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**Trans-Pacific Partnership:  
An Important Element of U.S. Trade Policy**

**“The Most Advanced Trade Agreement in the World”**

Trade policy is a priority topic in Washington, DC. The Obama Administration recently issued its 2011 Trade Agenda. Ambassador Ron Kirk, U.S. Trade Representative (USTR), has testified in the House of Representatives (the House) and Senate in recent weeks. Members of both parties have written letters to President Obama, urging prompt action to create new U.S. jobs and protect U.S. companies in foreign markets. **This memo focuses on US interest in the Trans-Pacific Partnership (TPP) negotiations.**

**Introduction: Trade is Almost a Four-Letter Word**

Trade is a component of global competition. Countries compete to sign bilateral and regional trade agreements (free trade agreements, FTAs), even as the circa 190 members of the World Trade Organization (WTO) negotiate to conclude the Doha round of trade talks. Since approximately 2005, the US has not made much progress in updating existing trade agreements or signing new FTAs.

The final three FTAs negotiated during the Bush Presidency, with South Korea, Panama, and Colombia, have yet to be ratified by the US Congress. President Obama does not possess a current grant of “fast-track” power (also referred to as trade promotion authority) which would enable him to submit new FTAs to Congress under expedited rules whereby Congress would only have authority to approve (or deny) each FTA on a composite basis. Detailed changes to the FTA texts would not be possible.

Polls suggest that large sections of the country have negative attitudes toward trade, equating free trade (or “fair trade”, a term favored by some Democrats) with globalization, where globalization is cited for eliminating US-based jobs, eroding local wages, and causing anxiety among workers in manufacturing industries and other sectors.

Compared to other issues, trade is, generally, not a priority topic in Congress. Whereas many Republicans tend to support trade policy with focus on liberalizing foreign markets and promoting US exports, large factions within the Democratic Party seek to realign the foundation on which US trade policy, including US FTAs, is conducted. They speak of “fair trade” instead of free trade with emphasis on rigorous environmental and labor standards and robust protection for investors.

Many of these priorities were reflected in the bipartisan “New Trade Policy” agreed in May 2007 when the Democrats controlled the House. The new template was intended to apply to the three pending FTAs as well as to new FTAs.<sup>1</sup> As stated, the US has not entered into new bilateral FTA negotiations since concluding the talks with South Korea, Panama and Colombia.

Late last year, negotiators achieved a breakthrough in the FTA talks with South Korea. As detailed in the RGIT memo “U.S.-South Korea Free Trade Agreement (FTA): FACTSHEET” dated December 9, 2010, Korea agreed to grant greater access to US auto imports, thereby overcoming a key obstacle. The two governments also agreed to further dialogue on opening Korea’s market to US beef imports.

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<sup>1</sup> See attached RGIT report “‘New Trade Policy’: U.S. Congress and Bush Administration Announce Agreement on FTAs dated May 22, 2007 for details.

## The US Looks East

Given the difficulties cited above, the Obama Administration has shifted attention to Asia, the world's "most dynamic" region according to USTR Kirk, where a panoply of trade deals, bilateral and regional, are being concluded. Not wanting to be left on the sidelines, the US eagerly joined fledgling talks on creating a free trade agreement between nations in the "Asian-Pacific" region.

At present nine countries are participating in the TPP negotiations. The original **Trans-Pacific Partnership** agreement (TPP) (also known as the Trans-Pacific Strategic Economic Partnership Agreement) was signed by Brunei, Chile, New Zealand and Singapore on June 3, 2005, and entered into force on May 28, 2006. Since then, five additional countries: Australia, Malaysia, Peru, United States, and Vietnam, have joined the negotiations. Canada, Japan, the Philippines, South Korea, and Taiwan have expressed interest in TPP membership.

While the US has expressed interest for other nations to join the TPP talks, expanding the group may be difficult. For instance, there is resistance from New Zealand and the US regarding Canada on the issue of agricultural and dairy products. Regarding Japan, on March 8 27 Senators from both parties wrote Obama, expressing concern with Japan's restrictions on imports of US beef. They requested that the US resist Japan formally joining the TPP talks contingent on Japan softening restrictions on imports of US beef and lowering tariffs on other agricultural products.

With regard to the nine current TPP members, the US already has bilateral FTAs with Australia, China Peru and Singapore. This raises a question of architecture. Whereas the US has argued for a two-step process: placing bilateral offers within the TPP grouping, e.g. with nations with which there is an FTA, and then instituting an overall framework, the other TPP members seek a TPP-wide agreement on key terms, such as market access, without a number of carve-outs. So far, in the preliminary stages, the TPP members have been able to make progress without resolving these larger issues.

Apart from the FTA issue, among the nine TPP members, there are concerns in Congress that Vietnam, perhaps the least developed nation, will not possess the means necessary to deliver on its TPP commitments and to ensure adequate enforcement and compliance.

President Obama seeks to conclude the talks before the 2011 APEC Summit, which the US will host for the first time, in November in Hawaii. While the talks have made good progress since last year, it is uncertain, some say unlikely, that the talks will be concluded before the APEC Summit.

Established in 1989, APEC is a forum for 21 Pacific Rim countries that seeks to promote free trade and economic cooperation throughout the Asia-Pacific region. It acts as a counterweight to other economic groupings such as the European Union and North American Free Trade Area (NAFTA). The heads of government of the APEC member countries meet annually. It is speculated by some that, if the TPP talks among the nine current members are successful, the TPP agreement could serve as a template for bridging across to APEC members.

## Conclusion

The US interest in the TPP talks must be viewed strategically and economically. Strategically, the US seeks to retain connections to Asia, where a multitude of trade deals are being discussed and ratified, as a bulwark to Chinese and Japanese influence. Economically, in the effort to double US exports by 2014 and lower unemployment, the White House sees great potential for US companies to establish or boost existing market share in the dynamic economies in Asia. The additional benefit of the TPP format is that it also connects South America, where American influence and in some cases dominance, is being challenged by China and some of the larger South American nations. TPP will remain a priority for the Obama Administration and should continue to receive strong support from both parties in Congress.

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