Trump may join the new TPP, but only because the old one was gutted

If there’s one hot-button issue that really gets Trump going — and wins him votes — it’s trade. He tore up the Trans-Pacific Partnership (TPP) on his fourth day in office (not his first, as he had promised), reopened the North American Free Trade Agreement (NAFTA) with Canada and Mexico last year, and recently started a virtual trade war (though mostly a war of words) with China.

But now Trump is suggesting that his proposed tariffs on China may never come into effect, that a deal on NAFTA is “pretty close,” and that — wait for it — he is even open to rejoining the TPP.

Rump after Trump

When Trump vetoed the TPP last January, the eleven remaining members surprised the world by soldiering on to negotiate a rump agreement of their own. The TPP11 or, to give it its official title, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), was finally signed last month after more than a year of (re-) negotiation. It is currently awaiting ratification. A big fight is expected in Canada, but since Parliamentary approval is not required by Canadian law, the ratification is expected to go through.

Though the deal’s ratification seems straightforward, it’s a bit of a mystery why the CPTPP took more than a year to negotiate. The eleven countries weren’t negotiating what to put into their rump TPP. They were discussing what to take out: most of the controversial intellectual property (IP) and investor–state dispute settlement (ISDS) provisions have been jettisoned. Given how little trade the TPP-11 countries have that is not already covered by existing agreements, the CPTPP is mostly a symbolic gesture.
The two largest economies in the CPTPP, Japan and Canada, are already close to signing their own Canada-Japan Economic Partnership Agreement (CJEPA). A Japan-Korea Free Trade Agreement (JKFTA) is in the works, and existing agreements between Australia and New Zealand will supersede the CPTPP in their bilateral relationship. Put that all together, and the main motivation behind the CPTPP seems to have been to show Donald Trump that he can’t dictate the terms of global trade.

A better deal?

So it’s all the stranger that Trump is now talking about joining. But look past the international headlines to focus on the state-by-state politics of the CPTPP, and the reasons become clearer. As a Presidential candidate, Donald Trump (or for that matter, Bernie Sanders) didn’t object to most of the tariff reduction clauses in the old TPP, with the notable exception of autos. He primarily objected to the ISDS provisions that would allow foreign companies to sue the United States before binding arbitration panels. And most of these ISDS provisions have been stripped from the CPTPP.

The push for the inclusion of ISDS and IP provisions in the old TPP came from industries in states that overwhelmingly supported Hillary Clinton in the 2016 elections: ISDS advocates in the New York banking sector and IP advocates in the California entertainment and technology sectors. Trump country mainly wanted reductions in farm tariffs, which remain in the CPTPP. The main Clinton country provisions are gone.

As a result, the only big hurdle to Trump joining the CPTPP would be the auto sector. Trump won Michigan by a razor-thin margin of 10,000 votes, and it all came down to automobile-dependent Macomb County, where the top two employers are General Motors and Chrysler. The original TPP had a 30-year phase-in for the reduction of tariffs on Japanese pickups and SUVs, but it had a weak spot on country or origin rules.

What’s still on the table

Under the TPP and CPTPP, a Japanese truck could qualify as “Canadian” with as little as 35% Canadian content. Under NAFTA the rule is 62.5%, and the Trump administration is pushing for 85% in a renegotiated deal. The difference is crucial to prevent Japanese trucks from being shipped to Canada for final assembly and tariff-free entry to the U.S. market.
Were he to join the CPTPP, Trump would certainly look to keep protections in place on pickups and SUVs, which are the most profitable segments of the U.S. domestic auto industry. In a world of Uber, Lyft, electric vehicles and self-driving cars, such restrictions are probably anachronistic. But for Trump, they would be politically necessary. With a few lines of special treatment for imported trucks and SUVs, there’s no reason why Trump couldn’t join the CPTPP.

We always talk about treaties like NAFTA and the TPP as trade agreements, but the reality is that 21st century economic treaties are more about governance than they are about trade. That’s why they’re so controversial. The late lamented TPP was a true 21st century economic governance agreement. But despite all its language about being “comprehensive” and “progressive,” the rump CPTPP is little more than an old-fashioned trade deal. And Trump can do a trade deal.

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