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MEMO TO REPORTERS

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Japan's Prime Minister Visits Washington, D.C., Trans-Pacific Partnership and Fast Track Controversy in the U.S. Congress on Agenda

WASHINGTON, D.C. – During his visit this week to Washington, D.C., Japanese Prime Minister Shinzo Abe will talk with President Barack Obama about the Trans-Pacific Partnership (TPP) and urge a very divided U.S. Congress to support the controversial deal.

As Abe's visit has drawn closer, the White House has begun to lower expectations that the visit will lead to a breakthrough in the beleaguered TPP negotiations. The continuing deadlock in negotiations and growing uncertainty that the U.S. Congress will authorize Fast Track authority for the TPP comes in no small part because of how the Obama administration has handled the TPP negotiations, which it adopted shortly after the Bush administration's 2008 launch.

After last week's rush to move the Fast Track bill through committees, the planned floor vote this week during Abe's visit was postponed because of insufficient House support. In recent weeks, Obama has pivoted from foreign policy arguments for the pact to economic arguments for the pact to attacking the TPP's opponents, but opposition to Fast Track has only grown. How has what the White House considers a top priority become so mired?

In contrast to past administrations, Congress was denied observer status for TPP talks and only after years of negotiations got access to draft texts. And the new Fast Track bill would not improve transparency. It only would require public release of trade pact texts 30 days after they are finalized and formalize the U.S. Trade Representative's discretion to determine if congressional staff can view draft trade pact text.

Despite Congress having constitutional authority over trade and the Obama administration having no delegated trade authority, the White House dismissed demands from 60 senators and 230 House members in 2012 that the TPP include enforceable disciplines against currency manipulation. This has resulted in many congressional Democrats and Republicans, who supported Fast Track and past trade pacts, opposing Fast Track.

The administration also refused to reform the controversial Investor-State Dispute Settlement (ISDS) provisions included in past U.S. pacts despite a wave of non-discriminatory domestic health, environmental and other safeguards being attacked before such tribunals. This development has generated opposition to ISDS across the political spectrum in Congress as well as the Cato Institute, The Economist, U.S. Sen. Elizabeth Warren (D-Mass.) and numerous U.S. law professors.

JAPAN AND CURRENCY: Ardent free-traders from Fred Bergsten of the Peterson Institute of International Economics to arch-conservative economist Arthur Laffer have joined the fray, telling Congress that the TPP will harm America's economy if currency manipulation is not addressed. The presentation of currency proposals for the TPP that would clearly delineate monetary policy moves from manipulation has not mollified administration opposition. Yet, while the type of currency rules Congress seeks would not currently designate Japan as a manipulator, Congress wants to have such disciplines in place to ensure that the new market access for U.S. agricultural goods to Japan that the TPP could deliver cannot be effectively erased by future devaluations.

The U.S. automobile sector also is insistent that the TPP include such disciplines. At a bipartisan congressional briefing last week, Congress was informed that past depreciations of the yen have put U.S. car makers at a competitive disadvantage to Japanese car makers of up to \$8,000 per vehicle. A recent study by the Economic Policy Institute found the yen's dropping value in large part caused the huge goods trade deficit of \$78.3 billion between the U.S. and Japan in 2013, and displaced 896,000 U.S. jobs that year, touching almost all House districts nationwide.

THE ECONOMIC CASE FOR TPP IS WEAK: The Obama administration used the text of the 2012 U.S.-Korea Free Trade Agreement as the template for the TPP even as the U.S. trade deficit with Korea expanded each year the pact was in effect – with an 84 percent increase in the U.S. goods trade deficit with Korea during the pact's first three years as U.S. exports to Korea declined and imports soared.

Last year, the U.S. Department of Agriculture estimated that the TPP would result in zero U.S. growth gains, even if it eliminated all tariffs on all products, which is not likely. Prominent U.S. economists who supported past pacts like the North American Free Trade Agreement (NAFTA) – such as Nobel-laureate Paul Krugman, Vice President Joe Biden's former chief economist Jared Bernstein, Professors Joe Stiglitz and Jeffrey Sachs, former Labor Secretary Robert Reich and Reagan Asia trade negotiator Clyde Prestowitz – have all come out in opposition to the TPP.

UNCONVINCING FOREIGN POLICY ARGUMENT FOR TPP: As the economic case for the TPP proved unconvincing, some politicians and pundits pivoted to foreign policy arguments, seeking to activate Americans' anxieties about a rising China to distract from the economic issues. 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 contradicted by the record. ***In fact, Chinese-owned firms operating here are lobbying for the TPP and Fast Track.***

Time and again, the same foreign policy arguments are trotted out after the economic case fails. 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. pacts with eight other Latin American nations were enacted, China's exports to Latin America soared more than 1,280 percent, while the U.S. saw only modest export growth. The U.S. share of Latin America's imported goods fell 36 percent, while China's share increased 575 percent.

Trying to paint the TPP as a way for America to write the rules in Asia so that China does not is also absurd. The TPP is not about establishing "American" rules in Asia. It's about imposing rules that would hurt most Americans, but are favored by the 500 official U.S. corporate trade advisers calling the shots on the TPP. The TPP rules promote more U.S. job offshoring and would further gut our manufacturing base – even as a recent Department of Defense report warned that U.S. deindustrialization poses a threat to national security and our nation's economic wellbeing. The 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 here, the 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.

And, the TPP will not “contain” or isolate China. Obama administration officials have repeatedly stated their eagerness for China to *join* the TPP. Administration officials say China could join only if it agreed to TPP rules, but those rules would give Chinese products duty-free access to the U.S., and 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. At the most recent APEC meeting, the U.S. government actually endorsed a Chinese proposal to explore a Free Trade Agreement of the Asia Pacific that would include the United States, China and numerous other Asian nations. Nor would the TPP empower Pacific allies to act as a bulwark against Chinese influence, given that many of the TPP nations see China as a critical partner. Indeed, officials from Australia, New Zealand and Malaysia have said that if the TPP were to become a China-containment tool, they would no longer participate in TPP negotiations.

FAST TRACK LACKS SUPPORT: In the U.S. House of Representatives, Fast Track is opposed by nearly all Democrats. While the House Republican leadership supports the Fast Track bill, a substantial bloc of Republican representatives oppose it, as do conservative tea party activists. That is why House Speaker John Boehner has said that he needs to be able to count 50 Democratic votes to schedule a House floor vote on Fast Track. Yet, even though the president and his Cabinet have heavily lobbied Democratic representatives and traveled to visit their districts, fewer than 10 House Democrats have announced support for the bill. The Republican leadership is unlikely to bring the bill for a vote unless they know they have a majority, because they do not want it to be voted down, which would signal to the other TPP countries that they should not make final concessions on the TPP.

On Monday, an unprecedented 2,000 U.S. labor, small business, consumer, environmental, farm and other organizations sent a letter to Congress opposing Fast Track for the TPP. This is a wider array of opposition than has ever existed on any past U.S. trade agreement or Fast Track fight. One reason is that past U.S. trade agreements on which the TPP is based have made it easier to offshore American jobs to low-wage countries, and the TPP would lower U.S. wages by putting Americans in competition with workers in Vietnam where minimum wages are less than 60 cents an hour. Also creating opposition is the fact that only five of the TPP’s 29 chapters even focus on traditional trade issues, meaning that the deal poses threats to non-trade issues from food safety and Internet freedom to environmental and health protections and medicine prices.

A 2015 bipartisan [poll](#) from *The Wall Street Journal* and *NBC News* shows that 75 percent of Americans think that the TPP should be rejected or delayed. Organizations that signed Monday’s letter or have spoken out elsewhere against fast tracking the TPP include consumer groups, unions, environmental groups, civil rights organizations, senior advocates, small businesses, transparency advocates, food safety organizations, faith groups and LGBT organizations. Specifically, these include Consumers Union, Public Citizen, NAACP, AARP, Sierra Club, NRDC, Center for Food Safety, Union of Concerned Scientists, U.S. auto makers, National Farmers Union, Farm Aid, National Nurses United, the American Federation of Teachers, SEIU, AFSCME, and the National Asian Pacific American Student Coalition of the United States Student Association.

If you have questions or would like any additional information, please contact Symone Sanders of Public Citizen (ssanders@citizen.org). We also have compiled the Top Reasons to Oppose Fast Tracking the

TPP <http://www.citizen.org/documents/top-reasons-to-oppose-fast-tracking-tpp.pdf> and a Myths vs. Fact sheet about the Fast Track legislation <http://www.citizen.org/documents/2015-fast-track-myths.pdf>.

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