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Reporters' Memo: President's Annual March 1 Trade Report and Agenda

Report's Talking Points Predictable; Public Citizen Pre-Emptively Rebuts Them

As the Obama administration's bid to Fast Track the controversial Trans-Pacific Partnership (TPP) faces increasing bipartisan opposition, the contents of the 2015 Trade Policy Agenda and 2014 Annual Report of the President, due by March 1, are so predictable that Public Citizen today is issuing [pre-released responses](#) to the administration's anticipated platitudes and distorted data.

The report comes as U.S. Senate Democrats have stepped up public opposition this week to the president's trade agenda, joining most House Democrats and a sizable bloc of GOP members. This month's U.S. International Trade Commission [annual 2014 trade data release](#) revealed slower export growth to U.S. "free trade" agreement (FTA) countries than to non-FTA partners and a U.S. goods trade deficit with North American Free Trade Agreement (NAFTA) nations topping \$182 billion. Three years after passage of the U.S.-Korea pact that served as the template for the TPP, the U.S. goods trade deficit with Korea has ballooned 72 percent, equating to the loss of more than 70,000 U.S. jobs, according to the administration's trade-jobs ratio. That's the number of jobs the administration promised would be gained under the Korea deal, an irony not to be lost on members of Congress as they evaluate the administration's recycled promises for Fast Tracking the TPP. A recent [Wall Street Journal](#) and [NBC News poll](#) showed that 75 percent of Americans think the TPP should be abandoned or delayed, suggesting that the public is not buying the White House sales pitch.

Public Citizen has these responses to the predicted talking points of the 2015 trade agenda report:

Recycled talking point: 95 percent of the world's consumers live outside our borders.

- Reality: The issue is not where people reside, but whether our trade pacts have helped U.S. firms sell to consumers abroad. In fact, [U.S. goods exports to our FTA partners have grown 20 percent slower than U.S. exports to the rest of the world](#) over the past decade.

Recycled talking point: The TPP would grant U.S. firms greater access to the world's fastest-growing region.

- Reality: The United States already has FTAs with six of the 11 TPP negotiating partners. [The combined gross domestic product of the other five TPP countries \(those that could offer "greater access"\) has been growing at a paltry 1 percent annually over the past decade – one fourth of the growth rate of the Asia-Pacific region overall.](#)

Recycled talking point: The TPP is a 21st-century pact with strong labor and environmental standards.

- Reality: [The labor and environmental standards that the Obama administration seeks for the TPP are the same terms that President George W. Bush included](#) in his last four trade deals, including the Colombia FTA, after which labor rights violations continued unabated, and the Korea FTA, after which the U.S. trade deficit with Korea expanded more than 70 percent. The inclusion of these "May 10" provisions in existing deals has proven ineffective, according to recent government reports. A U.S. [Government Accountability Office report](#) released in November 2014 found broad labor rights violations across five

surveyed FTA partner countries, regardless of whether or not the FTA included the “May 10” labor provisions. The TPP would expand the special foreign investor privileges that would empower firms to demand taxpayer compensation before extrajudicial tribunals for new environmental protections. Further, the evidence shows no correlation between an FTA’s inclusion of “May 10” standards and its trade balance impact. Though the Korea FTA – the U.S. template for the TPP – included the “May 10” standards, the U.S. trade deficit with Korea has grown 72 percent in the three years since the deal’s passage.

Recycled talking point: Exporters tend to pay their workers higher wages.

- **Reality: Jobs lost to imports under unfair trade deals tend to pay even higher wages than jobs in exporting industries.** New data unveiled by the [Economic Policy Institute](#) show that wages in import-competing industries (e.g. many manufacturing jobs) are higher than in exporting industries and non-traded industries. If a manufacturing worker paid \$1,020 per week loses her job to a trade deal and is re-hired in an exporting firm where she earns less than \$870 per week, it is small consolation that she could be making even less in a non-traded sector like restaurants (which is actually the category of jobs in which most trade-displaced workers get rehired). But that is the very argument – that exporting industries pay more than *non-traded* industries – that the administration has been using to push for the TPP’s expansion of the trade status quo. Its pitch does not mention that far more jobs have been lost in the higher-paying import-competing sectors (e.g. manufacturing) than have been gained in exporting sectors under existing trade deals, judging by [**the burgeoning U.S. trade deficit with FTA partners, which has grown 427 percent since the deals took effect.**](#)

Recycled talking point: China wants to write the rules for commerce in Asia. We should write the rules.

- **Reality: “We” did not write the TPP’s rules and they do not reflect “America’s” values. The text has been crafted in a closed-door process that has granted privileged access to more than 500 official U.S. trade advisers, most of them explicitly representing corporations.** TPP rules would undermine, not advance, our national interests. This includes investment rules that would promote more job offshoring and further gut our manufacturing base, even as a recent U.S. Department of Defense report warned that U.S. deindustrialization poses a threat to national security and our nation’s economic wellbeing. TPP rules would ban the application of Buy American 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 here, the TPP would require us to give firms from TPP nations, including Chinese state-owned enterprises operating in Vietnam, equal access to U.S. government contracts. The TPP also would raise our energy prices and undermine our energy independence and financial stability. The China scaremongering is a familiar tactic. When the economic sales pitch for a controversial new FTA falters, [**FTA proponents frequently resort to foreign policy arguments**](#), such as that a new pact is necessary to counter the rising influence of a foreign opponent. But **the notion that the establishment – or not – of any specific U.S. trade agreement would affect China’s rising influence is contradicted by the record.** For example, despite the fact that similar arguments were made about China writing the rules unless NAFTA was implemented, in the first 20 years of NAFTA, the share of Mexico’s imported goods coming from the United States dropped from 69 to 49 percent, while China’s share increased from 1 to 16 percent.

Recycled talking point: 98 percent of U.S. exporters are small or medium-sized enterprises (SMEs).

- **Reality:** Only 3 percent of U.S. SMEs export any good to any country. In contrast, 38 percent of large U.S. firms are exporters. The relatively few small businesses that do actually export have seen [**even more disappointing export performance under FTAs**](#) than large firms have seen. **U.S. small businesses have seen their exports to Korea decline even more sharply than large firms under the Korea FTA (a 14 percent versus 3 percent decrease), while small firms’ exports to Mexico and Canada under NAFTA have grown less than half as much as large firms’ exports.** Indeed, small firms’ exports to all *non-NAFTA* countries has *exceeded* by more than 50 percent the growth of their exports to NAFTA partners.