215 Pennsylvania Avenue, SE • Washington, D.C. 20003 • 202/546-4996 • www.citizen.org

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Contact:
Nicholas Florko, (202) 454-5108,
nflorko@citizen.org

TPP Study Projects Worsening Trade Balances for 36 of 55 U.S. Economic Sectors, Overall U.S. Trade Deficit Increase

Despite ITC Reliance on Model that Has Systematically Overstated Benefits of Trade Pacts Relative to Outcomes

WASHINGTON, D.C. -- Today the U.S. International Trade Commission (ITC) released a study on the potential impacts of the Trans-Pacific Partnership (TPP). The report:

- Estimates a worsening balance of trade for 36 out of 55 U.S. agriculture, manufacturing, and services sectors that the ITC selected to feature. This includes vehicles, wheat, corn, autoparts, titanium downstream products, chemicals, seafood, textiles and apparel, rice and even financial services. Autoparts would be hard hit with employment projected to decrease by 0.3 percent.
- Estimates the TPP will increase the U.S. global trade deficit by $21.7 billion by 2032.
- Projects even the U.S. services trade balance will worsen by 2032 as service imports of $7 billion swamp the estimated increase in exports of $4.8 billion and that five of nine service sectors will see declines.
- Estimates a $24 billion dollar increase in the manufacturing trade deficit and a decline in output for U.S. manufacturing/ natural resources/ energy of $10.8 billion as exports would increase by $15.2 billion and imports would increase by $39.2 billion by 2032.
- Estimates tiny U.S. economic growth gains (42.7 billion or 0.15 percent) and income gains ($57.3 billion or 0.23 percent) *by 2032*. In other words, the ITC projects that the United States would be as wealthy on January 1, 2032 with TPP as it would be on February 15, 2032 without the TPP.
- Notes concern that the TPP would empower more foreign corporations to sue the U.S. government in private tribunals to demand taxpayer compensation over U.S. laws they claim violate their TPP rights and that the Investor State Dispute Settlement System is expanded to allow new grounds for financial service firms to challenge domestic policies (p. 36).

Temporarily disregarding the fact that the ITC has underestimated the increase in the U.S. trade deficit caused by almost every pact it has assessed, the trade deficit increase the ITC does project from TPP implementation would equate to 129,484 American job losses, counting both exports and imports, according to the latest administration trade-jobs ratio. This makes even more curious the ITC estimate that the TPP would raise employment levels by 0.07 percent (128,000 jobs) in 2032.

Statement of Lori Wallach, director of Public Citizen's Global Trade Watch:

"This report spotlights how damaging the TPP would be for most Americans' jobs and wages given it concludes 36 out of 55 U.S. agriculture, manufacturing and services sectors spotlighted by the ITC would see a worsening trade balance while the "upside" projection is miniscule gains in economic growth, despite these findings being based on the same widely criticized methodology and unrealistic assumptions that have resulted in past ITC reports systematically overstating the benefits from trade deals that ended up causing serious damage.

Given that the ITC's past studies on pending trade pacts have usually projected improvements in the U.S. trade balance and gains for specific economic sectors but the opposite occurred, that this study projects an increase in the U.S. trade deficit and losses for 36 out of 55 U.S. economic sectors suggests that if ever implemented, the TPP could really be disastrous."

How the ITC's Faulty Methodology Systematically Led to Overly Optimistic Projections

The actual outcomes of past trade pacts have been significantly more negative than ITC projections generated using the same methodology employed for the TPP study. This makes today's unusually negative ITC findings on the TPP especially ominous.

NAFTA: U.S.-Mexico Trade		
1993 - Baseline	**ITC Projection**	**2015 - Actual**
$2.6 billion goods surplus (services data not available)	$10.6 billion goods and services surplus	$57 billion goods and services deficit
China-WTO: U.S.-China Trade in Goods and Services		
2000 - Baseline	**ITC Projection**	**2015 - Actual**
$113 billion deficit	$120 billion deficit	$340 billion deficit
U.S.-Korea FTA: Trade in Goods		
2011 - Baseline	**ITC Projection**	**2015 - Actual**
$15.6 billion deficit	$10.6 billion deficit	$28.5 billion deficit

The ITC's TPP report uses the computable general equilibrium (CGE) model that had led to past ITC trade pact projections being entirely unrelated to actual outcomes by simply assuming away the very results that have often occurred under past pacts: long-term job loss, trade deficit increases and currency devaluations.

By design, the ITC CGE model assumed the U.S. trade balance would not change and that overall U.S. employment levels would remain constant – that workers who lose jobs will simply obtain new jobs in other sectors where wages are presumed to increase. Implicit in the assumption that the trade balance does not change is the assumption of flexible exchange rates. But in reality, currency manipulation is a significant problem among some of the TPP countries. The U.S. Department of Treasury just recently included TPP nation Japan on its new Monitoring List in its semi-annual report on "Foreign Exchange Policies of Major Trading Partners of the United States."

When Tufts University economists employed a model that allowed for job loss and increases in income inequality, they concluded that the TPP would reduce U.S. GDP by 0.54 percent over a decade and cost 448,000 American jobs. The Tufts findings spotlight just how drastically the assumptions baked into a CGE model used for the TPP study can affect the outcomes; the Tufts economists actually employed the Peterson Institute trade flow simulation data. They plugged the Peterson findings on import and export levels at full TPP implementation derived from one set of unrealistic assumptions into a model that applies more realistic assumptions about how trade flow changes affect growth and employment – and found that the TPP would cost hundreds of thousands of American jobs and drag down growth rates.

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