



Under Review: Remember the Trans-Pacific Partnership?

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June 17, 2020

In 2005, four countries began work on what would become known as the Trans-Pacific Partnership, or TPP, as it became commonly called. Those countries were Brunei, Chile, New Zealand and Singapore.

As the partnership grew, so, too, did the participants. By the time the bill was signed on Feb. 4, 2016, the number of present countries grew three times the original amount. It would come to include Australia, Canada, Japan, Malaysia, Mexico, Peru, Vietnam and the United States, in addition to the original four.

The bill was set to be one of the hallmark legislations of the Obama presidency, so what was the Trans-Pacific Partnership and what happened to it?

To be simplistic, it was a trade agreement. But in reality, it was much more than a run-of-the-mill trade agreement. The world has evolved to such a great extent, so traditional trade agreements were/are becoming increasingly antiquated. Trade agreements have had to evolve, and therefore include a litany of different clauses aside from those pertaining only to trade.

To begin, the proposed partnership would eliminate over 18,000 tariffs. In fact, an article in the Wall Street Journal said that tariffs on all U.S. manufactured goods and almost all U.S. farm products would be eliminated completely. The Congressional Research Service said the TPP would be “the largest U.S. FTA (Free Trade Agreement) by trade flows (\$905 billion in U.S. goods and services exports and \$980 billion in imports in 2014).” In other words, the partnership would result in 18,000 tax cuts to made-in-America exports, according to the US government website dedicated to the TPP.

But other than slashing tariffs, the bill also included a host of other clauses, which included business protections, environmental features and legal issues pertaining to intellectual property, among others.

For example, the U.S. government’s TPP website notes that the partnership would require fulfillment of obligations to the Convention on International Trade in Endangered Species of Wild Fauna and Flora, in order to add protections to endangered species. Furthermore, it added requirements to “prohibit harmful fish subsidies,” in an effort to combat actions like overfishing.

The Office of the United States Trade Representative said the “TPP includes the most robust and enforceable environment commitments of any trade agreement in history.” That is certainly high praise for the partnership, but this was coming from the Executive Office of the President.

Some environmental groups found issues with the legislation, like the Sierra Club, National Resources Defense Council and the World Wide Fund for Nature and Friends of the Earth. Meanwhile, other organizations praised the environmental accomplishments of the TPP, including the World Wildlife Fund, Nature Conservancy, Humane Society and Wildlife Conservation Society, among others.

Additionally, the Peterson Institute called the TPP the “most environmentally friendly trade deal ever negotiated.”

In addition to stipulations previously mentioned, participating countries were also subject to rules of “good governance.” Essentially, this requires an active effort to thwart corruption within the government.

Human rights issues were also taken into consideration. Exploitative child and forced labor were prohibited, as well as employment discrimination. The right to collective bargaining was also a part of the TPP.

The TPP also sought to protect individuals and companies regarding intellectual property, seeking protections for things like copyrights, trademarks and patents. It also incriminated any violation of these rules. By adopting protections such as these, it was argued that “innovation would be spurred,” according to the Office of the United States Trade Representative.

Some, like Paul Krugman at The New York Times, thought that the increased importance of intellectual property regulation would yield a more conducive market to big pharmaceutical companies, arguing they would benefit by “gaining advantages” and having increased rewards. For those reasons, drug prices would increase. Others, like participants at the Cato Institute, argued that there is no evidence corroborating this claim.

Perhaps the most remembered portion of the partnership was the clause for investor-state arbitration, or ISDS. Essentially, this mechanism allows investors to sue foreign governments for violations. This is designed to protect investors by offering them some of the same advantages they have in the United States, which might not be present in other countries. The agreement wouldn’t allow governments to require other governments to overturn laws, but it would grant them the ability to require monetary damages be paid to the aggrieved party.

There were a wide array of opinions on whether or not the TPP was beneficial or if it was a hindrance. For example, many thought it was a partnership that would serve the wealthy. Joseph Stiglitz, an economics professor at Columbia University, claimed the TPP “serves the interest of the wealthiest.” Organized labor in the U.S. agreed with this stance, claiming it would largely benefit corporations at the expense of the workforce.

The Economic Policy Institute and Center for Economic and Policy Research argued it could result in job loss and wage reduction. Economists Peter Petri and Michael Plummer said the deal would benefit the poorest countries participating in the deal, with the implication being that it wouldn’t benefit the wealthier nations.

Others, like Robert Lawrence at Harvard, said gains to poor and middle-class households would be greater than in high income households. Ed Gerwin of The Wall Street Journal claimed the partnership would help small businesses.

The political and economic ramifications on a global scale seem largely to have reached a consensus. By having western countries in an alliance with several Asian nations, most notably Japan, with South Korea showing interest, all participants would benefit by decreasing their reliance on China. What would happen, in turn, is pressure for China to accede to the subtle demands of the surrounding nations to alter the way they operate their economy. The idea was to push China toward a more liberalizing economy, allowing a freer and less oppressive form of governance and economic regulation.

For example, according to an [article](#) in The New York Times, Shinzō Abe, the prime minister of Japan, argued that Chinese accession to the TPP in the future would have a major pacifying impact on the Asia-Pacific region.

But for China to feel the urgency to acquiesce to increasing global demands, the U.S. would need to be part of the deal — something the Trump administration denounced, a position they would later rescind. (It is unclear where they currently stand.) It would also benefit the deal if South Korea would join, but according to an [article](#) in The Washington Quarterly, they have remained uninvolved largely out of a concern to maintain balance in their economic relations with China and the U.S.

In January 2016, the National Association of Manufacturers recognized the implications in play if the U.S. didn't join forces with the other nations in the TPP, saying, "Without such an agreement, the United States would be ceding economic leadership to other global powers, letting them set the rules of economic engagement in the region."

In a [Bloomberg article](#), it was also argued that this deal would've brought China's neighbors closer to the U.S., thereby reducing dependence on Chinese trade. That positioning would've strengthened American influence on future rules for the global economy, which is part of why China would feel pressure to make changes within its own economy.

President Barack Obama echoed those sentiments when he said, "If we don't pass this agreement — if America doesn't write those rules — then countries like China will."

Things became complicated for the future of the TPP with the introduction of the Trump administration to the White House. Even before he had announced his candidacy, President Donald Trump was voicing his opinion on the partnership, perhaps laying the groundwork that would become part of his campaign.

According to an [article](#) in The Washington Post, Trump first referenced the TPP in April 2015. He tweeted lines such as: "The Trans-Pacific Partnership is an attack on America's business... This is a bad deal," and, "...The Trans-Pacific Partnership will squeeze our manufacturing sector," in addition to, "The Trans-Pacific Partnership will lead to even greater unemployment. Do not pass it." As noted above, some of these criticisms had been put forth by economists, and Trump was echoing their sentiments.

Trump announced his candidacy two months later in June. Around that same time, the article from The Washington Post referenced above also notes that Hillary Clinton was voicing her

disapproval of the partnership, an about face from when she was secretary of state during Obama's tenure as president, when she called it the "gold standard" of trade pacts."

Trump announced that withdrawing from the TPP is one of the first executive moves he would make. He followed through on that promise when he signed an executive order on his third day as president to remove the United States from the partnership. He said in a video that the move was a "great thing for the American worker, what we just did."

Not long thereafter, the remaining countries opted to move forward with the agreement without the United States. The new deal would be called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

In 2018, Trump walked back some of his previous declarations regarding the TPP. He said he would even be open to joining if some changes were made. The Washington Post article went on to note that Japan's minister in charge of the TPP said, "If this means that President Trump is correctly evaluating the significance and effects of the TPP, it's something we want to welcome. The eleven participating countries share the thinking that it would be extremely difficult to take out part of the TPP and renegotiate or change it."

Why did Trump remove the United States from the Trans-Pacific Partnership? We have his claims that it will be bad for the American workforce, but it's hard to truly evaluate his intentions — to try to do so is a futile gesture. After all, there was conflicting evidence that even that much was true. He's also shown a stubborn streak of inconsistency throughout his four years as president.

For example, David Autor, David Dorn and Gordon Hanson, all economists, argued that "killing the TPP would do little to bring factory work back to America."

In fact, the U.S. International Trade Commission said that the TPP would actually improve the U.S. economy, citing the following figures: unskilled workers would take 25% of gains, skilled workers 41% and business owners 34%.

The Trade Commission also estimated an increase in jobs by 128,000, while real GDP would be 0.15% higher; exports would increase 1%, while imports would increase 1.1%. They also noted that the TPP would "generally establish trade-related disciplines that strengthen and harmonize regulations, increase certainty and decrease trade costs for firms that trade and invest in the TPP region."

It should also be noted that according to an assessment by the Trade Commission and an article in The Wall Street Journal, there would be winners and losers. For example, gains would've been seen by the dairy industry, as well as miscellaneous business services industries. Net losses might've been felt in auto parts, textiles and soybean production, as well as chemicals and drugs. This leaves Trump's base with conflicting outcomes.

Meanwhile, to further convolute the message, Peterson Institute thinks the partnership would've increased incomes in the U.S. by \$131 billion. But Tufts University suggests that it would've cost the U.S. 450,000 jobs. Meanwhile, the Cato Institute says that the partnership would've been net liberalizing, something that Trump seems to stand for.

With all this taken into consideration, it's possible that Trump was genuinely trying to look out for American industry and jobs. After all, there were conflicting reports abound, and they seemed to proliferate daily.

But it's also possible he was honing in on sectors that might be beneficial to only a certain sect of people. For example, if pharmaceutical companies are actually to be damaged by the partnership, that's something his conservative base would disapprove of.

It's also possible that his withdrawal from the deal was a vain attempt to appeal to China and President Xi Jinping. The president does seem to have an uncanny need to cozy up with powerful dictatorial types, like Russia's President Vladimir Putin.

For example, the president keeps calling the Russian interference investigation a "hoax," which undoubtedly pleases Putin. The Atlantic mentioned how Trump said of the North Korean dictator Kim Jong Un, "He wrote me beautiful letters, and they're great letters. We fell in love."

It should come as no surprise then that Trump — an invertebrate when faced with those other, more powerful leaders — might want to satisfy Jinping. The former has tried to take a hard stance on the latter but capitulates when his adversary becomes too forthright — or perhaps even when China takes advantage of Trump's incessant need to be liked and admired.

Take, for example, the phase one deal Trump "negotiated" with China. In a Politico [article](#), Zachary Karabell argues that the deal simply restored the relationship between the United States and China to the same state it was prior to the Trump presidency. It also declares a hollow victory, pointing to areas lacking in substance; it also cost the U.S. billions of dollars in the meantime.

The Trump administration congratulated itself and applauded the deal in the usual fashion, purporting the deal to be "momentous" and "remarkable," before claiming it a "righting of wrongs of the past." These are effectual catch-all terms for his base that the administration uses so that not only does it not have to explain itself, it gives supporters a list of words which they can repeat to their friends and colleagues, and feel proud of the job the president has done — even if that job is only a restoration of pre-Trump economic policy and politics, which he managed to bungle in the beginning anyway.

Essentially, the deal has been reduced to a "win" only because it locks the two countries into a truce for the time being, thereby eliminating the current possibility of an outright American loss.

Regardless, Trump seems to volley sentiments about the Chinese government with himself, bouncing between admiration and admonishment, unsure of which approach better serves his reelection candidacy. Or, aside from his candidacy, which better serves his ego.

The possible reasons for Trump's detesting of the partnership are numerous. It could've been because he hoped to secure jobs for Americans, something that he campaigned on; it could've been to pacify the Chinese, or it could've even been to ensure a net positive for the wealthier constituents and allies whom he hopes to please.

But perhaps Trump, Clinton and a host of economists were correct. Maybe the TPP just wasn't that good of a partnership. But it seems hard to reconcile the loss of benefit that would have been derived from getting China to forego much of its economic impropriety and instead conform to the norms and rules and regulations of the American economic system.

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