

THE DAILY CALLER

Liberal Think Tank Slams TPP's 18,000 Tax Cuts, Economists Debunk Allegations

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The Obama administration has been asserting the Trans-Pacific Partnership's 18,000 tax cuts, which come in the form of tariff eliminations, will lead to reduced barriers on U.S. exports – increasing jobs, eliminating burdens on companies and creating economic growth. But the agreement has come under attack from groups on both sides of the aisle.

The landmark trade deal negotiated between 12 Pacific Rim countries – signed by President Barack Obama earlier this month, but not yet approved by Congress – has created a wide divide on both ends of the political spectrum, with proponents saying it will boost the economy and critics arguing it won't provide the benefits the White House promises.

In a “fact check” recently released by anti-trade group Public Citizen, the advocacy organization slammed TPP, saying the cuts were somehow less valid since a number of them are rolled out over time. The group also concluded the cuts won't have much of an effect since the U.S. “only sold goods to those nations in less than 7,500 of the 18,000 categories” included in the deal.

According to Dan Ikenson, the director of Cato's Herbert A. Stiefel Center for Trade Policy Studies, the group's criticisms are invalid. Ikensen told The Daily Caller News Foundation, while the deal isn't perfect, The Office of the United States Trade Representative managed to get cuts abroad on products that are critical to the U.S., with roughly 80 percent of cuts taking place immediately and nearly 20 percent being phased out over 10 years.

“I understand there are some people on the left, including Public Citizen that are complaining that the benefits aren't going to come soon enough and the tariff phase out is happening too slowly – that's an odd statement coming from them since they generally oppose trade liberalization,” he said. “It strikes me that they are trying to foment some discord between the business community and the USTR, and Republicans and the USTR, who support what the administration really needs to get TPP passed.”

In addition to the agricultural and manufacturing sectors, Ikensen said TPP also opens up opportunity for service providers including telecom companies, banking companies, education services and consulting services.

U.S. Trade Representative Michael Froman said the tariffs currently prevent American wage increases, and believes the deal will widen the scope of markets businesses can reach.

“For example, headphones that are made in California and sold to the Asia-Pacific region have been hit with taxes of up to 15 percent. Under TPP, those taxes are cut to zero,” he told the U.S. Conference of Mayors in January. “U.S. Foreign taxes on Made-in-America car engines will fall from highs of 50 percent to 0 percent. Foreign taxes on American exports of paint will fall from 25 percent to 0 percent; on hammers, from 20 percent to 0 percent; on optical fiber, also from 20 percent to 0 percent. If you’re seeing up a pattern here, you’re not wrong – TPP will eliminate every single tariff these countries now impose on American manufactured goods.”

The Peterson Institute for International Economics, a nonpartisan D.C.-based think tank, estimates the deal would increase incomes by \$131 billion annually, exports by \$357 billion, or 9.1 percent, in the country by 2030 and insert \$94 billion more into the U.S. economy.

Other conservative groups have come out in support of the deal as well.

“Free trade is good because it means less money taken by foreign governments from American workers and business owners in the form of tariffs and greater access to more products at lower prices for consumers across the country,” Alexander Hendrie, the federal affairs manager at Americans for Tax Reform, told TheDCNF.

But the criticisms of the deal – which the U.S., Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam negotiated behind closed doors for nearly a decade – have not just come from the anti-trade left.

Republican Sen. Jeff Sessions of Alabama took issue with the length of the 5,554 page document and claimed it gives the executive branch the ability to rework the deal without congressional approval, allowing him to change immigration policies.

U.S. Chamber of Commerce Senior Vice President for International Policy John Murphy released a paper debunking the lawmaker’s accusations.

“The Republican senator repeatedly refers to the length of the ‘gargantuan’ TPP, which is necessarily a long and complex agreement because it covers trade between 12 countries representing about 40 percent of the world economy,” he wrote. “But even a cursory review reveals that more than two-thirds of all these pages are dedicated exclusively to tax cuts.”

Ikensen said he thought Sessions’ comments “surprising and disappointing.”

“He’s a scholarly guy, and he is claiming that the agreement will enable this administration or the next administration to circumvent U.S. immigration laws and allow for unlimited immigration,” he said, adding while some trade agreements allow for temporary entry for business workers, this agreement does not.

Following the president’s signature on the agreement, House Ways and Means Chairman Kevin Brady released a statement saying, while he believes the deal will improve the economy, the president needs to work with Congress to address their concerns.

Speaker of the House Paul Ryan said at a news conference on Feb. 11, the deal currently doesn't have enough support to pass the lower chamber, adding he believes the administration needs to do more to persuade lawmakers.