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America Should Follow Through with Trans-Pacific Partnership Trade Negotiations

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One positive outcome of President Obama's recent trip to Asia is a U.S. commitment to reengage in long-postponed negotiations to join the Trans-Pacific Economic Strategic Partnership (TPP).¹ Brunei, Chile, Singapore, and New Zealand—the current members of the trade pact—designed the TPP² to serve as a model trade agreement for the Asia-Pacific region. A key feature of this agreement is that it remains open for new members committed to freer trade—most notably, the U.S.

Under the Bush Administration, the U.S. participated in negotiations on the services and investment chapters of the TPP agreement and, in September 2008, announced that it would pursue full membership within the organization. Those talks were supposed to take place in March 2009; however, they were delayed pending a review by the Obama Administration. Now negotiations could be back on track in 2010—much to the benefit of all of the countries involved.³

Much of the 2009 U.S. trade agenda has already been pushed back to 2010, including the need to pass the pending free trade agreements with Colombia, Panama, and South Korea; overcoming 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 so much catching up to do, the number of any new trade initiatives should be limited to those that are vital to U.S. inter-

ests. America's participation in the TPP is one such endeavor, especially with Australia, Peru, and Vietnam considering joining the negotiations. The 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).

Freer Trade with the TPP. The TPP is a high-standard, comprehensive agreement that lowers tariffs and non-tariff barriers to trade while still preserving national sovereignty. The agreement promotes sound labor and environmental standards, greater regulatory transparency, and the protection of intellectual property rights, and it is WTO-compliant. The agreement's treatment of services and investment has many of the same elements found in U.S. FTAs: As part of the conclusion of negotiations in 2005, the negotiating countries agreed to define the agreement's sections on financial services and investment within two years of the TPP's entry into force—those negotiations began in March 2008 and included the U.S.⁴

Australia, Peru, and two of the four current TPP nations (Chile and Singapore) are already FTA partners with the U.S. In the first year of the U.S.—

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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.⁵

In 2008, America exported almost \$74 billion of vehicles, plastics, cereals, fruits, chemicals, machinery, and other goods to Australia, Brunei, Chile, Peru, New Zealand, Singapore, and Vietnam.⁶ With the lower tariffs and non-tariff barriers that U.S. accession to the TPP would bring, America should enjoy the same meaningful expansion of trade with these countries that it has experienced under previous FTAs.

Caution! With the potential for additional countries to join the negotiations, the expansionary effect of the agreement could be significant. So far, America is a marginal participant in the more than 225 trade agreements that include Asia-Pacific countries and are in force, in negotiations, or awaiting implementation. Inclusion in the TPP 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 always be exercised when adding countries to the negotiating table: The larger trade negotiations become, the more likely it is that they will become cumbersome to conclude an agreement in a timely manner. The tendency to pull many countries with many trade agendas together into trade talks is why many regional initiatives fail

to make progress. Rather than trying to build a FTAAP that incorporates many Asia-Pacific nations from the start, an incremental approach using the TPP that involves only the most willing of countries is the best approach to forming a trade pact that eventually yields high rates of participation.

TPP negotiations will not only improve America's free trade relations with Brunei, New Zealand, and other existing or potential members, but it will also help to streamline and make more consistent trade rules that exist today under the U.S. FTAs with Chile and Singapore. Should U.S. FTA partners Australia and Peru accede to the TPP as well, then this added benefit of using TPP as a vehicle to rationalize trade rules only gets bigger.

Making Progress in 2010. As a consequence of more than six decades of trade liberalization, the U.S. has become the central and critical player in the global market, serving as a principal consumer and producer of goods and services flowing around the world. This trade has bolstered U.S. investment, jobs, economic growth, and prosperity.

Trade accounts for more than one-third of U.S. GDP, and open markets are the life-blood of America's economic well-being. America depends on international trade—trade that can be made freer with the Obama Administration's late but welcome support for U.S. engagement in the TPP.

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1. President Barack Obama "Remarks by President Barack Obama at Suntory Hall," November 14, 2009 at <http://www.whitehouse.gov/the-press-office/remarks-president-barack-obama-suntory-hall> (December 3, 2009).
2. Formerly known as the P-4.
3. Australian Labor Party, "Trans-Pacific Partnership Agreement," November 14, 2009, at <http://alp.org.au/media/1109/mstra140.php> (December 3, 2009).
4. "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 1, 2009).
5. U.S. Trade Representative, "Free Trade Agreements Are Working for America," May 26, 2005, at http://www.ustr.gov/sites/default/files/uploads/fac0tsheets/2005/asset_upload_file204_7872.pdf (December 1, 2009).
6. Calculated from 2008 U.S. export data, at <http://tse.export.gov/NTDMap.aspx?UniqueURL=nr13c4mytwmpahihs5kkdgvv-2009-12-2-15-2-47> (December 1, 2009).