

The Trans-Pacific Partnership and the Future of International Trade

On **Tuesday, August 8th 2012**, participants gathered at what is, to date, the largest in-center event ever held at The Wilson Center. The event was co-hosted by the Program on America and the Global Economy (PAGE), the Asia Program, the Canada Institute, the Kissinger Institute, the Latin America Program (LAP), and the Mexico Institute with support of Wilson Center Senior Scholar William Krist. The discussion on the Trans-Pacific Partnership (TPP) and the Future of International Trade featured **Ambassador Demetrios Marantis**, deputy U.S. Trade Representative, as the keynote with two expert panels speaking afterward about new and future participants of the TPP and key U.S. interests. The event was moderated by **Kent Hughes**, director of the Program on America and the Global Economy at the Wilson Center.

Ambassador Marantis began by stating the goals of the TPP and the reasons for creating the partnership. He stated, “The Asia-Pacific region is critical to America’s economic competitiveness as well as to creating and supporting the good-paying jobs that result from international trade,” with supporting statistics that 60% of U.S. goods exports go to the Asia-Pacific, three-quarters of U.S. agricultural exports go to the Asia-Pacific, and that the Asia-Pacific is home to 40% of the world’s trade. The desired goals in formulating the TPP, starting in 2009, include integrating this key region to address new problems, enhance U.S. competitiveness, build a regionally diverse agreement with developed and developing economies, integrate already established free trade agreements within and amongst various countries, negotiate a living agreement open to new members, incorporate issues never before included in a trade agreement, develop new and innovative approaches to trade issues, and accomplish all of these goals as quickly as possible.

One of the main themes of the TPP is creating a high standard comprehensive agreement, covering both goods and services, including those of the future. Another is to allow businesses and exporters to create regional supply chains. Tackling tariff-barriers is something the TPP is trying to accomplish by promoting regulatory coherence. Another theme of the TPP is including cross-cutting issues, such as integrating small and medium enterprises into global trade, and dealing with a lack of transparency in certain countries. Ambassador Marantis emphasized the importance of integrating SMEs into the TPP stating that they are, “The backbone of our economy and the primary source of jobs here in the United States.” The TPP also strives to confront newly emerging issues: attempting to even competition between state-owned enterprises and their private sector counterparts, and guarantee free flow of information in the area of digital trade. One of the most important themes Ambassador Marantis underlined was making sure that the TPP is a living agreement. In doing so, the TPP is integrating new countries as they are evolving to meet the high standards defined in the agreement as well as accepting public comments on negotiation objectives.

Japan has expressed interest in joining the TPP and the Ambassador noted that the U.S. is working with Japan but there is much more work to be done before Japan is able to join. Ambassador Marantis remained confident about the upcoming negotiations and progress in creating a, “high standard 21st century agreement that serves as a platform for regional integration in the Asia-Pacific.”

Questions arose concerning the U.S.’s position on the possible inclusion of China and Taiwan in the TPP, intellectual property rights, and provisions for financial services, and the lack of ministerial involvement in the negotiations.

Following the keynote, the first panel addressed the new and future participants of the TPP. This panel included: **Laura Dawson**, president of Dawson Strategic and former public policy scholar at the Wilson Center; **Jeff Schott**, senior fellow at the Peterson Institute for International Economics; **Edward Lincoln**, associate professor at George Washington University; and **Luz Maria de la Mora Sanchez**, professor of CIDE and former public policy scholar at the Wilson Center with **Kent Hughes**, director of PAGE, as moderator.

Laura Dawson spoke on Canada’s recent induction into the TPP. Although they have been invited to join, there is a provisionary period of 90 days until Canada becomes an official member. Therefore, Canada will not be an active participant in the next round of negotiations, taking place in September. Canada is interested in the TPP because it gives them a stake in the Asia-Pacific markets and helps them negotiate a, “next generation trade agreement in areas that businesses find important.” Consolidating the administrative mechanisms for moving goods across borders reduces the overall cost. Also, the markets involved in the TPP are substantial; providing Canada with the prospect of economic expansion and growth. Dawson expressed some concern about the U.S. fragmenting the negotiations: making better deals with bigger partners and increasing costs due to separate administration of trade agreements tariff and border measures.

Luz Sanchez provided analysis on Mexico’s opportunities, challenges, and work for successful participation in the TPP. Mexico, like Canada, is also a newcomer to the TPP. Mexico’s reasons for joining are to keep their competitive edge with the U.S. market and to strengthen ties and balance trade with key markets in Asia. Mexico has been very defensive with regard to the private sector, agricultural sector, and textiles. Other challenges Mexico faces are the TPP’s stance on rules of origin, state-owned enterprises, public procurement, intellectual property, and regulatory convergence. The TPP will help diversify Mexico’s export markets and import sources and build integration with NAFTA countries’ export to TPP countries. Membership in the TPP will also benefit foreign direct investment as well as domestic reform.

Next, **Edward Lincoln** followed up on Japan’s lack of involvement in the TPP. His message on Japan was, “don’t hold your breath.” Japan has seen major improvement in the development of its markets, although it is, “still considerably less open to imports and inward investment than it ought to be given its status as a large, affluent...economy.” The current regulations and restrictions Japan places on its services would make it very difficult for them to join the TPP. Also, Japan’s previous bilateral and regional free trade agreements demonstrate that they are not ready to become involved in such a “high

standard” agreement. Japan has indicated interest in joining the TPP but a decision has not yet been made, and is unlikely to occur anytime soon.

Jeff Schott reiterated the keen interest other TPP countries have in China’s participation. Schott projects that although China is key to all those involved in the TPP, it will not be included in the negotiations until the end of 2013 at the earliest, when the details of the agreement have been solidified. China is more likely to pursue ties with its Asian neighbors before engaging with the TPP countries. Schott accounts, “such restraint is due to political priorities as well as a lack of readiness and willingness to pursue a comprehensive trade accord.” Schott argued that high standards of transparency and domestic policies, and disciplines on government interventions are the reason for China’s exclusion from the TPP but remarks that such statements could be said about Vietnam although it has made a commitment to the TPP. He also refuted the claim that the US is trying to contain China to diffuse its economic and political influence in the region on the premise that China is too large of a country, economically and politically, for containment by a trade agreement, and that the US is dependent on China to confront global economic and security challenges in Asia. Schott points out the main focus of the TPP and advantage to its participants is strengthening competitiveness. His hypothesis is that Korea and Japan may join the TPP soon and with their inclusion, China will follow suit because of its trade relationships with these two countries.

Questions included what kind of impact the elections would have on the TPP and exchange rates and currency as a strategic tool in trade.

The second panel, focused on key U.S. interests in the TPP included **Stephanie Burgos**, senior policy advisor at Oxfam America; **Celeste Drake**, trade policy specialist for AFL-CIO; **Jim Grueff**, trade consultant and former trade negotiator for the Foreign Agricultural Service; and **Linda Menghetti**, vice president of the Emergency Committee for American Trade.

Menghetti listed the key business priorities of the TPP as comprehensiveness and market access, investment, intellectual property, innovation and e-commerce, competition policy and a “level playing field,” supply and production chains, enforcement, and the fact that it is a living agreement. About the agreement, she says, “It’s (about) sustaining and creating American jobs. It’s raising living standards, and it’s improving competitiveness.”

Celeste Drake reiterated Menghetti’s remarks about the TPP being a high standard, ambitious agreement but also moving away from the current model and focusing more on high standards for labor and the environment and job creation. Investment rules are an important provision in the labor agreements, especially regarding domestic government protection of its people and natural resources. State-owned enterprises, government procurement, financial services, rules of origin, and appropriate trading partners are all important considerations to promote jobs in the US and overseas and raise standards of living, which Drake says should be the goal of trade.

James Greuff gave an agricultural perspective to the TPP. He began by noting that there has been a decline over the past decade with regard to agriculture interests in trade policy. The agriculture’s perspective has been generally supportive of the TPP. Among the eight participating

countries, the U.S. already has free trade agreements in place with four. With the other four, US agriculture has been looking at the prospects of better access into their markets, which has not been well-received among US agriculture exporters. With Mexico and Canada coming into the picture, the agricultural community is relatively unaffected because NAFTA has taken care of trade issues for over a decade.

One aspect that is of interest to U.S. farm groups is health-related import measures. The TPP seeks to enhance the existing WTO disciplines (The Agreement on Sanitary and Phytosanitary Measures.) With approach to the US dairy sector, the TPP process will be challenging, as with US beef, since countries will have duty-free access into other markets. Greuff ended with the question of whether the USTR would try to sell the TPP agreement based on how it will benefit market access or that it is essential to national interests.

As the final panelist, **Stephanie Burgos** provided interesting insight from the NGO perspective. She stated, “trade can be an engine for poverty reduction as long as the rules generate benefits for people living in poverty...broad-based development should be a core objective of US trade policy. But we think TPP fails this test.” The biggest concerns from Oxfam’s perspective are with regard to intellectual property, affordable medicines, and investment provisions.

Questions for the panel included how to go about initiating dialogue with the agricultural sector, and investor-state dispute settlement.