

WebMemo



Published by The Heritage Foundation

No. 2177

December 22, 2008

America Should Support the Trans-Pacific Strategic Economic Partnership

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In March 2009, the U.S., Australia, and Peru will sit down with member countries of the Trans-Pacific Strategic Economic Partnership (P-4) to negotiate the potential expansion of the P-4 trade agreement. The U.S. has already participated in negotiations regarding the services and investment chapters of the P-4 agreement and announced in September that it would pursue full membership within the Asia-Pacific trade group. Brunei, Chile, Singapore, and New Zealand—the current members of the P-4—designed the Trans-Pacific Agreement to serve as a model agreement for the Asia-Pacific region, one that will remain open to new members committed to freer trade—including, importantly, the U.S.

The number of items on the U.S. trade agenda for 2009 and beyond is already considerable: the need to pass the three pending free trade agreements with Colombia, Panama, and South Korea; finding ways around the obstacles thwarting a meaningful conclusion to the Doha Round of multilateral trade talks in the World Trade Organization (WTO); and a host of other trade policy issues from effective U.S. trade enforcement to rationalizing trade rules and regulations across U.S. trade partners. With such a full plate, the number of any new trade initiatives should be limited to those that are vital to U.S. interests; America's participation in the P-4 is one such endeavor. The P-4 trade agreement would expand and strengthen U.S. economic and strategic ties to the region and could lay a solid foundation for a wider Free Trade Area of the Asia Pacific (FTAAP).

Benefits of Joining the P-4. The P-4 is a high-standard, comprehensive agreement that lowers tariffs and non-tariff barriers to trade while preserving national sovereignty. The agreement promotes sound labor and environmental standards, greater regulatory transparency, and the protection of intellectual property rights and is WTO-compliant. Similarities exist between the treatment of services and investment under the agreement and under the U.S. FTAs: As part of the conclusion of negotiations in 2005, the P-4 countries agreed to negotiate the agreement's sections on financial services and investment within two years of the P-4's entry into force—those negotiations began in March 2008 and included the United States.¹

Australia, Peru, and two of the four P-4 members (Chile and Singapore) are already FTA partners with the U.S. In the first year of the U.S.-Singapore FTA, America's trade surplus with Singapore more than tripled, growing to \$4.3 billion. Just four months after the U.S.-Australia FTA was implemented, America's trade surplus with Australia grew by nearly 32 percent to more than \$2 billion. Exports to Chile and Singapore expanded by \$4 billion in the first year after these free trade agreements were implemented.² In

This paper, in its entirety, can be found at:
www.heritage.org/Research/TradeandEconomicFreedom/wm2177.cfm

Produced by the Center for International
Trade and Economics (CITE)

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

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2007, America exported more than \$60 billion worth of vehicles, plastics, cereals, fruits, chemicals, machinery, and other goods to Australia, Peru, Chile, Singapore, New Zealand, and Brunei. With the lower tariffs and non-tariff barriers accompanying U.S. accession to the P-4, America should enjoy the same meaningful expansion of trade with these countries that it has experienced under previous FTAs.

With the potential for additional countries to join the negotiations, the expansionary effect of the agreement could be significant. The Asia-Pacific region is expected to grow more than twice as fast as the global economy in 2009.³ The area accounts for about 40 percent of the world's population—a considerable amount of buyers for U.S. goods and services. So far, America is a marginal participant in the more than 225 trade agreements—either in force, in negotiations or awaiting implementation—that include Asia-Pacific countries.⁴ Inclusion in the P-4 would enable U.S. firms and consumers to enjoy a stronger link to the area—especially if the agreement successfully evolves into a larger FTAAP.

However, caution should be exercised with adding too many countries to the negotiating table in March. The larger trade negotiations become, the more likely such talks will grow too cumbersome to reach an agreement in a timely manner. The tendency to pull many countries with varied trade agendas together into trade talks is why many regional initiatives fail to make progress. Rather than trying to build a FTAAP comprised of numer-

ous Asia-Pacific nations, an incremental approach that involves only the most willing of countries would be the most effective way to form a trade pact capable of long-term expansion.

P-4 negotiations will not only improve America's free trade relations with Brunei, New Zealand, and other potential member nations, but these talks will also help to streamline and make more consistent trade rules that exist under the U.S. FTAs with Chile and Singapore. Should U.S. FTA partners Australia and Peru accede to the P-4 as well, the benefit of using the P-4 as a vehicle to rationalize trade rules only increases.

Negotiations in 2009. Without the lower barriers to trade made possible by FTAs and six decades of multilateral trade liberalization, America would be less able to weather the current economic downturn. For the U.S. in particular, international trade has played an important part in America's struggle to stay above water during the current economic turmoil: Between the second quarter of 2007 and the second quarter of 2008, trade has accounted for almost 60 percent of U.S. GDP growth.⁵ America depends on international trade—trade that can be made freer with the new Administration's support of negotiations under the Trans-Pacific Strategic Economic Partnership.

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1. "Trans-Pacific Strategic Economic Partnership Agreement," New Zealand Ministry of Foreign Affairs, October 2005, at <http://www.mfat.govt.nz/downloads/trade-agreement/transpacific/trans-pacificbooklet.pdf> (December 17, 2008).
2. Office of the U.S. Trade Representative, "Free Trade Agreements Are Working for America," *CAFTA Policy Brief*, May 26, 2005, at www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file204_7872.pdf (December 17, 2008).
3. IMF, "World Economic Outlook Update," November 6, 2008 at <http://www.imf.org/external/pubs/ft/weo/2008/update/03/index.htm> (December 17, 2008).
4. Office of the U.S. Trade Representative, "United States to Negotiate Participation in Trans-Pacific Strategic Economic Partnership," September 2008, at http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2008/asset_upload_file660_15116.pdf (December 17, 2008).
5. Calculated from U.S. Department of Commerce, Bureau of Economic Analysis, *National Economic Accounts*, September 26, 2008, at <http://www.bea.gov/national/index.htm#gdp> (October 9, 2008).