



TPP: Senate blocks bill on “sad day” for US trade

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The US Senate has blocked a bill that would allow President Obama’s fast-track approval of the two biggest free trade agreements in history.

Senators voted 52 to 45 in favour of the Trade Promotion Authority (TPA) proposal, short of the required vote of 60, arousing concerns among supporters of the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) that the agreements may not get over the line.

“This is a very sad day. Faced with the choice of providing continued leadership on global trade or retreating behind domestic walls, the US Senate voted to retreat,” Deborah Elms, executive director of the Asian Trade Centre in Singapore told **GTR** in the wake of the vote. “Even if the United States manages to patch up this TPA bill and proceed, other countries just confirmed their own growing doubts about whether the Americans can still get things done.”

The TPA bill would essentially allow Obama to submit the TPP agreement – a huge FTA under negotiation with 11 other nations, including Japan – to Congress for a straight “up or down” vote, without the ability to make any amendments to the agreement.

However its early rejection by the Senate will come as a huge blow to the president, who has made the passage of the TPP and progressing negotiations on the TTIP, an FTA with the EU, priorities of his second term in office.

Obama has failed to convince members of his own Democrat Party that the deal was a good one for the US economy. He faced serious opposition from the left of his party, led by the popular Massachusetts Senator Elizabeth Warren, who opposed the lack of transparency of the agreement and who were against the inclusion of the controversial investor-state dispute settlement (ISDS) clause.

ISDS is the trade instrument that grants a foreign investor the right to initiate dispute settlement proceedings against a foreign government, in a private tribunal. It is commonly included in free trade agreements, but opponents say it could leave local level policymakers vulnerable to legal action from overseas investors, should local laws interfere with their ability to turn a profit.

Factions of the Democrat Party have grown disenchanted with FTAs, claiming they are the cause of job losses in the US. Opponents of the FTA say that the TPP texts should be subject to full scrutiny by Congress before the agreement passes to completion. Many also wished to see a reform of labour laws in some of the prospective members of the TPP, saying that they don't offer workers the same rights and standards as legislators in the US insist on.

Between the four pieces of legislation and their amendments, there is still room for horse-trading. Dan Ikensen, Cato Institute

It left the president in the unusual position of having the support of the Republican opposition, but not his own party.

“Senate Majority Leader McConnell chose to bundle two of four pieces of trade legislation voted out of the Finance Committee two weeks ago – TPA and Trade Adjustment Assistance – but many Democrats are insistent on bundling all four, one of which includes provisions for changing the US trade remedy laws to make it easier for domestic industries to impose duties on imports under the antidumping law and to explicitly permit treatment of so-called foreign currency manipulation as a dutiable subsidy under the countervailing duty law.

“Both of those changes would inflict costs on import-using US firms, consumers, and taxpayer, and should be avoided. But between the four pieces of legislation and their amendments, there is still room for horse-trading.” Dan Ikensen, director of the Cato Institute's Centre for Trade Policy Studies tells **GTR** in an email exchange.

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The Obama administration has been vocal in its desires to conclude the TPP this year, before primary season for the next US election begins early in 2016. The TPP covers 40% of global GDP, 30% of world trade and includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

And while this is the immediate priority, trade watchers have warned that should the TPA fail to pass, it will have wider ramifications for US trade policy and, by default, the US economy.

Deborah Elms at the Asian Trade Centre says: “The TPA bill on the table was not just about the TPP. It is supposed to guide US policy over the next five years in a series of pivotal negotiations. These included the TPP with 11 other trading partners (potentially 19 by 2020); the Europeans (in the TTIP); more than two dozen key countries in services (Trade in Services Agreement); critically important participants in the global trade in information technology (ITA2); more than 160 members in facilitating trade faster and cheaper across borders (Bali trade facilitation); and whatever new ideas present themselves in the next five years.”

The issue became increasingly politicised as the first vote grew closer. Earlier in 2015, there was great confidence among supporters of the FTA that the bill would be passed by the Senate, and

while many remain assured that it will eventually get over the line, it is clear that some adjustments will need to be made.

“It was a setback but there is already talk among the Democratic leadership in the Senate on potential compromises to attract more democratic support, such as by a separate vote on currency provisions or packaging the TPA with other trade legislation. It remains to be seen if the Republican leadership will agree. A spirit of compromise will be needed on both sides in order to identify a path forward,” Miriam Sapiro, former Deputy US Trade Representative and now a principal at Summit Strategies and non-resident senior fellow at the Brookings Institution, tells **GTR**.

It now remains to be seen how many of his Democrats Obama can placate in order to get the TPA over the line. Speaking to reporters on Capitol Hill following the result, John Cornyn, the No 2 Republican in the Senate said: “Really it’s a question of does the president of the United States have enough clout with members of his own political party to produce enough votes to get this bill debated and ultimately passed.”