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The Pros and Cons of the Trans-Pacific Partnership

The Trans-Pacific Partnership (TPP) is a trade agreement among 12 Pacific Rim countries which comprise 40 percent of the world's Gross Domestic Product and 26 percent of its trade. It does not include China. The agreement was signed on February 4, 2016. However, to take effect, the it must be ratified by February 2018, by at least six countries that account for 85 percent of the group's economic output. This means that Japan and the US both must be signatories.

The purpose of the TPP was to drastically reduce or remove tariffs, and foster trade among members, which comprise a population of 800 million, almost double that of the European Union. Member states of the TPP are the

United States, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru. It does not include China and India, the world's two most populous countries, because it was meant to balance the trade dominance of these two nations.

As with most agreements, there pros and cons. Proponents note that it will boost economic growth and create jobs. The U.S. estimates that it would increase its exports by $123.5 billion by 2025, mostly in the areas of machinery, electrical, autos, plastics and agricultural industries. It would do this through the reduction or elimination of 18,000 tariffs placed on U.S. exports. The United States has already eliminated or reduced 80 percent of these tariffs on foreign goods. Therefore, the argument is that TPP would level the playing field for U.S. exporters. According to the U.S. Trade Representative, this would result in American workers receiving $77 billion in additional income.

On the face of it, this sounds like a win-win. However, when you look under the covers, things get more complicated. The United States, in order to compensate for this income inequality, is shortening many of its patents, especially on pharmaceuticals, from 12 years to five to seven. The U.S., along with Japan and Canada, is also giving up some of its tariff protection on poultry, beef, and dairy. As a result, many compare the TPP to NAFTA (the North American Free Trade Agreement). It was thought in the mid-1990's, that NAFTA would provide the same benefits as are now being said of the TPP. At that time, Ross Perot, an Independent running for President, warned of the "giant sucking sound" that America would hear if NAFTA passed and American jobs were drawn south. Twenty years later, it appears that he was correct in that it's estimated that one million U.S. jobs have been lost to

NAFTA, which has also put downward pressure on wages, creating an increased income gap within the U.S.

Prior to NAFTA, the United States had a trade surplus with Mexico, and a trade deficit if $26 billion with Canada. Today the U.S. has a combined trade deficit with both countries of $177 billion. Many say that TPP has repeated the mistakes of NAFTA in that the U.S. must compete with countries such as Vietnam, where the minimum wage is just 56 cents per hour.

TPP is currently supported by the Obama Administration, but is said to be dead on arrival by the incoming Trump Administration. Both have differing points of view on how this agreement will affect the economy. Hopefully, from the facts above, you can make your own determination.

My thanks to Kimberly Amadeo of *the balance* whose article, What is the Trans-Pacific Partnership, was used by this author. The author also garnered information from an article by Heather Gautney of the Huffington Post, titled Why the Trans-Pacific Partnership is Bad for Workers and for Democracy. My thanks to Ms. Gautney.

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