Trans-Pacific Partnership (TPP) Facts and Figures for SOTU Prep

President Barack Obama is expected to prioritize the Trans-Pacific Partnership (TPP) in his State of the Union address. The TPP text was finally released in November after seven years of secretive talks during which this *Washington Post* infographic shows 500 U.S. trade advisors representing corporate interests had special access. Congress, the public and press were shut out. Now everyone can read the controversial deal that could undermine many landmark achievements of Obama's presidency and thus his legacy on jobs and economic recovery, climate, health care access, gay equality, financial reform, the U.S. auto industry rescue and more. Only six of the TPP's 30 chapters deal with traditional trade matters. As this recent *New Yorker* piece describes, the rest require limits on food, financial and other regulations, provide drug firms new monopolies and expand the contentious investor-state dispute settlement system.

Zero U.S. Economic Growth from TPP:

The Department of Agriculture issued **the administration's only major study on TPP's economic impact and found it would result in 0.00% increased U.S. growth** if all tariffs on all products were eliminated, which did not occur. **The United States *already* has free trade deals in place with Canada, Mexico, Peru, Australia, Chile, and Singapore, which collectively represent over 80 percent of the trade counted in the oft-touted line about the TPP covering 40 percent of world trade**. Even the major pro-TPP study found that in 2025 U.S. growth rates only would be .4 percent higher with TPP in effect – even using a model that assumed full employment and no increased income inequality. Yet, since the 1940s, standard economic theory has held that trade liberalization is likely to increase inequality in developed countries like the United States.

Increased Income Inequality:

A recent study finds the **TPP would spell a pay cut for all but the richest 10 percent of Americans** by exacerbating income inequality, as past trade deals have done. That would contradict Obama's 2015 SOTU inequality reduction goal. Macroeconomic theory predicts if Americans face more competition from workers in Vietnam who make less than 65 cents/hour, wages will be pushed down. Sixty percent of manufacturing workers losing jobs to trade who find reemployment face pay cuts, with one in three losing more than 20 percent, per U.S. DoL data. There is academic consensus trade has contributed to the major rise in inequality.

American Jobs at Risk:

The TPP includes rules that make it cheaper and less risky to offshore U.S. jobs to low wage nations. The pro-free trade Cato Institute calls these investor protections a subsidy on offshoring. The administration stopped claiming the TPP would create jobs after a four Pinocchio rating by the *Washington Post* fact checker. Since the North American Free Trade Agreement (NAFTA), more than 57,000 U.S. manufacturing facilities have closed and five million U.S. manufacturing jobs –one in four– were lost with more than 875,000 U.S. workers certified under just one narrow U.S. Department of Labor program.

Export Claims:

Obama's most recent free trade agreement (FTA) served as the TPP's template and also was sold as a way to create "more exports, more jobs." **Three years into the U.S.-Korea Free FTA, the U.S. goods trade deficit with Korea was up more than 90 percent as exports fell 7 percent and imports surged.** The United States ran a $177.5 billion goods trade deficit, with its 20 FTA partners in 2014, the last year data is available. The **growth rate of exports to FTA partners has been 20 percent lower than U.S. exports to the rest of the world** the last decade. In his 2010 SOTU, Obama said he would double exports in five years. But given our paltry annual export growth rate, the export-doubling goal would not be reached until 2057 – 43 years behind schedule.

<u>The TPP=18,000 Tax Cuts Red Herring</u>:

In the face of the Korea FTA's flop, the administration has tried to shift focus to a "tax cut" narrative to sell the TPP with a mantra about 18,000 tax cuts for U.S. exported goods. **But last year, the U.S. only exported goods in less than half of the 18,000 tariff categories.** By using the raw number of tariff lines cut with respect to the five nations with which we do not already have FTAs (Japan, Malaysia, Vietnam, New Zealand and Brunei), the administration distracts from the real question: does 18,000 tariff cuts equate to more U.S. exports or jobs? **For the nearly 7,500 categories of goods out of the claimed 18,000 for which we did sell anything, almost 50 percent had sales under $500,000.** Many items we simply do not sell, including those that the administration claims the TPP's weak environmental chapter will help conserve. Among the 18,000 tax cuts are Malaysia's shark fin tariffs, Vietnam's whale meat tariffs, and Japan's ivory tariffs. The administration's "TPP Guide to 18,000 Tax Cuts" document also bizarrely highlights goods TPP nations simply do not buy in volume *from anyone*. Consider the 34 percent "tax" cut by Vietnam on Alaskan caviar. In 2014, Vietnam's per capita GDP was about $2,000 and about $150,000 worth of caviar was imported by Vietnam from anywhere. Or Vietnam's 5 percent tariff on skis from Colorado. Vietnam only imported about $50,000 in skis in total. Other highlights: Vietnam and Japan will eliminate their tariffs on silkworm cocoons, Brunei will cut its tariff on ski boots, and Vietnam will eliminate its tariff on camels. **Almost 2,000 of the tariff reductions in the products we do sell won't be realized for over a decade or more,** including beef and pork to Japan.

<u>China Claims in TPP Sales Pitch – Foreign Policy Arguments Mimic False Claims Made for Past Pacts</u>:

Whenever the economic case for a trade deal falls flat, presidents try to change the subject to the putative foreign policy imperatives, as Obama has done. The notion that TPP is a bulwark against China is absurd, if only because China has been invited to join. Administration officials say China can only join only if it agrees to TPP rules. But those rules would give Chinese products duty-free U.S. access, and the new TPP foreign investor rights would enhance China's relative economic might *within* the United States. **This may explain China's statements of increased interest in joining the TPP.** While U.S. concerns about the implications of China's rising economic power and influence are legitimate, the notion that the establishment – or not – of any specific U.S. trade agreement would control this process is <u>contradicted by the record</u>. **We were warned that unless NAFTA and free trade deals with eight Latin American nations were enacted, China would write the rules and grab our trade in the hemisphere. NAFTA went into effect and in its first 20 years, the U.S. share of goods imported to Mexico dropped from 70 percent to under 50 percent while China's share rose more than 2,600 percent.** After U.S. FTAs with eight other Latin American nations were enacted, China's exports to Latin America soared more than 1,280 percent from $10.5 billion to more than $145 billion, while the U.S. saw only modest export growth. **The U.S. share of Latin America's imported goods <u>fell</u> 36 percent while China's share increased 575 percent since the various U.S. FTAs were enacted.**

<u>TPP Is Not About the U.S. Writing the Rules Versus China Doing So – TPP's Rules Are Those Demanded by its 500 Official Corporate Trade Advisors</u>:

Trying to paint TPP as a way for America to write the rules in Asia *so that China does not* is a misdirect. TPP is not about establishing "American" rules in Asia. It's about imposing rules that are favored by the 500 official U.S. corporate trade advisors who had a privileged role in developing the TPP. The TPP rules promote more U.S. job offshoring and would further gut the U.S. manufacturing base, even as a recent Department of Defense report warned that U.S. deindustrialization poses a threat to national security. TPP would ban the application of Buy America procurement preferences with respect to *all firms* operating in TPP countries. Instead of reinvesting our tax dollars at home to build a strong national infrastructure and create economic growth and jobs at home, **TPP would require us to give firms from the TPP nations, including Chinese state-owned-enterprise firms operating in Vietnam, equal access to U.S. government contracts.** TPP also would raise our energy prices and undermine our energy independence given we could no longer halt liquid natural gas exports to TPP nations, including major LNG purchaser Japan. TPP's expanded patent and copyright monopolies would raise American health care costs and thwart innovation. And, even if you believe that TPP actually is about writing rules aimed at affecting China, who in their right mind believes that China would actually abide by those rules or that the U.S. would enforce them effectively? Fifteen years after China joined the WTO, we're still waiting for China to comply with the commitments they made. And, we are still waiting for any U.S. administration to broadly and effectively enforce U.S. rights.

The TPP Rolls Back National Security Language Included in Past Pacts:

The TPP eliminates language included in past U.S. trade pacts that explicitly authorized the United States to take action to protect its own national security interests regardless of whether any such action or policy violated trade pact rules and to do so without facing trade sanctions. **And, while other TPP nations safeguarded their domestic national security review processes for foreign investors, the United States did not take an exception to TPP rules that grant foreign investors new rights to acquire land, firms, natural resource concessions, infrastructure or other investments and operate them**. Thus, even if the Committee on Foreign Investment in the United States (CFIUS) opposed on national security grounds a U.S. acquisition by a firm also operating in a TPP country, if that investment was stopped the foreign firm could drag the U.S. government before an extrajudicial investor-state tribunal and demand taxpayer compensation.

The TPP Versus President Obama's Legacy – Environment and Climate:

The environmental groups that have celebrated Obama's achievements with the global climate treaty and his decision to the stop the XL Pipeline call the TPP an act of "climate denial." The pact would roll back the environmental standards that President George W. Bush was pressured into including in his trade deals. Indeed, **in a recent *Newsweek* oped, the Cato Institute celebrated the TPP's watered down environmental terms.** Environmental groups listed on the White House website as supporting the deal, including NRDC and Defenders of Wildlife, in fact came out in opposition after seeing the final text.

The TPP Versus President Obama's Legacy – Healthcare Costs:

The TPP would directly contradict Obama efforts to reduce U.S. healthcare costs by expanding monopoly patent protections for big drug firms, as Doctors Without Borders notes. This allows drug firms to stop competition and raise medicine prices. **As seniors groups note, the TPP would also empower large drug firms to meddle in U.S. government reimbursement decisions for taxpayer-funded programs like Medicare and Medicaid.**

The TPP Versus President Obama's Legacy – American Auto Sector Rescue:

The TPP would threaten the president's successful rescue of the U.S. auto industry and thousands of U.S. jobs. It would allow vehicles comprised mainly of Chinese and other non-TPP country parts and labor to gain duty free access. This would gut the rules of origin established in NAFTA that condition duty free access on 62.5 percent of value being from NAFTA countries. **Ford has supported all past U.S. trade deals, but opposes the TPP.**

The TPP Versus President Obama's Legacy – Gay Rights:

While the Obama administration is celebrated for its defense of gay equality after it dust-binned the "Don't Ask, Don't Tell" policy and joined those announcing that the Defense of Marriage Act was unconstitutional, it decided to allow Brunei to remain in the TPP even after the country announced that it would begin stoning to death gays and single mothers under new sharia-based laws. **This has led to LGBTQ groups joining the TPP opposition.**

<u>The TPP Versus President Obama's Legacy – Financial Reform</u>:

The TPP could help banks unravel the new rules Obama achieved on Wall Street by prohibiting bans on risky financial products and "too big to fail" safeguards while empowering foreign banks to "sue" the U.S. government over new financial regulations. For the first time, the TPP would expand the controversial investor-state dispute system (ISDS) to allow challenges of U.S. financial policies using the claim underlying most successful ISDS attacks.

<u>Claims about Small Business Gains Contradicted by Record</u>:

The administration claims that small business will be the greatest beneficiaries of the TPP. But the reason small and medium enterprises (defined as 500 employees or less) comprise most U.S. exporting firms is simply because they constitute 99.7 percent of U.S. firms overall. **But only 3 percent of U.S. small and medium enterprises export any good to any country. In contrast, 38 percent of large U.S. firms are exporters**. Even if FTAs actually succeeded in boosting exports (which they don't, per the data noted above), exporting is primarily the domain of large corporations, not small businesses. As for whether as the administration claims "with these trade agreements we can create more opportunities" for small firms, the record of past FTAs suggests not. **Under the Korea FTA, U.S. small businesses have seen their exports to Korea decline even more sharply than large firms (a 14 percent vs. 3 percent downfall in the first year of the FTA). Small businesses' exports to all non-NAFTA countries grew over 50 percent more than their exports to Canada and Mexico** (74 percent vs. 47 percent) during a 1996-2012 window of data availability. The sluggish export growth owes in part to the fact that small businesses' exports grew less than half as much as large firms' exports to NAFTA partners (47 percent vs. 97 percent from 1996-2012). **Small businesses' share of U.S. exports has declined, while U.S. export growth to countries that *are not* FTA partners has exceeded U.S. export growth to FTA partners by 30 percent over the past decade.**

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