



Trump vacates US leadership role with regressive trade stance

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While President Trump was on his way to the annual meeting of the World Economic Forum in Davos, Switzerland for discussions with the global elite, bigger "globalist" news broke in Tokyo with the announcement that the 11-nation Trans-Pacific Partnership (TPP) had reached a final deal. This is welcome news for trade liberalization.

But it is bad news for the United States, given that the reason the TPP is an 11-nation agreement is that, right after he took office, President Trump pulled the U.S. out of it. As the U.S. questions the global trading system and President Trump makes threats to withdraw from this or that trade agreement, the rest of the world continues to move forward. That gives the U.S. less sway over international trade rules.

The positive developments with the TPP contrast starkly with the ongoing negotiations of the North American Free Trade Agreement (NAFTA), which entered their sixth round this week and could stretch on for a while longer.

At the moment, these talks are struggling to deal with some so-called "poison-pill" proposals the U.S. has put forward, including restrictive rules of origin, "Buy America" government procurement, attacks on dispute settlements and a sunset clause, which would require the lifespan of an agreement to last just five years.

For their part, the TPP countries ironed out their most contentious issues with what could be called "lightning speed" in the slow world of trade negotiations. Canada's concerns were alleviated when it secured a side-letter for protection of its cultural industries, as well as bilateral concessions from Malaysia, Australia and Japan regarding autos.

In addition, certain obligations the United States had pushed for, such as broad investor-state dispute settlement rules and stronger protections for biologic drugs, were suspended in whole or in part.

The suspension is designed so that these provisions can be reinstated if the U.S. decides to join at a later date (as unlikely as that might seem right now). But that technicality should not distract from the larger point: U.S. withdrawal from the TPP means that the United States is no longer shaping global trade rules the way it once did.

The final compromises made by the TPP parties to reach a deal also demonstrate the flawed logic of the Trump administration's trade policy. First, if there were serious concerns over the content of the TPP, the administration missed an opportunity to renegotiate it.

Instead of pulling out of the deal, they could have worked with the 11 other countries to secure the changes to make the agreement more palatable, as the 11 remaining TPP parties just did. Yet, no specific proposals were ever put forward for what the Trump administration would have liked changed about the TPP.

Instead, they have hidden behind vague platitudes like calling for "fair trade" or criticizing "multilateral" deals. Perhaps they really do prefer bilateral deals, but they have not started negotiating any yet.

Also, TPP minus the U.S. highlights a larger trend that is underway in trade policy, and elsewhere — other countries are stepping up to fill the vacuum of leadership. The future of trade liberalization seems to lie in the hands of the rest of the world.

Canadian Prime Minister Justin Trudeau, speaking on the conclusion of TPP at Davos highlighted the need for a new approach and championed his idea for a progressive trade agenda that addresses issues such as gender equality.

He made clear that "sitting back and hoping some other corporation — or some other country — volunteers to take the lead" on current economic challenges "will get us nowhere." Combined with the announcement of the conclusion of the TPP it does seem, in fact, that Canada and the 10 other countries of the TPP are no longer choosing to sit back and wait for the United States.

That's good for the world, but a sad day for U.S. leadership.

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