

Congress

Fact-checking the campaigns for and against the TPP trade deal

By **Catherine Ho** February 11

Dozens of labor, environmental and consumer groups are urging Congress to oppose the Trans-Pacific Partnership, the 12-nation trade deal that President Obama hopes will be a signature achievement of his administration. Meanwhile, business groups and major trade associations are lining up in support of the pact.

[\[At Paris climate summit, environmentalists lobby against Trans-Pacific trade deal\]](#)

Here, we highlight some of the biggest talking points from both sides — and whether they match up with projections from economists and evidence from previous trade agreements.

[\[U.S. Chamber of Commerce endorses Obama's Pacific Rim trade pact\]](#)

For economic projections, we relied primarily on recent analyses by The World Bank, The Peterson Institute of International Economics and Tufts University, the most recent comprehensive economic analyses of TPP. There are fewer comprehensive projections about the impacts of TPP on the environment and health care costs. So for those items, we cited data from previous trade agreements.

Here we go:

1. Argument: TPP will lead to job losses and lower wages in the United States.

Facts: Two major studies found that wages will rise slightly overall, but acknowledged that job losses and wage cuts for some U.S. workers are possible.

The [World Bank](#) and [Peterson Institute](#) both concluded that TPP will raise U.S. wages slightly by 2030 — about 0.6 percent for skilled workers and 0.4 percent for unskilled workers. The [Tufts University study](#) disagrees, finding that TPP would push down median wages in the United States, “making the vast majority of workers worse off,” though it does not specify by how much.

Regarding potential job losses, the Peterson Institute found that TPP will not change employment levels overall, but could force 53,700 U.S. workers each year to find new jobs — though that figure refers to workers who change jobs, or “job churn,” not net job loss. However, displaced workers could face significant periods of unemployment and wage cuts, the study said.

The Tufts study is more pessimistic, estimating that TPP will lead to 771,000 lost jobs across all 12 TPP countries, with the majority — 450,000 — lost in the United States by 2025. Researchers did note, though, that those job losses are smaller than projected job losses in non-TPP countries.

2. Argument: TPP will benefit the economy and U.S. manufacturers, and help create jobs.

Facts: TPP will increase annual U.S. exports by \$357 billion, or 9.1 percent of exports, by 2030, according to the Peterson Institute. It will increase annual real incomes in the United States by \$131 billion, or 0.5 percent of GDP, over the same period.

Reductions in trade barriers under TPP will enable firms and industries to “produce more of what they produce best,” according to the analysis. By 2030, about 796,000 export jobs (jobs directly supported by exports) will be added, drawing workers from other firms. The study notes that export jobs pay up to 18 percent more than average jobs.

However, TPP would slow growth in manufacturing employment by one-fifth and lead to 121,000 fewer jobs being created in the manufacturing sector by 2030. The lower trajectory of employment growth in manufacturing means increases in employment in the service and primary goods sectors, the study said.

3. Argument: TPP will lead to more companies challenging environmental regulations in the arbitration process.

Facts: TPP includes what is called the Investor-State Dispute Settlement (ISDS) provision, which is common in trade deals but a flashpoint of controversy for liberals, including Massachusetts Sen. Elizabeth Warren (D).

[\[Elizabeth Warren: The TPP clause everyone should oppose\]](#)

The language allows corporations to sue foreign governments over environmental or public health regulations if they feel those regulations are hurting their profits. The cases go before private arbitration panels rather than the courts. The system’s proponents say ISDS is a way to protect foreign investors from unfair or arbitrary treatment by foreign governments; its critics say it favors companies and makes it difficult for governments to enforce regulations.

While it is difficult to predict how many more ISDS cases will crop up in TPP countries, there has been an explosion of such cases since the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico took effect in 1994. That year, two such arbitrations were initiated, and the number has grown since then — reaching a record 70 in 2015, according to the [United Nations Conference on Trade and Development](#).

And the rulings weren't necessarily favorable to governments: More than \$400 million has been paid out to corporations in investor-state cases under NAFTA-style deals, according to [Public Citizen](#), a consumer watchdog group that opposes TPP.

4. Argument: TPP will lead to an increase in harmful environmental pollutants, as manufacturing operations move to countries with lax environmental standards.

Facts: A [2000 study](#) by the Commission for Environmental Cooperation (CEC) — an intergovernmental organization formed by the United States, Canada and Mexico to address environmental issues related to NAFTA — found that air pollution generated by NAFTA truck transportation, the dominant mode for delivering NAFTA-associated goods, created “environmental stress” and “environmental pressures as measured by its impact on air quality,” particularly at the U.S.-Canada border.

A 2014 [report](#) examining the long-term effects of NAFTA by the Sierra Club (which opposes TPP) found that the trade agreement prompted an increase in environmentally damaging practices, including mining in Mexico, large-scale farming that uses fossil fuels, and more air and water pollution from industries and manufacturing sectors.

However, TPP does include more comprehensive and enforceable environmental rules than previous trade agreements, the Peterson Institute said.

5. TPP will cause the price of prescription drugs to go up.

Facts: TPP provides intellectual property protection for biologic drugs for up to eight years. That means cheaper, generic versions of those drugs would not be available until after that — and groups representing seniors and doctors say the deal will lead to higher prices for medicines, particularly in poorer TPP countries. This is a topic many researchers have studied, with results varying by country. Here are some of them:

Extending data protection for biologics could cost Australian taxpayers hundreds of millions of dollars each year, according to a [2014 report](#) submitted to Australia's Department of Foreign Affairs and Trade by academics who research public health policy.

After Canada and Japan increased the period of time for data protection for medicines, overall spending on pharmaceuticals as a percentage of GDP went up slightly but not dramatically, according to [2015 research](#) by the Geneva Network, an advocacy group that researches intellectual property policy.

At U.S. International Trade Commission hearings in January, the Peruvian ambassador to the United States testified that since the U.S. and Peru entered a bilateral free trade agreement in 2009, the price of medicines in Peru has actually risen more slowly than the rate of inflation between 2009 and 2014.

That has not been the case in other trade deals. After the U.S. and Jordan struck a free trade agreement in 2001, there was a 20 percent increase in medicine prices between 2002 and 2006, according to a 2009 report published in the [Journal of Generic Medicines](#). (The author is now policy director for Doctors Without Borders, which is urging lawmakers and the president to strike these provisions from TPP over concerns about access to affordable medicines.)

Another [report](#), published in 2009 in Health Affairs, found that CAFTA (the Central America Free Trade Agreement, between the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic) reduced access to some generic drugs in Guatemala and delayed entry of other generics.

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