



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

Corporate State-by-State Trans-Pacific Partnership Factsheet Flurry: Many Sheets, Few Facts and the Same Old Promises that Have Proven False

The largest U.S. corporate coalitions have published a 306-page ream of “factsheets” on the supposed state-by-state benefits of the Trans-Pacific Partnership (TPP).¹ The TPP is a sweeping “free trade” agreement (FTA), currently mired in deadline-missing negotiations with 11 Pacific Rim countries, which is becoming increasingly controversial in Congress.² This latest attempt to sell the TPP involves 51 glossy factsheets that are heavy on pleasant-sounding platitudes, but light on actual facts. Instead, the documents – published in October 2013 by the U.S. Chamber of Commerce, Business Roundtable, Coalition of Services Industries, National Association of Manufacturers and other industry groups – repeat one set of counterfactual claims, tweaked 50 times for state-specific variations.

Here are the corporate coalitions’ three claims³ about the TPP – sourced from conjecture – followed by some inconvenient and contradictory facts – sourced from evidence:

1. Claim: *The TPP will “expand trade between the United States and existing FTA partners.”*⁴

Fact: Since the existing U.S. FTAs with six TPP nations already zero out tariffs for most U.S. exports, the United States is not even discussing tariff reduction with most FTA partners in the TPP negotiations. Indeed, the lack of market access negotiations with existing U.S. FTA partners is a matter of some controversy in the talks. How can something that is not even under negotiation in the TPP be promised as a result of the deal?

The United States already has FTAs with six of the 11 nations negotiating the TPP with the United States: Australia, Canada, Chile, Mexico, Peru and Singapore. The U.S. Trade Representative has stated that the United States is not negotiating tariff reductions with most of these countries, in part because tariffs with these FTA partners have been largely eliminated.⁵ Despite this, the corporate factsheets state, “the TPP negotiations provide an opportunity to...address a range of important tariff...barriers that currently impede exports to these countries.”⁶ Even the U.S. TPP negotiators would have to disagree.

2. Claim: *The TPP will “open new markets in countries that are not current FTA partners.”*⁷

Fact: U.S. exports have lagged under FTAs. Consider the most recent FTA for which the same claim was made: during the first full year of the 2012 U.S.-Korea FTA, U.S. exports to Korea dropped 10 percent. Plus, U.S. export growth to non-FTA partners is actually 38 percent higher than to U.S. FTA partner countries. How can we do more of the same and expect different results?

U.S. goods exports to Korea fell 10 percent⁸ in the first year of the U.S.-Korea FTA, which took effect in March 2012. That FTA is a template for the TPP. Plus, overall, U.S. export *growth* has actually been higher *without* FTAs than with them. Growth of U.S. exports to countries that *are not* FTA partners has exceeded U.S. export growth to countries that *are* FTA partners by 38 percent over the last decade.⁹ Repeating the tired claim that we need FTAs to boost exports is hardly compelling in the face of data showing that the United States has an export growth penalty with its FTA partners.

In addition, some of the particular export growth “opportunities” highlighted by the corporate groups require a reality check. For example, they cite New Zealand’s 5 percent tariff on U.S. lactose products as a barrier that, if only reduced via the TPP, would herald increased U.S. dairy exports to New Zealand.¹⁰ In reality, New Zealand, the world’s third largest dairy exporter, is awash in domestic dairy production, producing four times as much milk as it consumes.¹¹ U.S. dairy producers have lobbied against the reduction of dairy tariffs between New Zealand and the United States,¹² fearing that it would lead to a destabilizing flood of dairy imports *from* New Zealand.¹³ Many of the corporate factsheets’ tariff reduction promises are similarly incongruent with economic realities.

3. *Claim: The TPP will “encourage companies based in TPP countries to increase their business investment in the United States.”*¹⁴

Fact: Study¹⁵ after study¹⁶ has shown no correlation between a nation’s ability to attract foreign investment and its willingness to be bound to the extreme investor privileges that a leaked text reveals to be proposed for the TPP. With no proven upside, why would the United States expose itself to the proven downside of the extreme TPP investment terms that would empower foreign corporations to bypass domestic courts, drag the U.S. government to extrajudicial tribunals, and demand taxpayer compensation for policies that they claim undermine “expected future profits?”

The corporate factsheets identify corporations based in TPP countries that have subsidiaries in the United States, stating – without an attempt at substantiation – that the TPP would encourage them to boost their U.S. business. The ostensible basis for this claim – that the TPP’s foreign investor privileges would incentivize greater foreign investment – is not supported by the evidence.¹⁷ Studies on the determinants of foreign direct investment in the United States have pointed to key issues like taxation and exchange rate volatility, not the enactment of pacts that enable foreign firms to challenge domestic public interest policies.¹⁸

Such challenges could prove quite costly to the United States. Each of the foreign firms identified by the factsheets would be newly empowered by the TPP to directly attack U.S. consumer safety, financial, environmental and other public interest policies that they view as undermining foreign investor rights that the TPP would establish. The TPP would vastly expand the U.S. government’s exposure to such claims by empowering more than 6,000 corporations based in TPP countries to launch investor-state attacks on behalf of any of their more than 30,000 U.S. subsidiaries.¹⁹

Extrajudicial tribunals, comprised of three private attorneys unaccountable to any electorate, would be authorized to determine the validity of the challenged policies and order unlimited taxpayer compensation if the policies were seen as undermining foreign corporations’ “expected future profits.”

This extreme “investor-state” system already has been included in a series of U.S. FTAs, forcing taxpayers to hand corporations more than \$400 million for toxics bans, land-use rules, regulatory permits, water and timber policies and more.²⁰ Just under U.S. pacts, more than \$14 billion remains pending in corporate claims against medicine patent policies, pollution cleanup requirements, climate and energy laws, and other public interest policies.

Neither members of Congress nor the public should be fooled by this slew of corporate factsheets. A realistic assessment of what the TPP would mean for U.S. jobs and the economy requires an actual fact-based analysis. This includes the fact that the deal would ban Buy American provisions that spur local job creation,²¹ supported by 90 percent of Democrats, Republicans and independents.²² It includes the recent

study concluding that a TPP-prompted increase in income inequality would almost certainly overwhelm any gains from cheaper imported goods, spelling a pay cut for 90 percent of U.S. workers.²³ And it includes the ample analysis of how the TPP's sweeping terms could invite financial instability by chilling the reregulation of Wall Street,²⁴ spur increased food-borne illness by eroding food safety standards,²⁵ and jack up medicine costs by counteracting government cost containment measures.²⁶ For evidence of these and other TPP threats, visit www.citizen.org/tpp.

ENDNOTES

- ¹ Trade Benefits America, "TPP: Every State's Opportunity," TBA website. Available at: <http://tradebenefitsamerica.org/tpp-every-states-opportunity>.
- ² The Obama administration had stated October 2013 as a deadline for the deal's completion. See Claude Barfield, "Crunch Time for the Trans-Pacific Pact," American Enterprise Institute, Dec. 6, 2012. Available at: <http://www.aei.org/article/economics/international-economy/crunch-time-for-the-trans-pacific-trade-pact/>
- ³ Business Roundtable, "A TPP Agreement: An Opportunity for America," BRT report. Available at: http://tradebenefitsamerica.org/sites/default/files/studies/BRT_TPP_US.pdf. [Hereinafter "BRT"]
- ⁴ BRT, at 3.
- ⁵ "Japan Will Offer Differing Tariff Concessions to Different Countries In TPP," *Inside U.S. Trade*, Sept. 5, 2013.
- ⁶ BRT, at 3.
- ⁷ BRT, at 4.
- ⁸ Public Citizen, "Korea, Colombia and Panama FTA Outcomes: U.S. Exports to Korea Are Down, Imports from Korea Are Up, Anti-Unionist Threats in Colombia And Panamanian Tax Haven Policies Continue," PC memo, May 2013. Available at: <http://www.citizen.org/documents/fta-trifecta-factsheet.pdf>.
- ⁹ Public Citizen, "Job-Killing Trade Deficits Soar under FTAs: U.S. Trade Deficits Grow More Than 440% with FTA Countries, but Decline 7% with Non-FTA Countries," PC memo, Feb. 2013. Available at: <http://www.citizen.org/documents/FTA-V-No-FTA-Factsheet.pdf>.
- ¹⁰ BRT, at 4.
- ¹¹ Agricultural and Processed Food Products Export Development Authority of India, "Major Exporting Countries of Dairy Products," AgriXchange, 2011. Available at: http://agriexchange.apeda.gov.in/product_profile/Major_Exporting_Countries.aspx?categorycode=0404.
- ¹² See letter from National Dairy Producers Organization, National Family Farm Coalition, et al. to Rep. Collin C. Peterson (D-MN), Ranking Member of the House Committee on Agriculture, Mar. 4, 2013. Available at: http://www.nffc.net/Pressroom/Letters/2012/TPPDairyLetter_Peterson.pdf.
- ¹³ Statistics New Zealand, "Dairy Moooving Forward," NZ Official Yearbook 2012, 2013. Available at: http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/yearbook/environment/agriculture/dairy.aspx.
- ¹⁴ BRT, at 15.
- ¹⁵ See Kevin P. Gallagher and Andrés López, "Foreign Investment and Sustainable Development: Lessons from the Americas," Working Group on Development and the Environment in the Americas report, May 2008, at 6. Available at: http://www.ase.tufts.edu/gdae/Pubs/rp/FDIWorkingGroupReportMay08_ES.pdf.
- ¹⁶ See Jason Webb Yackee, "Do Bilateral Investment Treaties Promote Foreign Direct Investment? Some Hints from Alternative Evidence," *Virginia Journal of International Law*, 51:2, 2010. Available at: <http://www.vjil.org/assets/pdfs/vol51/issue2/Yackee.pdf>.
- ¹⁷ See Emma Aisbett, "Bilateral Investment Treaties and Foreign Direct Investment: Correlation versus Causation," MPRA Paper No. 2255, Mar. 14, 2007. Available at: http://mpra.ub.uni-muenchen.de/2255/1/MPRA_paper_2255.pdf.
- ¹⁸ See Bruce Blonigen, "A Review of the Empirical Literature on FDI Determinants," *Atlantic Economic Journal*, 33, 2005. Available at: https://media.law.wisc.edu/m/teydz/foreign_investment_recommended1.pdf.
- ¹⁹ Uniworld, "Foreign Firms Operating in the United States," 2013. Available at: <https://www.uniworldbp.com/search.php>.
- ²⁰ See Public Citizen, "Table of Foreign Investor-State Cases and Claims Under NAFTA and Other U.S. 'Trade' Deals," PC memo, August 2013. Available at: <http://www.citizen.org/documents/investor-state-chart.pdf>.
- ²¹ See Public Citizen, "TPP Government Procurement Negotiations: Buy American Policy Banned, a Net Loss for the U.S.," PC memo, 2013. Available at: <http://www.citizen.org/documents/TPP-Buy-American.pdf>.
- ²² Amy Bingham, "'Made In America' Policies Hugely Popular, Survey Shows," *ABC News*, Jul. 16, 2012. Available at: <http://abcnews.go.com/blogs/politics/2012/07/made-in-america-policies-hugely-popular-survey-shows/>.
- ²³ David Rosnick, "Gains from Trade? The Net Effect of the Trans-Pacific Partnership Agreement on U.S. Wages," Center for Economic and Policy Research report, Sept. 2013. Available at: <http://www.cepr.net/documents/publications/TPP-2013-09.pdf>.
- ²⁴ See Public Citizen, "Trade Agreements Cannot be Allowed to Undermine Financial Reregulation," PC factsheet, 2013. Available at: <http://www.citizen.org/documents/FinanceReregulationFactSheetFINAL.pdf>.
- ²⁵ See "DeLauro: Food Safety Critical Issue in Upcoming Trade Talks," Congresswoman Rosa DeLauro website, 2011. Available at: http://delauro.house.gov/index.php?option=com_content&view=article&id=406:-delauro-food-safety-critical-issue-in-upcoming-trade-talks&catid=7:2011-press-releases&Itemid=23.
- ²⁶ See Todd Tucker, "Proposed Trans-Pacific Partnership rules could undermine drug cost containment provisions of Medicare, Medicaid and Veterans' Health, hurting seniors, military families and the poor," Public Citizen memo, June 14, 2012. Available at: <http://www.citizen.org/documents/TPP-drug-cost-memo.pdf>.