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America Must Return to the Trans-Pacific Partnership

Washington Can't Shape Global Trade From the Sidelines

By Wendy Cutler



U.S. President Joe Biden has broken with his predecessor's go-it-alone approach to foreign policy. The United States is once again a member of the World Health Organization and has rejoined the Paris agreement on climate change. Biden is also trying to resuscitate the Iran nuclear deal. One foreign economic initiative he has not yet attempted to revive, however, is U.S. membership in the Trans-Pacific Partnership trade pact. In 2017, then President Donald Trump withdrew the United States from the TPP, which stretched from Vietnam to Australia, accounting for around 40 percent of global GDP. But the 11 remaining members forged ahead with the accord, rebranding it the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The agreement has successfully brought down tariffs among the participants and established high-standard, market-based rules in areas ranging from intellectual property protection to state-owned enterprises.

If Washington attempts to rejoin the pact, it will encounter domestic and international hurdles. **Still, the Biden administration should endeavor to return into the CPTPP's fold.**

The stakes are high not just for the U.S. economy but also for Washington's global influence, especially as it contends with a rising China.

IT'S ABOUT THE GLOBAL ECONOMY, STUPID

During the Obama administration, Washington's rationale for shaping and joining the TPP was straightforward. The agreement put in place a set of common rules that would govern trade and investment in the world's most dynamic economic region. It would serve as an enticement for other countries to adopt the TPP's market-based norms and present an attractive alternative to China's state-led economic model. It also signaled Washington's active support for Asia's integration with the global economy.

Initially, things proceeded smoothly. After the United States joined the TPP talks in 2009, economic heavyweights such as Canada, Japan, and Mexico followed suit, and at the conclusion of negotiations in 2015, more countries expressed interest in participating. The U.S. Congress, however, never ratified the accord. Opposition came from left-of-center politicians such as Bernie Sanders, the independent senator from Vermont, and Elizabeth Warren, the Democratic senator from Massachusetts, who argued that the deal promoted the interests of big business at the expense of American workers. Specifically, they criticized the deal's weak labor enforcement mechanisms, provisions to protect the intellectual property of pharmaceutical companies, lax rules to determine the eligibility of products for tariff preferences, and inability to take action should a country adjust its currency to gain a competitive advantage.

The Biden administration cannot let others hammer out the rules that will shape the future of the global economy.

But opposition also came from the right, especially from populists and nationalists such as Trump. With an eye toward winning Rust Belt states such as Michigan and Pennsylvania in the 2016 U.S. presidential election, Trump railed against the pact, claiming it would result in the further loss of U.S. manufacturing jobs to overseas destinations and lead to larger U.S. trade deficits. Such concerns reflected and sparked growing opposition to free trade. According to October 2016 polling by the Pew Research Center, only 45 percent of respondents held positive views on trade agreements, down from 58 percent in May 2015. In his first week in office, Trump ordered the United States' exit from the TPP.

The expectation in Washington was that without the United States, the TPP would die a quiet death. It didn't. Instead, the remaining members, led by Japan, rebranded it the CPTPP and signed it in 2018. Earlier this year, the United Kingdom started the formal accession process, and China may be poised to join the agreement. To ensure that the United States has a say in shaping global trade rules, the Biden administration needs to get back to the negotiating table.

CURBING CHINA'S RISE

There are many reasons why the United States should join the CPTPP. A crucial factor is China. Officials in the Trump administration expected the TPP to crumble when the United States withdrew, and they were counting on a major China-backed Asian trade pact, the Regional Comprehensive Economic Partnership, to fold. They were mistaken on both counts. All ten members of the Association of Southeast Asian Nations (ASEAN) plus China, Japan,

Australia, New Zealand, and South Korea are working hard to bring the RCEP into force by early next year. This underscores how the Asian countries view trade as a foreign policy priority and will continue to search for ways to expand trade whether or not Washington decides to participate.

Meanwhile, the **gravitational pull of the Chinese economy has strengthened** considerably in recent years. This complicates Washington's ability to rally its allies in the Indo-Pacific to curb China's rising influence. Biden has declared that countering China is one of his foreign policy priorities. Doing so, however, will be difficult if U.S. allies and partners in the region become even more economically integrated with China. The country is by far the biggest market for Japan, South Korea, and most ASEAN members, and this year China eclipsed the United States as India's largest trading partner. China was also the top destination for foreign direct investment in 2020. The trend line is unmistakable, and without a robust regional trade agenda Washington will be hard-pressed to reverse it.

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One of China's economic strengths is the crucial role it plays in global supply chains. In recent years, however, the U.S.-Chinese trade war and the COVID-19 pandemic have demonstrated the risks of relying on a single source of supply—especially when that source is a geopolitical rival. If the United States were a member of the CPTPP, it could use the agreement as a foundation to build more resilient and trusted supply chains, reducing China's leverage.

A final reason why Washington should reconsider the CPTPP is that Beijing may be poised to join the accord. Last November, Chinese President Xi Jinping declared that China looked “favorably” at the prospect of joining the pact. To be sure, Beijing would have difficulty adhering to CPTPP rules, considering its state-owned enterprises, lax labor and environmental standards, and weak intellectual property protection regime. But that doesn’t mean it won’t be able to join the pact. Although Japan has been clear that any new member would have to comply with the CPTPP’s standards, other members may view Chinese participation as an opportunity to gain further market access to the Asian behemoth and lock in important reforms. As a nonparticipant in the CPTPP, the United States would have limited influence over China’s bid to join. And if Beijing managed to successfully join this effort, it would serve as a major public relations coup and hamper Washington’s ability to regain economic sway in this part of the world.

A ROAD MAP FORWARD

As of yet, the Biden administration has shown little interest in the CPTPP. U.S. Trade Representative Katherine Tai, however, has left open the possibility that the administration could attempt to revive the Obama-era policy. “The basic formulation of working closely with like-minded countries in the Asia-Pacific with shared strategic and economic interests is a sound one,” she testified before the U.S. Senate Finance Committee, “but much has changed in the world since the TPP was signed in 2016.”

Tai is right. TPP negotiations were concluded almost six years ago, and much of its content was based on U.S. proposals tabled over a decade ago. If Washington were to try to rejoin the CPTPP, **adjustments would be needed to reflect changing conditions** and to garner sufficient support in the U.S. Congress and among CPTPP partners.

The Biden administration could look to the North American Free Trade Agreement's replacement—the U.S.-Mexico-Canada Agreement—as a blueprint. Despite initial opposition in Congress, the agreement eventually passed with strong bipartisan support. Ironically, the USMCA borrowed heavily from the original TPP in areas such as digital trade, intellectual property protection, and agricultural standards. But it also incorporated new features. It has stronger tools for labor and environmental protection. In order for countries to qualify for preferential tariffs, they must demonstrate their products have sourced inputs from one of the three member countries. And governments can impose sanctions should USMCA partners manipulate exchange rates to gain a price advantage. The Biden administration should consider proposing similar innovations to the CPTPP.

The administration would do well to propose other changes as well. Progressives have been critical of a provision in the CPTPP that allows companies to sue governments that violate the terms of agreements relating to foreign direct investment. That provision has arguably outlived its usefulness and could be discarded. And to make it easier for small and medium-sized businesses to trade globally, the administration should push for the CPTPP to streamline and digitize customs documentation and payments.

If Washington chooses to court CPTPP members once again, the Biden administration should be mindful that the United States is no longer the gatekeeper of the agreement. Washington would be asking CPTPP members to join forces with it after having abandoned them five years ago. No matter how open CPTPP members might be to U.S. participation, there will be limits on the revisions they could accept. Coaxing U.S. lawmakers to support a regional trade accord will be tricky as well. Nevertheless, the Biden administration should keep this option alive. As the United States works to restore its credibility and influence

around the world and compete with China, it cannot afford to consign itself to the sidelines and let others hammer out the rules that will shape the future of the global economy.