

The Trans-Pacific Partnership (TPP)

By Paulette L. Stenzel

Executive Briefing: The proposed Trans-Pacific Partnership (TPP) is receiving increasing attention in the United States, especially from the business community. Many U.S. businesses support it while others in the U.S. and around the world oppose it. Therefore, it is important to understand what the TPP is designed to do and the reasons for conflicting opinions.

Why the TPP matters

 The proposed TPP is expansive in scope. It has been under negotiation for nearly ten years and, if approved, will affect forty percent of U.S. imports and exports. Countries engaged in TPP talks include Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and potentially Korea. Noticeably, China is not on the list. The parties are pursuing the TPP partly because the Doha Round of negotiations for the General Agreement on Tariffs and Trade has failed to result in an agreement over the past ten years.

Provisions of the TPP and why many U.S. businesses support the agreement

The TPP includes twenty-nine chapters dealing with myriad areas ranging from financial services and telecommunications to sanitary standards for food, and more. Many TPP provisions parallel those of predecessor Trade Protection Agreements (TPAs), such as the 1994 Uruguay Round of the GATT and the 1994 North American Free Trade Agreement (NAFTA). The U.S. Trade Representative (USTR) expects the TPP to open markets by eliminating tariffs and minimizing non-tariff barriers to trade. The USTR emphasizes the need for strong protections for intellectual property rights and wants to remove non-tariff barriers to trade that relate to licensing restrictions and rules of origin.

The USTR is seeking safeguards for several industry sectors. Tariffs on exported textiles and apparel will be eliminated, with a provision to protect the U.S. and other parties if a surge in imports causes “serious damage” to domestic producers. The USTR is also seeking increased access for U.S. businesses in financial services and insurance markets.

Rapid increases in the number of Internet users across the world are creating new opportunities for e-commerce. In response, the USTR is seeking provisions in the TPP that will support a single global Internet, promote choices in technology, and provide alternatives to costly international mobile phone roaming services. The USTR emphasizes that these provisions will be of particular benefit to small businesses.

Small and medium-sized enterprises (SMEs) assert that, as compared to larger enterprises, they have been at a competitive disadvantage under existing Free Trade Agreements (FTAs). The USTR is seeking ways to ensure that SMEs will have easy access to information about the TPP, acknowledging that SMEs are key contributors to economic growth in the U.S. and other TPP economies.

Who opposes the TPP and why?

The TPP is criticized for multiple reasons. This section will point out some areas of general concern as well as examples of concerns of specific interest groups in the U.S. and around the world.

The secrecy surrounding negotiations is criticized vehemently by individuals and groups from many TPP countries, including the United States.

Critics point out that TPP parties signed a confidentiality agreement promising that they will only share proposals with “government officials and individuals who are part of the government’s domestic trade advisory process.” In the U.S., law professors, public interest groups, and U.S. Senators Elizabeth Warren and Ron Wyden object to the U.S. government’s refusal to make a draft of the agreement publicly available.

Disagreement among the parties continues in multiple areas including substantive provisions related to

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copyright, financial regulation, capital controls, and government procurement. The United States is concerned about the potential to manipulate currency. Asian countries object to U.S. efforts to increase the length of copyright and patent protections.

U.S., critics are particularly concerned about labor and environmental provisions. The GATT, NAFTA, and other trade agreements entered by the United States have been criticized for their weak approach to worker and environmental protection, and TPP critics fear that it will be similarly weak. The USTR does say, however, that the U.S. is negotiating for stronger provisions in that area.

Many in the U.S. object to the fact that the Obama Administration is seeking Congressional approval for Trade Promotion Authority (TPA), which would give the proposed deal a “Fast Track” when presented to Congress. “Fast Track” means that Congress must approve a proposed agreement as presented, without amendment, or it must reject it in its entirety. Fast Track is not a new procedure; such authority has been used by Republican and Democratic presidents for many other trade agreements. Meanwhile, Asian countries worry that the controversy over Fast Track may stop the deal from being approved by the U.S. Congress.

Activists across the U.S. assert that TPP provisions will increase the power of major corporations. They are especially concerned about provisions related to intellectual property, market access, state-owned enterprises, and tobacco. Public Citizen asserts that the agreement will lead to the offshoring of millions of jobs, increase the cost of medicine, decrease food and water safety for U.S. citizens, and elevate the power of foreign firms.

Some provisions are opposed by representatives of specific market sectors. For example, the South Dakota Farmers Union has encouraged Congress to reject the TPP, arguing that it will put United States in greater trade imbalance and negatively affect farmers in the U.S. and around the world.

Other countries and areas have concerns specific to their own markets. For example, Canadian Pork Producers are upset because Japan is not willing to eliminate tariffs on beef and pork products.

An area of contention involving many parties comes from Asian-Pacific countries. They argue that the TPP favors richer countries by placing a higher priority on economic interests than public health. Critics are concerned that the already expensive drugs to fight HIV and hepatitis C will become even more costly in

developing countries where low-income people suffer from high rates of those diseases. Most drugs for them are still under patent, and the TPP would give patent holders longer periods of exclusive rights to the drugs as compared to the twenty-year minimum under The Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) administered by the World Trade Organization.

Will the TPP be authorized and, if so, when?

The TPP parties set an initial deadline of late 2013, but, as of late 2014, final agreement is not in sight. One area of stalemate involves Japan and Canada. Presently Japan is unwilling to make concessions on agricultural imports. Therefore, in August of 2014, several U.S. senators urged the Obama administration to move on with the TPP without Japan or Canada because of their vast disagreements. Meanwhile, as negotiations on the TPP drag on, lack of agreement may affect the Transatlantic Trade and Investment Partnership (T-TIP) negotiations between the U.S. and European Union (EU), which were originally expected to conclude in 2014. It is clear that T-TIP negotiations will continue into 2015 or beyond.

At this point, businesspeople and other citizens can neither know the specific provisions of the TPP nor predict when or if it will be approved by the U.S. and other parties. Therefore, it is important that citizens around the world follow developments related to the TPP and continue seek the information they need to develop a well-informed opinion on the wisdom of the agreement.

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