

THE TRANS-PACIFIC PARTNERSHIP AGREEMENT:
WHAT DO AMERICAN BUSINESSES AND WORKERS GET OUT OF JAPAN JOINING?

Proponents have argued that the economics of having Japan in TPP work out in the U.S. favor. According to the Washington Post Editorial Board, for example, “the potential opening of Japan’s agricultural and other markets to U.S. goods under TPP could offset deficits that might persist in the auto market.” This simplistic argument does not stand up to the facts. The auto deficit is massive, growing, and will worsen under TPP. TPP is unlikely to grow exports in other areas, such as agriculture, to the enormous magnitudes necessary to offset this imbalance. **What then do American businesses and workers get out of Japan joining TPP?**

FACT: Japan is the second-largest source of the U.S. trade imbalance after China, and, in 2012, automotive products accounted for more than two-thirds of the deficit – **\$53.5 billion**. This automotive deficit has been **growing** – twenty years ago it was **\$31 billion**.

FACT: The automotive deficit with Japan will grow further – and will grow significantly – under TPP if auto tariffs are eliminated. The United States has a car tariff of 2.5 percent and a truck tariff of 25 percent in place. Japan has a 0 percent tariff on cars/trucks. **Tariff elimination under TPP will, thus, be unilateral and will result in more imports from Japan.**

The Center for Automotive Research (CAR) estimates that, at an exchange rate of 100 yen/dollar, elimination of the 2.5 percent tariff will result in the **import of an additional 363,000 cars** from Japan and the **loss of approximately 92,000 U.S. jobs**. (The yen is currently at 94 and rapidly depreciating; 20 percent since last fall.) At the 2012 average unit value, this would **add \$11.3 billion to the already massive trade deficit** with Japan. **Elimination of the 25 percent U.S. truck tariff would further deepen the impact and the job losses.**

FACT: The top 5 U.S. exports to Japan in 2012 – aircraft, medical equipment, nuclear reactor parts, cereals, and electronics – accounted for **46 percent** of the total. Yet, these exports amounted to only **\$28 billion**, half of the 2012 U.S. auto trade deficit. **Even significant increases in these exports would fail to offset the massive auto trade deficit.** And it is unlikely that duty elimination would result in significant export growth for these products. Aircraft and nuclear reactor parts are **duty free**. Average tariffs on the remaining products are **already low**.

| TOP U.S. EXPORTS TO JAPAN | EXPORTS IN 2012 (1000s USD) | PERCENTAGE OF TOTAL U.S. EXPORTS TO JAPAN | AVERAGE APPLIED DUTY |
|---------------------------|-----------------------------|---|----------------------|
| Aircraft | 8,116,640 | 13% | 0% |
| Medical Equipment | 6,872,417 | 11% | 4.7% |
| Nuclear Reactor Parts | 4,761,213 | 7% | 0% |
| Cereals | 4,363,712 | 7% | 7.4% |
| Electronics | 3,973,350 | 6% | 4.3% |
| Total: | 28,087,332 | 43% | |
| 2012 AUTO TRADE DEFICIT: | 53,500,000 | | |

FACT: Some have claimed that the real value of TPP will be for U.S. agriculture. But, the ruling party in Japan (LDP) and Prime Minister Abe have **committed to pulling out of TPP unless key agricultural products – rice, wheat, beef, dairy products and sugar – are excluded**. These products account for approximately one-third of U.S. agricultural exports to Japan. Japan has **successfully** excluded such products from most of its prior agreements.

FACT: Even if Japan were to agree to eliminate tariffs on **all** agricultural products, ignoring the ruling party's mandate, total agricultural exports would have to nearly **double** under TPP in order to offset the harm to the auto sector – in other words, **just to maintain the status quo**. U.S. agricultural exports would have to grow nearly **five-fold** under TPP in order to offset both the additional harm to the auto sector under TPP and to reduce the massive auto trade deficit with Japan (\$64.8 billion). To put this in perspective, consider that Japan's total agricultural imports in 2011 were slightly over \$60 billion. **To offset the auto trade deficit under TPP, the U.S. would have to displace every single other agricultural import into Japan.** This simply will not happen.