

The Trans-Pacific Partnership (TPP) –
Prof. Jeffrey Frankel, Harvard University
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- **On Oct. 5, 2015, negotiators from the US and 11 other Pacific countries, triumphing over adverse odds, reached agreement on the Trans Pacific Partnership,**
 - **after 7 years of negotiations.**
(The Bush Administration announced the launch in 2008, building on Southeast Asia's TPSEP.)
 - The text was released November 5, as promised.
 - **Members** (called the biggest RTA because it "covers 40% of global GDP" -- a bit misleading)
 - Asia: Japan, Vietnam, Malaysia, Singapore, Brunei
 - Pacific: Australia, New Zealand
 - Americas: US, Canada, Mexico, Peru, Chile

- **Now it has to be ratified by the member countries.**
 - Whether the US Congress will ratify is an open question.
 - Often in US history, the Congress has rejected a treaty negotiated by the executive, going all the way back to the League of Nations.
 - First, the White House has to sign TPP (perhaps at an international ceremony in early February) and submit the implementing legislation to Congress
while the International Trade Commission (ITC) has to complete its study of the impacts of the TPP on the U.S. economy. It has 105 days.
 - The House and the Senate each then have 90 days to consider.

- **Now that the long-delayed agreement is completed, what is in it?**
Lots: 30 chapters + annexes + related instruments & side deals.
But I will highlight five major areas.
 - (1) Old-fashioned trade liberalization**
 - (2) Investor-State Dispute Settlement mechanism**
 - (3) Intellectual Property Right protection**
 - (4) Environment**
 - (5) Labor**
Then I will mention some things that are *not* included in the TPP agreement:
 - (6) Currency manipulation, (7) China, (8) Climate change.**

- **(1) Old-fashioned trade liberalization**
- Having seen the harm that protectionism did in the 1930s, **governments after WWII steadily reduced tariffs and other barriers to international trade.**
 - Most of the progress at trade liberalization was initially multilateral, which is how economists prefer it, culminating in the establishment of the WTO in 1995.
 - Further liberalization under the WTO has been slow. Just last week the members gave up on the 14-yr Doha Round (launched in 2001).
 - So-called “deep integration” is harder, because it goes beyond removing tariffs and quotas.
 - In part for this reason, **liberalization** over the last 20 years **has more often been agreed by regional groupings negotiating their own trading arrangements.** The TPP is the latest and biggest example.
- **It is an exaggeration to say that TPP has nothing to do with conventional trade liberalization.**
 - It is true the *US* is not cutting many tariffs or dismantling other trade barriers
 - because in most sectors the barriers are already low
 - and because in remaining sectors, especially agriculture, we refuse to cut much; and we are big enough to get our way.
 - But other importing countries like Vietnam and Japan still have high explicit barriers inhibiting trade; and they have agreed to cut them a lot,
 - reducing thousands of existing tariff and non-tariff barriers,
 - benefiting exports from the US and Australia, among others.
 - Examples:
 - In **manufacturing**, American exporters who will benefit include such industries as machinery, automotive products, and Information and Communications Technology hardware.
 - In **agriculture**, our farmers will be exporting dairy products to Canada; poultry to Vietnam; beef, pork, soybeans & wine to Japn.
 - This sector has long been a stubborn holdout in trade negotiations.
 - Japan will let in more sugar, beef, pork, rice, dairy [from more efficient producer countries like Australia & NZ].

- In **services**, American firms will be able to enter fields where they have a comparative advantage such as engineering, education, software, express delivery services, and much more.
- Traditional textbook [old-fashioned free-trade benefits](#) apply:
 - new export opportunities,
 - higher wages,
 - and a lower cost of living.
 - The widespread feeling that economic harm to the US economy followed NAFTA and the WTO is wrong:

Yes, real incomes of American workers stagnated over much of the last 40 years. Many opponents of new trade agreements think history shows that the last major instances – the agreements that established NAFTA (1994) and the WTO (1995) – had negative effects on the US economy. But the years 1996-2000 in fact saw a five-year improvement over long run trends:

- real (inflation-adjusted) GDP growth averaged 4.3%;
- productivity increased by 2.5% per year;
- workers received their share of the gains, real compensation/hr rising at 2.2% p.a.;
- and the unemployment rate fell below 4% by the end of 2000.

**** Two categories are of special interest to corporations (and special worry to critics who fear excessive benefits for corporations): IPR protection and ISDS.**

- These are areas where it is important to strike a balance.
 - On the one hand, critics often neglected to acknowledge that
 - (i) some degree of patent protection is indeed needed if pharmaceutical companies are to have an adequate incentive to invest in research and development of new drugs
 - or that (ii) international dispute settlement mechanisms could ever serve a valid useful purpose.
 - But, on the other hand, there was indeed a possible danger that such protections for corporations **could have gone too far.**
- **(2) ISDS: a mechanism to settle disputes between investors and states.**
 - The dispute settlement provisions might have interfered unreasonably with member countries' anti-smoking campaigns, for example.
 - In the end, the tobacco companies did not get what they had wanted.
 - Australia is now free to ban brand name logos on cigarette packs.

- TPP sets a number of other new safeguards against misuse of the investor-state dispute settlement (ISDS) mechanism as well.
 - E.g., there is a provision for rapid dismissal of frivolous suits.
 - The rest of the details are publically available in bullet point form from [USTR](#), if one takes the trouble to read them.
- **(3) Protection of the Intellectual Property Rights** of pharmaceutical and other corporations
 - The intellectual property protections might have extended to other TPP member markets a 12-year period of protection for the data that US pharmaceutical and bio-technology companies compile on new drugs
 - biologic medical products, in particular,
 - and might have made it too hard for generics to eventually bring the benefits to the public at lower costs.
 - In the end, these companies too did not get all they had wanted.
 - The TPP agreement assures protection of their data for only 8 years in some places
 - and 5 years in others and instead relies on these countries to use other measures to constrain the appropriation of the firms' intellectual property.
 - I don't know what is the right length of time, but the compromise strikes me as better than either the full 12 years or no protection at all of the incentive for R&D.

**** Two categories of "deep integration" are normally of special interest to Democrats: the environment and labor.**

- **(4)** Of the many things in the TPP's **environment chapter**, a few seem especially noteworthy.
 - 1st, it takes substantial steps to implement at the national level prohibition of trade in **endangered wildlife** -- banned under CITES (Convention on International Trade in Endangered Species) but insufficiently enforced. Likely beneficiaries of such [enforcement](#) of bans on trade in endangered species include rhinos, elephants, tropical birds, and rare reptiles.
 - 2nd, steps to protect the ocean environment from **ship pollution**.

- 3rd, it also takes substantial steps to limit **subsidies for fishing fleets** -- which in many countries waste taxpayer money in pursuit of the overfishing of our oceans.
 - incl. such depleted species as tuna and swordfish.
 - The agreement on fishing subsidies was reached in [Maui](#) in July; but critics were too busy to take notice.
- For the first time in a regional agreement, apparently, these environmental and labor provisions are subject to a dispute settlement process backed up by the threat of economic penalties.
- Some NGOs say these provisions will not be enforced strongly enough.
 - But trade penalties are among the most powerful tools for enforcement of international agreements that exist;
 - for that reason environmental groups in the past asked that such measures be placed in the service of environmental goals because Multilateral Environmental Agreements like CITES lack teeth.
 - CITES is more likely to be enforced with TPP than without it.
- **(5) Provisions in the area of labor practices** should also be of interest,
 - particularly in Southeast Asia.:
 - They include steps to promote **union rights** in Vietnam, allowing independent labor unions for the first time.

Furthermore, Vietnam agreed bilaterally to some extra commitments to make labor regulations consistent with the US. If it doesn't comply, the US will roll back tariff concessions on clothing and textiles.
 - and steps to crack down on **human trafficking** in Malaysia.
- **Many Democrats have been opposed to TPP all along.**
 - Indeed congressional Democrats in June for awhile blocked Trade Promotion Authority
 - supposedly in protest at being kept in the dark regarding the text of the agreement,
 - leading the press to declare the entire negotiations dead.
 - One might have expected that the Administration would be forced at the margin to move to the "Right" in order to pick up votes from Congressmen who said they would support the outcome if (and only if)

- it contained provisions that were sufficiently generous to American corporations.
- Those concerned about labor & the environment risked hurting their own cause by seeming to say that they would oppose the agreement no matter how well it did at including provisions to their liking, which could have undermined White House incentive to pursue their issues.
 - But that didn't really happen..
 - In the 1st place, the agreement gives the pharmaceutical firms, tobacco companies, and other corporations substantially less than they had asked for -- so much so that Senator Orrin Hatch (Utah) and some other Republicans now threaten to oppose ratification in the final up-or-down vote.
 - In the 2nd place, the agreement gives environmentalists more than they had bothered to ask for.
 - I don't know the extent to which these outcomes were the result of hard bargaining by other trading partners such as Australia. Regardless, it is a good outcome. Domestic critics should take a fresh look with an open mind.
 - ** Of course no single agreement does, can, or should try to address everything. There are three **areas not covered** by the TPP per se that seem to be important to some critics.
 - **(6)** Some, in both parties, oppose TPP because it does not include as part of the agreement legally binding rules against "**currency manipulation,**"
 - only a side-agreement for addressing currency manipulation.
 - One reason the Obama Administration did not push for something stronger is that other countries would have refused.
 - But they would have been on good grounds to refuse.
 - To illustrate, some in Congress and industry (Ford Motor Company) want to stop Japan, under threat of trade sanctions, from its expansionary monetary policy since 2013 which has had the usual

the effect of depreciating the currency – but this is the same thing that the US (rightly) did in 2010-11.

- Donald Trump is even further off base. In the Republican debates he seemed to think that China was in the TPP.
 - "The TPP is a horrible deal. It's a deal that was designed for China to come in, as they always do, through the back door and totally take advantage of everyone....And if you look at the way they take advantage, it's through currency manipulation. It's not even discussed in the almost 6,000-page agreement."
 - Apparently when the candidates make clearcut mistakes, the moderators do not feel it is their place to point out the facts. But Rand Paul did it: "we might want to point out that China's not part of this deal."
 - None of the other candidates seemed to know.
- **(7) China is not included.**
 - Some think this is a problem, since China is now such an important part of the economy.
 - But the exclusion of China is generally treated as a selling point, implying that the point is to counteract its rising power,
 - part of Obama's "pivot" to Asia.
 - Defense Secretary Ash Carter said TPP is more important to our national security in the Pacific than another aircraft carrier.
 - The interpretation I like:

The best outcome is if we get to write the rules for TPP first (labor, environment, IPR, ISDS, etc.), and then China is welcome to join if and when it is ready to participate by those rules.
- **(8) Climate change is not included.**

(Jeff Sachs seems to think this a reason to oppose.)

Why should it be?

It is addressed by the Paris UNFCCC agreement in Paris in December.

- **Many citizens and politicians made up their minds about TPP some time ago**, based on having read seemingly devastating critiques of what was feared would emerge from the trade negotiations.
 - They kept demanding to see the text of the agreement.
 - When the text was released in November it was time for the critics to read the specifics that they had so long hungered to see and to decide whether they were still against it or could support it after all.
 - If they did, they just might discover that their nighttime fears are much diminished by the light of day.
 - Instead, [some NGOs](#) issued statements that it was “much worse than they thought” within a few hours of its release,
 - presumably without reading it, since it is many hundreds of pages long.

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