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. In the US, Congress must pass implementing legislation submitted by the Executive branch in order to ratify the TPP.

**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, the Trans-Pacific Partnership is expected to **decrease the US GDP by 0.54% over ten years** compared to the GDP without the TPP. 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.

**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. 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. 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. The public sector has been hurt by existing trade agreements and will continue to be undermined. 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.

**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.

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

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 the middle incomes, will lose income while those in the top ten percent will have significant increases in income. Additionally, the Census Bureau reports that three out of five displaced manufacturing workers in the US who found new jobs ended up with lower-paying jobs.

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, families and communities. The TPP will raise the prices of pharmaceuticals and medical devices through patent protections and barriers to generics. 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). 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. 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 Climate 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. If governments pass new regulations 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.
- **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. 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.

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.

To read the full report and download a copy, visit www.FlushtheTPP.org/Peoples-eis-tpp/

This report was prepared by the TPP Resisters. April, 2016.