis for promises from the administration that a given FTA will boost U.S. exports and jobs. The Obama administration promise that the Korea FTA would create 70,000 U.S. jobs was based on the USITC's projection of an increase in U.S. goods exports under the deal. A White House factsheet stated, "The U.S. International Trade Commission has estimated that the tariff cuts alone in the U.S.-Korea trade agreement will increase exports of American goods by $10 billion to $11 billion. The Obama Administration is moving this agreement forward to seize the 70,000 American jobs expected to be supported by those increased goods exports alone..."[259] For an apples-to-apples comparison of how well promises made for a given FTA have panned out, we need to use the same definition of "U.S. exports" relied upon to create those promises. That definition, as used by the USITC, does not include "foreign exports." Doing an apples-to-apples comparison, U.S. goods exports to Korea have fallen $3 billion in the Korea FTA's first three years, while the U.S. goods trade deficit with Korea has increased $13.6 billion over the same period. Using the ratio that the administration employed to promise 70,000 jobs based on projected goods export increases, and counting both exports and imports, the $13.6 billion *decline* in net U.S. goods exports to Korea equates to more than 90,000 *lost* U.S. jobs in the FTA's first three years.

USTR Claim: The ITC does not produce any original trade data or make any corrections or adjustment to so-called "raw" Census data. It presents Census data with no adjustment. You don't have to take our word for it. Here's what the ITC website says: "Census is the official source of U.S. import and export statistics for goods" and "all material on [the ITC website] was compiled from official statistics of the U.S. Department of Commerce, Census Bureau."

Yes, the U.S. Census Bureau gathers the official government data on U.S. exports – both those that are actually produced in the United States and those produced in a foreign country. Indeed, it is the U.S. Census Bureau that marks when goods exported from the United States were produced in the United States (i.e. U.S. "domestic exports") and when they are just re-exports of foreign-produced goods (i.e. "foreign exports"). *But the U.S. Census Bureau does not display these data for individual FTA countries in its monthly trade reports.*[260] Instead, the U.S. Census Bureau's monthly reports on U.S. exports to each trade partner lump foreign exports in with U.S. domestic exports. Each month, the USITC makes available to the public the U.S. Census Bureau data on U.S. domestic exports to individual trade partners, with foreign exports removed, via its web portal (http://dataweb.usitc.gov/), typically within one to two days of the U.S. Census Bureau data release. **Given the availability, via the USITC, of the government trade data that separate out the foreign exports that falsely inflate U.S. export levels, why does USTR continue to use the data that conflate domestic and foreign exports?**

USTR Claim: USTR uses the official measure of trade balance, provided by the Census Bureau and available through the ITC's website, which provides an apples-to-apples comparison of "total exports" and "general imports." Again, you don't have to take our word for it. Here's what the ITC website says about the measure cited by USTR: "By subtracting general imports from total exports, the value of re-exports would appear to be 'cancelled out,' and hence the measure can be a good estimate of the net gain or loss of national revenue resulting from international trade." The ITC also notes that this is the measure used by Census, the UN, and the WTO. By contrast, the approach suggested by the authors at the press conference results in creating the appearance of larger trade deficits and smaller trade surpluses because it mixes and matches items for comparison.

FACT: **Actually, USTR's quote of the USITC website text, noting that "[b]y subtracting general imports from total exports, the value of re-exports would appear to be 'cancelled out,'" applies to the U.S. trade balance with the entire world, not with individual countries.** And the quote makes that clear, with the USITC explaining that this method "can be a good estimate of the net gain or loss of national revenue resulting from international trade."[261] That is, this calculation works for determining total U.S. net exports to the world, which is included in the formula to determine U.S. gross domestic product. But using this formula to calculate bilateral trade balances, as USTR does, distorts the results. Consider a good produced in China that enters the United States and then is re-exported to Mexico. USTR's method of calculating the U.S. trade balance with Mexico would count that good as a U.S. export to Mexico. This would inflate our exports to Mexico, and thus artificially reduce our trade deficit with Mexico. Yes, the net effect on the global U.S. trade deficit would be approximately zero (the import from China would be washed out by the export to Mexico in the total U.S. trade balance with the world). But as members of Congress assess the merits of entering into controversial pending FTAs that are based on the same model as past FTAs, they want to know the *actual* U.S. trade deficit with *individual* FTA partners – a deficit that is artificially reduced by USTR's inclusion of foreign exports.

USTR Claim (from The Hill): The office of the USTR points to data from the Department of Commerce that shows the U.S. has a trade surplus with its 20 free-trade partners when goods and services, non-energy goods, manufacturing, agriculture and services are included. That calculation yields for a $10.2 billion surplus in calendar year 2014.[262]

FACT: USTR is cherry-picking data to get the result it seeks – choosing to exclude all goods deemed as relating to "energy," in sectors in which we have trade deficits. It is not clear what exactly USTR means by "non-energy goods." But even if excluding all fossil fuels, the U.S. "non-energy" goods balance with its FTA partners in 2014 was a *deficit* of about $112 billion. (This is using the designation for "fossil fuels" typically used by USTR – HTS 27.) Assuming a services trade surplus with FTA partners of $75-80 billion, the combined U.S. services and "non-energy" goods balance with its FTA partners in 2014 was still a $32-37 billion trade deficit. The only way that USTR can claim a "non-energy" goods and services surplus with FTA partners is by also counting a large array of manufactured products as "energy" related goods and thus excluding them from the deficit calculation, and/or by counting foreign-produced goods as "U.S. exports," which USTR regularly does. If USTR is also excluding billions of dollars' worth of manufactured products as "energy" goods, its assertion of an FTA trade surplus is even more dishonest, as many U.S. jobs depend on manufacturing, for example, wind turbines, electrical grid components, batteries and other energy-related products. It would be extremely misleading to claim that trade flows affecting these jobs do not matter.

Conclusion

It is little wonder that majorities of Republicans, Democrats and independents alike oppose the status quo trade pact model.[263] More than two decades of NAFTA, the WTO and NAFTA expansion pacts have contributed to surging U.S. trade deficits, widespread U.S. job loss, a flood of agricultural imports, downward pressure on middle-class wages and unprecedented levels of income inequality. Behind the aggregate data lie shuttered factories, lost livelihoods and struggling communities. These outcomes directly contradict the rosy promises made by corporate interests to sell these controversial deals to a skeptical U.S. Congress and public. They also contradict President Obama's stated economic agenda to revive U.S. manufacturing, boost middle-class wages and tackle inequality[264] – an agenda that the TPP would undermine. The Obama administration's push for yet another NAFTA expansion deal casts a blind eye to the damaging legacy of the current trade model. With opinion polls showing that the U.S. public is painfully aware of this legacy, the administration's TPP push faces stiff opposition in the halls of Congress and the court of public opinion. Turning a blind eye to the lived realities of the NAFTA trade model is unlikely to prove a winning strategy.

Annex: Fact-Checking Corporate and Obama Administration Trade Data Distortions

Years of unfair trade deals modeled after NAFTA have contributed to ballooning U.S. trade deficits, mass offshoring of good U.S. jobs and a historic increase in U.S. income inequality. But rather than change our failed trade policies, the Obama administration appears bent on trying to hide the facts – by changing the data. As USTR pushes for the largest expansions of the NAFTA model to date – the proposed TPP and TAFTA – it has resorted to data distortions to obscure the dismal outcomes of past trade deals.

Below is a sampling of the administration's recent misleading claims, based on data distortions and omissions, alongside the sobering realities of status quo trade policies, based on official U.S. government data.

Administration Trade Myths	Reality
"Almost 95% of the world's consumers are outside America's borders."[265]	**Less than 2 percent of the world's consumers** live in TPP countries with consequential tariffs. Most of those consumers live in Vietnam,[266] where minimum wages average less than **60 cents an hour**, meaning they earn too little to afford U.S. exports.[267]
"Through this agreement [the TPP], the Obama Administration seeks to boost U.S. economic growth"[268]	The only U.S. government study on the TPP's likely impact on economic growth found that even if the deal eliminated *all* tariffs in *all* sectors in *all* countries, it would produce precisely **0.00 percent U.S. economic growth**.[269]
"…exporters tend to pay their workers higher wages."[270]	**Jobs lost to imports tend to pay even higher wages than jobs supported by exports.** For example, EPI estimates that the average U.S. worker in an industry competing with imports from China earns $1,022 per week, while the average worker in an industry that exports to China earns just $873 per week.[271]
See the data tricks behind USTR's TPP myths: http://www.citizen.org/trade-myths.	
"The largest factor affecting the trade balance with NAFTA countries is the importation of fossil fuels and their byproducts. If those products are excluded, there is no deficit.[272]	The fossil fuels share of our trade deficit with Mexico and Canada has declined under NAFTA, while **the total NAFTA deficit has surged 565 percent, topping $182 billion**.[273]
"Since its entry into force, U.S. manufacturing exports to NAFTA have increased 258%"[274]	Since NAFTA's enactment, **annual growth in U.S. manufacturing exports to Canada and Mexico has fallen 41 percent below the pre-NAFTA rate**.[275]
"…under NAFTA, U.S. trade with Canada and Mexico have supported over 140,000 small and medium-sized businesses."[276]	**U.S. small firms' exports to NAFTA partners have grown only half as fast as their exports to the rest of the world**, and less than half as fast as large firms' exports to Canada and Mexico.[277]
See the data tricks behind USTR's NAFTA myths: http://www.citizen.org/documents/NAFTA-USTR-data-debunk.pdf.	
"Largely due to these two external factors [declines in corn and fossil fuel exports], total U.S. goods exports to Korea were down 4.0% in 2013 compared to 2011 (pre-FTA)."[278]	Our **trade deficit with Korea has ballooned 90 percent** under the FTA, and exports to Korea have fallen. Without corn and fossil fuels, the deficit rise and export fall remain.[279]

"U.S. exports of key agricultural products benefiting from tariff cuts and the lifting of other restrictions under KORUS continued to post significant gains."[280]	***Total* U.S. agricultural exports to Korea have *fallen* 5 percent** under the FTA.[281]
"U.S. vehicle exports have more than doubled, increasing from 16,659 vehicles in 2011 to 37,914 vehicles in 2014."[282]	**U.S. imports of passenger vehicles from Korea have ballooned by 416,893 vehicles** in the first three years of the Korea FTA, dwarfing the 24,217-vehicle increase in U.S. passenger vehicle exports to Korea.[283]
See the data tricks behind USTR's Korea FTA myths: http://citizen.org/documents/korea-fta-3-years.pdf.	

Corporate proponents of expanding the unpopular NAFTA model through the TPP and TAFTA have been hard at work to churn out "fact" sheets and studies praising the deals. But among the many sheets are few facts. Below we wade through the spin from corporate coalitions and industry-driven think tanks to debunk the counterfactual claims.

Corporate Trade Myths	Reality
Peterson Institute for International Economics: The TPP "promise[s] substantial benefits and could lead to...a more peaceful and prosperous world economy."[284] (It was the Peterson Institute that projected in 1993 that NAFTA would create 170,000 net new U.S. jobs in the pact's first two years.[285] Instead, hundreds of thousands of U.S. jobs have been lost under NAFTA.[286])	Using optimistic assumptions, this pro-TPP study projected the deal could result in a meager 0.2 percent increase to U.S. gross domestic product (GDP)[287] – a fraction of the GDP increase from the fifth version of the iPhone.[288] CEPR finds that **for 9 out of 10 U.S. workers, these tiny gains likely would be outweighed by a TPP-spurred increase in income inequality**.[289] The net result? A pay cut for all but the richest 10 percent.
Corporate alliances of the **"Trade Benefits America" coalition**: The TPP will "open new markets in countries that are not current FTA partners."[290]	Under the Korea FTA – the U.S. template for the TPP – U.S. exports to Korea have actually fallen. Overall, **U.S. export growth to FTA partners has actually been 20 percent lower than to non-FTA partner countries**.[291] How can we do more of the same and expect different results?
The **Third Way think tank**: the TPP would help the United States "increase U.S. exports by almost $600 billion" to "Asia-Pacific markets."[292]	This study's $600 billion projection was based on a hypothetical rise in exports to 12 countries. Seven are not even in the TPP. Two more are in the TPP but already have U.S. FTAs. **That leaves three of the 12 countries for which the TPP could even plausibly boost exports**...if we ignore the fact that past FTAs have not brought higher export growth.[293]

U.S. Chamber of Commerce: The TPP could create "700,000 new U.S. jobs."[294]	The Chamber did not say how they decided this would be the TPP's impact on jobs. They simply said it was based on the above Peterson Institute study, which included a miniscule GDP projection, but no jobs projection. **It is unclear how the Chamber pulled a jobs number from a study that did not produce one**.[295]
Emergency Committee for American Trade: "recent data suggest that trade agreements, on the whole, actually help to improve U.S. trade balances with FTA partner countries."[296]	**The aggregate U.S. goods trade deficit with FTA partners has increased by more than $143 billion, or 427 percent**, since the FTAs were implemented. In contrast, the aggregate U.S. goods trade deficit with all non-FTA countries has decreased by more than $95 billion, or 11 percent, since 2006 (the median entry date of existing FTAs).[297]
European Centre for International Political Economy: Elimination of tariffs under TAFTA could result in a 0.1 to 1 percent increase in U.S. GDP.[298]	Tariffs between the European Union and the United States are already quite low. That is why this study on the potential impact of TAFTA tariff elimination produced paltry results. **Even if we accept the study's unrealistic assumption that TAFTA would eliminate 100 percent of tariffs, the projected gain would amount to an extra three cents per person per day**.[299]
Centre for Economic Policy Research: Assuming that TAFTA will not only eliminate tariffs, but "non-tariff barriers," the deal could produce a 0.2 – 0.4 percent increase in U.S. GDP.[300]	This study assumed that TAFTA would reduce or eliminate up to one out of every four "non-tariff barriers" – which, according to the study, could include Wall Street regulations, food safety standards and carbon controls. **The study used a hypothetical model to project tiny gains from this widespread degradation of public interest protections, while making no effort to measure the economic, social or environmental costs that would result**.[301]
The **Atlantic Council**, the **Bertelsmann Foundation**, and the **British Embassy**: Under TAFTA, "all states could gain jobs and increase their exports to the EU."[302]	This study was a recycled version of the one above from the Centre for Economic Policy Research. **It used the same assumption: that TAFTA would produce small economic gains from the weakening of financial regulations, milk safety standards, data privacy protections and other "trade irritants" – at no cost to consumers**.[303]

ENDNOTES

[1] *See* Public Citizen, "U.S. Polling Shows Strong Opposition to More of the Same Trade Deals from Independents, Republicans and Democrats Alike," PC memo, July 2015. Available at: http://www.citizen.org/documents/polling-memo.pdf.
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[10] Thomas Piketty and Emmanuel Saez, "The Evolution of Top Incomes: A Historical and International Perspective," National Bureau of Economic Research Paper 11955, January 2006; numbers updated through 2014 in a June 2015 extract, available at: http://www.econ.berkeley.edu/~saez/
[11] *See* Public Citizen, "Don't Believe the Hype: Agricultural Exports Lag under Trade Deals, Belying Empty Promises Recycled for the TPP," PC memo, May 2015. Available at: http://www.citizen.org/documents/TPP-agriculture.pdf. These figures reflect food trade with the rest of the world, defined as the following USDA Foreign Agricultural Service aggregations: dairy products, fruits & preparations, grains & feeds, livestock & meats, oilseeds & products, other horticultural products, planting seeds, poultry & products, sugar & tropical products, tree nuts & preparations, and vegetables & preparations. Foreign Agricultural Service, "Global Agricultural Trade System," U.S. Department of Agriculture, accessed May 17, 2015. Available at: http://www.fas.usda.gov/gats/default.aspx.
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[157] U.S. International Trade Commission, "Interactive Tariff and Trade Dataweb," accessed February 20, 2015. Available at: http://dataweb.usitc.gov. Fossil fuel products are defined as HTS 27.
[158] U.S. International Trade Commission, "Interactive Tariff and Trade Dataweb," accessed February 20, 2015. Available at: http://dataweb.usitc.gov. Manufacturing exports are defined as NAIC 31, 32, and 33 from 1997-2003, and as SIC 2 and 3 from 1989-1996. (Pre-1989 data is not available.) The statistic is a comparison of the pre- and post-NAFTA compound annual growth rates of inflation-adjusted manufacturing exports to Mexico and Canada.
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[186] The 7 percent estimate is actually the lower of two estimates produced by the model in Cline's report. Using the sectoral elasticities of the original model, Cline found that trade flows contributed to a 10 percent increase the wage ratio, or 56 percent of the observed increase in wage inequality. It is after narrowing the gap between sectoral elasticities in a sensitivity test that Cline produced the 7 percent estimate. William R. Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997), at 232.
[187] William R. Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997), at 254.
[188] William R. Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997), at 268. Cline estimated that an increase in the supply of skilled labor relative to unskilled labor should have accounted for a 40 percent gross *decrease* in the skilled/unskilled wage ratio during the time period of study. Given the observed 18 percent net *increase* in the wage ratio, Cline calculated that a 97 percent gross increase must have been the total effect from all inequality-exacerbating factors (e.g. trade, immigration, deunionization, etc.). The unchained sum of the inequality contribution of all these factors amounted to 75 percentage points. See Cline's summary table on page 264 for more information.
[189] William R. Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997), at 145-146.
[190] William R. Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997), at 35-150 (see summary table at 140-143).
[191] William R. Cline, *Trade and Income Distribution* (Washington, D.C.: Institute for International Economics, 1997), at 264.
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[193] William Cline, "Trade and Income Distribution: The Debate and New Evidence," Peterson Institute for International Economics, Policy Brief 99-7, September 1999. Available at: http://www.iie.com/publications/pb/pb.cfm?ResearchID=94. It should be noted that Cline's decision to assign half of the unexplained gross inequality contribution to skill biased technical change is more prudent than other studies that have attributed 100 percent of unexplained inequality contributions to this factor without serious substantiation. Still, an arbitrary assignment of any significant portion of such a large unexplained category to any factor seems inappropriate without more rigorous, data-based justification.
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[220] The source of all agricultural trade data in this section (including for the graphs), unless otherwise specified, is: Foreign Agricultural Service, "Global Agricultural Trade System," U.S. Department of Agriculture, accessed May 12, 2015. Available at: http://apps.fas.usda.gov/gats/default.aspx. FATUS classifications used for all data. All data not stated in dollar amounts is measured in volume. (Volume is preferred for products to eliminate the effect of price shifts, but value is used for some aggregations of products with different volume-based units of measurement to avoid agglomeration problems.) All dollar values have been inflation-adjusted and are expressed in 2015 dollars according to the CPI-U-RS series of the Bureau of Labor Statistics.
[221] "Food" includes FATUS classifications: dairy products, fruits & preparations, grains & feeds, livestock & meats, oilseeds & products, other horticultural products, planting seeds, poultry & products, sugar & tropical products, tree nuts & preparations, and vegetables & preparations.
[222] National Agricultural Statistics Service, "Quick Stats," U.S. Department of Agriculture, accessed March 5, 2015. Available at: http://quickstats.nass.usda.gov/.

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[224] U.S. beef exports to Korea fell 7,445 metric tons if comparing the year before implementation and the FTA's third year, or rose 4,031 metric tons if comparing the three year averages before and after the FTA.
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