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Is TPP free trade pact really bad for US?

Melissa Sim

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Multilateral free trade agreements have emerged as everyone's favourite punching bag this election season, having been blamed for the loss of American jobs, particularly in key manufacturing states such as Michigan and Indiana.

Both Democratic presidential nominee Hillary Clinton and her Republican opponent Donald Trump have opposed the 12-nation Pacific Rim trade deal - the Trans-Pacific Partnership (TPP) - while Mr Trump labelled the North Atlantic Free Trade Agreement (Nafta) "the worst trade deal ever" during the first presidential debate last week.

This increased hostility comes at a time when globalisation and international trade seem to be stalling. The World Trade Organisation said last week that growth in global trade would fall to 1.7 per cent this year - the slowest since the financial crisis in 2009.

"According to analysis from the US International Trade Commission, the TPP is expected to have a modest but positive impact on the US economy," said Mr Bill Watson, a trade policy analyst from the Cato Institute think tank. The report states that by 2032, US exports and US imports would be US\$27.2 billion (1 per cent) and US\$48.9 billion (1.1 per cent) higher, respectively, relative to baseline projections. US\$27.2 billion is about S\$37 billion.

US Secretary of Commerce Penny Pritzker delivers remarks at a Progressive Policy Institute discussion on The Trans-Pacific Partnership: A Big Deal for America's Small Exporters.

Other studies have pointed to the overall benefits of the TPP. A study by the World Bank states that the agreement could increase member countries' trade by 11 per cent and increase gross domestic product (GDP) by an average of 1.1 per cent by 2030.

However, researchers at Tufts University's Global Development and Environment Institute say the US economy would shrink 0.54 per cent from last year to 2025 as a result of the TPP, and the country would have a net loss of 448,000 jobs due to the deal.

While experts continue to debate the numbers, the reality is that every trade deal has winners and losers, and the losers in America tend to be the less-educated working class. The key then, experts say, is to have programmes that can redistribute the overall benefits of trade.

"Trade in general improves efficiency and raises overall GDP," said Ms Lisa Sachs, director of the Columbia Centre on Sustainable Investment at Columbia University. "But trade with lower-

wage countries tends to favour highly educated US workers and has, arguably, reduced the real incomes of lower-wage workers, especially male workers in the manufacturing sector."

She added: "In order to make trade beneficial for all - which is possible and should be the objective - trade agreements in the US should be accompanied by measures that transfer some of the benefits from the highly educated and generally wealthy beneficiaries to the poorer workers." This could be done through fiscal measures and retraining programmes, she said.

Free trade opponents often cite that the US has lost around 4.5 million manufacturing jobs since Nafta - an agreement between the US, Mexico and Canada - took effect in 1994. But while the availability of imports has had some impact on manufacturing jobs, Mr Watson argues that "the decline is due mostly to increased productivity, technological progress and automation".

US Secretary of State John Kerry reiterated this stance in a speech last week at the Wilson Centre, saying "it is not trade per se that brings dislocation". He also made the argument that the TPP is more than just a stand-alone deal that affects trade barriers and tariffs. "It deepens our commercial bonds and it steers us towards closer commercial ties and diplomatic ties in the region. It enhances our national security," he said

But in an election year, what matters most is voter sentiment. A recent Politico-Harvard poll showed 65 per cent of Americans believe that trade policies have led to a loss of US jobs. With more than 12 million Americans employed in the manufacturing sector, both Mr Trump and Mrs Clinton know that opposing the TPP - whether or not it will have a positive impact - is the only viable path to the White House.

"At the core of their opposition... is a recognition that the swing voters they are trying to win - the lower-wage working class in the United States - worry that they will lose from these trade agreements without additional redistributive measures that are not yet on the table," said Ms Sachs.