The People’s Economic Impact Statement for the TPP

Background: The Trans-Pacific Partnership (TPP) is an international agreement that was negotiated in secret by the Obama administration and hundreds of corporate lobbyists between 2009 and 2015. The text of the TPP was released to members of Congress and the public in November, 2015. It was signed by the twelve member countries (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam) on February 4, 2016. Each country has two years to ratify the agreement.

Ratification requires Congress to pass implementing legislation submitted by the President. This will be considered under fast track, which requires Congress to vote within 90 days. Fast track also restricts debate and prevents amendments. The US International Trade Commission (USITC) is required to develop an economic impact statement for the TPP. The Obama administration is pushing for a vote on the TPP before the end of 2016.

The USITC is chaired by six commissioners appointed by the administration. All have worked either in the office of the US Trade Representative, Department of Commerce or US Agency for International Development or as a lobbyist or patent lawyer. Many assisted implementation of NAFTA, the WTO, and other international agreements. They are all proponents of “free trade” and are expected to continue the false arguments made about the TPP by the Office of the US Trade Representative and transnational corporate interests.

To bring truth to the discussion about the TPP, we have created the People’s Economic Impact Statement for the TPP. It uses data from the performance of past agreements and from analyses that have been conducted on the TPP.

TPP proponents are drawing on small sections of the TPP to argue that there are specific potential benefits to certain industries and states in order to win Congressional support. We reject this narrow view and urge all members of Congress to look at the big picture of the overall harm that the TPP will do to workers and families as it drives a global race to the bottom in wages, guts protections for consumers, workers and the environment, and assaults the sovereignty of the US and other nations.

Analysis of the Trans-Pacific Partnership

Gross Domestic Product: Minimal Impact on Growth
Based on the Tufts University Study, which used the United National Global Policy Model (UNGPM), the Trans-Pacific Partnership is expected to **decrease the US GDP by 0.54% over ten years** compared to the GDP without the TPP. The UNGPM provides a more reliable assessment of the economic impact than the model used by organizations such as the
Trade Deficit Likely to Increase, Currency Manipulation May Worsen Outcome
The TPP is expected to worsen the trade deficit. The US already has a growing trade deficit with the eleven TPP countries. Tariffs with these countries are low, so lowering them further will have minimal positive impact on exports. Of more concern is the impact of currency manipulation by TPP countries which lowers their cost of export and raises the costs of imports, thereby worsening the trade deficit with the US. The TPP brings in such countries as Malaysia, Singapore and Japan, which use currency manipulation in this way, without doing anything to address this problem.

Impact on Specific Industries: Numerous Sectors Injured
The TPP will continue to seriously undermine domestic manufacturing (E.g. the US. trade deficit in manufacturing would increase by $55.8 billion under the TPP). A major threat to manufacturing is the rules of origin provisions for autos and auto parts. The TPP reduces the requirement for special trade status to 45% originating in the United States, from 62.5% under NAFTA. This means more foreign-sourced parts and a devastating blow to U.S. production and employment. Other manufacturing sectors that will be adversely impacted by the TPP include steel, aerospace, air transport, and apparel and textile.

The TPP will also adversely affect small- to medium-sized farmers. Past trade agreements have pushed a corporate agenda that increases factory farming, rather than what is best for small- to medium-sized farmers and sustainable food production. Farmers have not benefited from these agreements and expect the same problems with the TPP. Dairy farmers in particular expect to be hurt by the TPP because of the slow pace for lowering of tariffs, import of dairy from New Zealand, and currency manipulation.

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2 TPP Won’t be a Game Changer for the Economy by Preston Cooper, October, 2015. http://www.economics21.org/commentary/tpp-wont-game-changer-economy NOTE: While the cited article is pro-TPP, it does show that tariffs are already very low. If the TPP were only about tariffs, we might support it. Instead the TPP has very broad and harmful impacts.
6 Ibid.
7 Letter to Congress that Fast Track is the Wrong Track for Us Food and Farms, April, 2015. http://www.iatp.org/documents/letter-to-congress-that-fast-track-is-the-wrong-track-for-us-food-farms
8 TPP Dumping on US Dairy Farmers by Dr. Steve Suppan, April, 2016. http://www.iatp.org/blog/201604/tpp-dumping-on-us-dairy-farmers

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pro-corporate-trade Pete Peterson Institute. This loss of GDP is largely due to loss of jobs, reduction of labor’s share of income, and the resultant loss in consumer purchasing power.
The public sector has been hurt by existing trade agreements and will continue to be undermined. When communities lose factories, businesses that provide services to factories and their employees lose revenue causing sales and income tax revenues to decrease; and thus, government investment in public services decreases. The US does not exempt public services like transportation, sanitation, water or wastewater, utility, postal or other services from its trade deals. In fact, the TPP contains provisions that prevent state-owned and private enterprises from being treated differently. If public services are privatized, returning them to the public sector will likely result in an investor state dispute settlement (ISDS) challenge in the trade tribunal to prevent it.

**Employment: Net Loss of Hundreds of Thousands of Jobs**

The Tufts University Study estimates that there will be a net loss of 448,000 jobs by 2025 if the TPP is enacted. Additionally, the Economic Policy Institute estimates that the current US trade deficit with the eleven TPP countries caused the loss of two million jobs in 2015 alone: 418,900 direct jobs in commodity and manufacturing industries, 847,200 indirect jobs in supplier industries and 759,700 jobs that would have been supported through spending by those who lost their jobs. Big losers were the automotive industry, apparel, and computers and electronics. The EPI report also includes a state-by-state analysis of job loss and economic impacts.¹⁰

**Wages: Continued Reduction in US Wages Likely**

According to the Tufts University Study, the TPP will drive a global race to the bottom in wages in two major ways. One is by creating greater competition in prices which will push wages lower in order to lower costs of production and maintain market share. The other is by driving countries to lower their wage requirements in order to attract foreign investors seeking the greatest profits from their investments. In the United States and other countries, workers have less bargaining power for wages and benefits when employers can threaten to move their business elsewhere. And US workers cannot compete with such countries as Vietnam, where the minimum wage is less than $1/hour, or Malaysia, which engages in human trafficking.¹¹ The Economic Policy Institute estimates that international trade depressed wages for non-college educated workers by 5.5%, costing the average worker $1,800.¹²

**Wealth Inequality Will Increase**

The Center for Economic and Policy Research provides a conservative estimate of the impact of the TPP on wages across income brackets and finds that most workers, particularly those in

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the middle incomes, will lose income while those in the top ten percent will have significant increases in income.\textsuperscript{13} This will further exacerbate wealth inequality. Additionally, three out of five displaced manufacturing workers in the US who found new jobs ended up with lower-paying jobs.\textsuperscript{14}

Other Economic Impacts:

- **Health and Health Care Costs** - The TPP lacks labor and environmental protections and lowers food safety standards, which will threaten the health and safety of workers and their families and communities. The TPP will raise the cost of health care in the US by raising the prices of pharmaceuticals and medical devices through patent protections and barriers to generics.\textsuperscript{15} It will also drive further privatization of the healthcare system by ending advantages for state-owned enterprises (any entity that receives support from the government). Higher healthcare costs mean that more patients will delay or forego necessary care. This means greater suffering and more preventable deaths. Without a universal healthcare system or a strong social safety net, people in the US are more vulnerable to financial difficulties, including bankruptcy, when they have an accident or illness. This has a negative impact on the economy through the loss of ability to work, home foreclosure (which lowers property values), and lost tax revenue.

- **Climate crisis** - The TPP expedites the export of oil and gas from the US to member countries which will drive more fracking and drilling. If laws are passed that interfere with the expected profits of foreign corporations, such as banning fossil fuels or promoting renewable sources of energy, those corporations can sue through the trade tribunal.\textsuperscript{16} A current case is the $15 billion law suit by TransCanada against the US over rejection of the Keystone XL Pipeline. Continuing to use fossil fuels will worsen the climate crisis, which will lead to greater costs through extreme weather events, coastal flooding, illnesses, droughts and food insecurity. The TPP is a binding agreement, while the Paris Treaty is voluntary.

- **Financial Stability** - The TPP further deregulates financial institutions, which increases the risk of a financial crash. Under the TPP, financial firms have greater flexibility to move money in and out of countries, essentially holding countries under economic hostage if they do not comply with industry demands, just as corporations threaten workers with off-shoring if they seek increased wages or protections. If governments pass new regulations, such as reinstating Glass-Steagall or passing other laws that might interfere with profits, financial firms have the legal standing under the TPP to sue those governments in the trade tribunal, which operates outside of the US judicial

system and cannot be challenged even by the Supreme Court.\textsuperscript{17} It will be the public who
is forced to pay the price if there is another financial crash or if the government is
successfully sued by the big banks.

- **Privatization of Public Services** - The TPP will further privatize and commodify public
services such as energy, water, sanitation, education, and more. The TPP specifically
bans “Buy America” provisions and mandates that foreign corporations be allowed to
compete equally for government contracts.\textsuperscript{18} By further privatizing public services, there
will be higher costs, fewer safety regulations and lower quality because a for-profit entity
seeks profit first and foremost; public entities providing such services seek to serve the
public interest first. This favoritism for transnational corporations is a fundamental error
of trade agreements negotiated by and for corporate interests, as the put increasing
profits ahead of improving the lives of people.

**Conclusion: Reject Ratification and Re-make Trade**

Congress needs to reject ratification of the TPP. It does not serve the interests of the overall
economy, but serves only the interests of transnational corporations and oligarchs in the
participating countries. The public will no longer support this failed model of trade agreement,
especially agreements such as the TPP, which overstep traditional boundaries and include a
broad range of changes to US law. Congress needs to re-evaluate the purpose of trade
agreements and seek new approaches.

Two broad areas need to be changed (1) the goals of trade agreements, and (2) the process of
negotiating them. The purpose of trade should not be to enrich the 0.1% who profit from the
success of multinational corporations; instead, trade agreements should help all people, raise
the standard of living, provide safer products, and ensure that workers have, at a minimum, a
living wage and a safe work environment. Trade agreements must also confront such global
problems as the destruction of oceans and forests, mass extinction, and climate change. The
era of secret trade negotiations must be ended. The process should be participatory and
transparent. Multinational corporations should not be granted greater access or rights than civil
society. Congress should be involved at key steps of the process in an open way, giving
constituents the opportunity and ability to participate.

The public demands a new model of trade that protects public health and safety and the planet.
Corporate power grabs and anything that is less than fair trade will be rejected. We look forward
to a new era of international trade that is sustainable, respects human rights and sovereignty,
and benefits the 99%.

\textsuperscript{17} Trade Agreements Cannot be Allowed to Undermine Financial Regulation by Public Citizen.
https://www.citizen.org/documents/FinanceReregulationFactSheetFINAL.pdf

\textsuperscript{18} The Trans-Pacific Partnership Would Undermine Public Services by Expose the TPP.