February 26, 2015

Meredith M. Broadbent, Chairman
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Re: Request for Delay of Economic Analysis of TPP and Upgrading of Methods

Dear Chairman Broadbent:

This letter requests that the International Trade Commission refrain from engaging in any analysis of the Trans Pacific Partnership (TPP) agreement before it is completed and its provisions are fully known. Further, we request that the USITC undertake a rigorous process to upgrade its analytical methods for scrutinizing and projecting the likely impacts of trade and investment agreements prior to releasing any new reports.

We understand that U.S. Trade Ambassador Michael Froman has requested that you conduct your analysis prior to the Trans-Pacific Partnership (TPP) negotiations being completed. We fail to see how an accurate, credible report can be completed without access to the final text and without improving on the analytical techniques used in past USITC reports.

There has been a persistent pattern of large gaps between estimated and actual outcomes in similar past USITC reports. For example, the USITC report on the probable impact of the Korea-US free trade estimated that imports from Korea would increase by $6-7 billion and that the annual U.S. trade balance would improve by about $4-5 billion. Neither of these projections have proved to be remotely accurate, suggesting that the guidance provided to policy makers and the public may have been inaccurate in important ways.

Further, the USITC study on China’s entry into the World Trade Organization in 1999 provided spectacularly unrealistic forecasts of the impacts of that agreement.

One fundamental problem is that the USITC model is designed to evaluate the effects of tariff changes on trade flows as well as the effects of eliminating non-tariff measures (NTM). Yet tariffs and NTM cuts are not the most important policy changes in these agreements. In fact, six of the countries engaged in the TransPacific Partnership negotiations already have already committed to eliminate their tariffs and many non-tariff barriers. Presumably, those provisions of the TPP can be expected to make little if any difference in trade or investment flows.

Until and unless the Commission devises a way to assess the likely economic effects of negotiated provisions unrelated to tariffs and traditional NTMs, no assessment can be meaningful. Such an analysis must include all the measures that in the past have nullified or impaired the expected benefits of trade agreements. To name a few of the more obvious ones that have rarely if ever been addressed in trade agreements: mercantilist currency practices, changes in border adjustable consumption taxes, industrial subsidies, operation of state owned enterprises, indigenous innovation policies, and many other mercantilist tactics outside the scope of the agreements which frustrate the purposes of the agreements.
In the past, the USITC model has not reflected the history of non-tariff mercantilism by other countries. To provide a sound basis for assessing the probable economic effect of any new agreement, the USITC should evaluate the history and data to adjust for such realities. Indeed, a public hearing would be useful in this regard to collect ideas from stakeholders.

Lastly, the assumptions underlying any TPP analysis cannot be correct in the absence of a final agreement. There are many countries involved in the talks and reportedly there is substantial disagreement among them. Their economies are quite different in terms of size, composition and the rule of law. Until the Commission knows the terms of and parties to the final agreement, how can it hope to make an assessment solid enough to contribute to an informed consideration of what the administration terms the most complex trade agreement ever attempted?

Therefore, we respectfully request that the U.S. International Trade Commission (1) undertake a comprehensive review and hearing to upgrade its analytical techniques to substantially improve the predictive quality of its reports and (2) refrain from engaging in a formal analysis of the Trans-Pacific Partnership prior to its completion and release.

Sincerely

Brian O'Shaughnessy, Chairman, Revere Copper Products
Brad Markell, Executive Director, AFL-CIO Industrial Union Council
Daniel DiMicco, Chairman Emeritus, Nucor Corp.
Mike Dolan, Trade Policy Specialist, International Brotherhood of Teamsters
Burl Finkelstein, Executive VP of Operations and General Counsel, Kason Industries
John Hansen, President, Nebraska Farmers Union
Pam Potthoff, Director, Women Involved in Farm Economics
Joe Logan, President, Ohio Farmers Union
Bill Bullard, CEO, Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA)
Rob Dumont, President, Tooling Manufacturing and Technologies Assn
Kevin Kelley, Executive Director, Rochester Technology and Manufacturing Association
Marc Fasteau, Secretary and Co-Founder, American Strategic Insurance
Dave Frengel, former Director of Government Relations, Penn United Technologies
Stan Sorscher, Labor Representative, Society of Professional Engineering Employees in Aerospace

Cc: Dean A. Pinkert, Vice Chairman
   Irving A. Williamson
   David S. Johanson
   F. Scott Kieff
   Rhonda K. Schmidtlein