WHY TRADE MATTERS

MIRIAM SAPIRO
Visiting Fellow, The Brookings Institution

SEPTEMBER 2014
THE BROOKINGS INSTITUTION
1775 MASSACHUSETTS AVE., NW
WASHINGTON, DC 20036
ACKNOWLEDGMENTS

The author gratefully acknowledges the research assistance of Edith Joachimpillai of the Brookings Institution.
INTRODUCTION

This policy brief explores the economic rationale and strategic imperative of an ambitious domestic and global trade agenda from the perspective of the United States. International trade is often viewed through the relatively narrow prism of trade-offs that might be made among domestic sectors or between trading partners, but it is important to consider also the impact that increased trade has on global growth, development and security. With that context in mind, this paper assesses the implications of the Asia-Pacific and European trade negotiations underway, including for countries that are not participating but aspire to join. It outlines some of the challenges that stand in the way of completion and ways in which they can be addressed. It examines whether the focus on “mega-regional” trade agreements comes at the expense of broader liberalization or acts as a catalyst to develop higher standards than might otherwise be possible. It concludes with policy recommendations for action by governments, legislators and stakeholders to address concerns that have been raised and create greater domestic support.

It is fair to ask whether we should be concerned about the future of international trade policy when dire developments are threatening the security interests of the United States and its partners in the Middle East, Asia, Africa and Europe. In the Middle East, significant areas of Iraq have been overrun by a toxic offshoot of Al-Qaeda, civil war in Syria rages with no end in sight, and the Israeli-Palestinian peace process is in tatters. Nuclear negotiations with Iran have run into trouble, while Libya and Egypt face continuing instability and domestic challenges. In Asia, historic rivalries and disputes over territory have heightened tensions across the region, most acutely by China’s aggressive moves in the South China Sea towards Vietnam, Japan and the Philippines. Nuclear-armed North Korea remains isolated, reckless and unpredictable. In Africa, countries are struggling with rising terrorism, violence and corruption. In Europe, Russia continues to foment instability and destruction in eastern Ukraine. And within the European Union, lagging economic recovery and the surge in support for extremist parties have left people fearful of increasing violence against immigrants and minority groups and skeptical of further integration.

It is tempting to focus solely on these pressing problems and defer less urgent issues—such as forging new disciplines for international trade—to another day, especially when such issues pose challenges of their own. But that would be a mistake. A key motivation in building greater domestic and international consensus for advancing trade liberalization now is precisely the role that greater economic integration can play in opening up new avenues of opportunity for promoting development and increasing economic prosperity. Such initiatives can help stabilize key regions and strengthen the security of the United States and its partners.

The last century provides a powerful example of how expanding trade relations can help reduce global tensions and raise living standards. Following World War II, building stronger economic cooperation was a centerpiece of allied efforts to erase battle scars and embrace former enemies. In defeat, the economies of Germany, Italy and Japan faced ruin and people were on the verge of starvation. The United States led efforts to rebuild Europe and to repair Japan’s economy. A key element of the Marshall Plan, which established the foundation for unprecedented growth and the level of European integration that exists today, was to revive trade by reducing tariffs. Russia, and the eastern part of Europe that it controlled, refused to participate or receive such assistance. Decades later, as the Cold War ended, the United States and Western Europe sought to make up for lost time by providing significant technical and financial assistance to help integrate central and eastern European countries with the rest of Europe and the global economy.
There have been subsequent calls for a “Marshall Plan” for other parts of the world, although the confluence of dedicated resources, coordinated support and existing capacity has been difficult to replicate. Nonetheless, important lessons have been learned about the valuable role economic development can play in defusing tensions, and how opening markets can hasten growth. There is again a growing recognition that economic security and national security are two sides of the same coin. General Carter Ham, who stepped down as head of U.S. Africa Command last year, observed the close connection between increasing prosperity and bolstering stability. During his time in Africa he had seen that “security and stability in many ways depends a lot more on economic growth and opportunity than it does on military strength.” Where people have opportunities for themselves and their children, he found, the result was better governance, increased respect for human rights and lower levels of conflict.

During his confirmation hearing last year, Secretary John Kerry stressed the link between economic and national security in the context of the competitiveness of the United States but the point also has broader application. Our nation cannot be strong abroad, he argued, if it is not strong at home, including by putting its own fiscal house in order. He asserted—rightly so—that “more than ever foreign policy is economic policy,” particularly in light of increasing competition for global resources and markets. Every day, he said, “that goes by where America is uncertain about engaging in that arena, or unwilling to put our best foot forward and win, unwilling to demonstrate our resolve to lead, is a day in which we weaken our nation itself.”

Strengthening America’s economic security by cementing its economic alliances is not simply an option, but an imperative. A strong nation needs a strong economy that can generate growth, spur innovation and create jobs. This is true, of course, not only for the United States but also for its key partners and the rest of the global trading system. Much as the United States led the way in forging strong military alliances after World War II to discourage a resurgence of militant nationalism in Europe or Asia, now is the time to place equal emphasis on shoring up our collective economic security. A failure to act now could undermine international security and place stability in key regions in further jeopardy.

**THE ECONOMIC RATIONALE**

Despite periods of strong protectionist sentiments in U.S. history, the greater value to the American economy of reducing trade barriers has long been recognized. When President Roosevelt signed the Reciprocal Trade Agreements Act in 1934, he proclaimed that “a full and permanent domestic recovery depends in part upon a revived and strengthened international trade.” The Act gave the President the authority to negotiate trade agreements on the basis of reciprocal tariff reductions with other countries, unwinding the devastating protectionist effects of the 1930 Smoot-Hawley tariffs. Within five years, President Roosevelt signed 19 executive agreements under this new legislative authority. After World War II, the Act became the framework for the concept of multilateral trade liberalization embodied in the 1947 General Agreement on Tariffs and Trade (GATT), as well as for successive enactments of what today is called Trade Promotion Authority, or “fast-track” for short.

Just as a more open trade policy helped the United States regain its economic footing after the Great Depression, U.S. trade policy today is designed to help America recover from the most serious recession of modern
times. During the past five years, increased exports have been responsible for one-third of U.S. economic growth. Last year U.S. exports of goods and services reached a record high of $2.3 trillion. America’s exports to its 20 free trade agreement (FTA) partners have risen by 57 percent in the past five years, compared to just 44 percent for the rest of the world. Excluding oil, the United States has a trade surplus in goods of more than $15 billion, which has increased 70 percent since 2009, in addition to a trade surplus in services of $225 billion. These exports support over 11 million jobs, 1.5 million of which have been created since 2010. U.S. workers are playing a key role in expanding global value chains, which take advantage of advances in U.S. technology and energy independence.

**Figure 1: Current Trade Agreements**

Despite these advances, the U.S. recovery remains painfully slow. The IMF recently cut projections for growth this year and predicted that America would not see full employment again for another three years. While unemployment is trending downward, so is the labor force participation rate. Nearly 35 percent of unemployed people have been out of work for 6 months or longer.

This situation suggests the United States should be doing more, not less, to stimulate greater economic growth and trade. Given that every increase of $1 billion in exports is estimated to support close to 6,000 jobs, the search for new export markets is vital to a successful recovery. The two major trade negotiations now under way have significant potential to boost export-led growth.
Trans-Pacific Partnership

The Trans-Pacific Partnership (TPP) constitutes the cornerstone of the Obama administration’s economic policy in the Asia-Pacific region. The United States has been negotiating TPP since 2010, now with 11 other countries (Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam). The TPP partners together account for nearly 40 percent of global GDP and one-third of global trade, and span an area of nearly 800 million people. Taken as a whole, TPP countries are America’s largest goods and services export market, valued at $698 billion. With the addition of Canada, Mexico and Japan last year, the group now includes three out of four of America’s largest trading partners, in addition to some of the fastest growing economies in Asia. Today there are 525 million middle-class consumers in Asia, but that number is expected to jump to 2.7 billion by 2030.

U.S. goals in the TPP negotiation include elimination of tariffs and the reduction of longstanding non-tariff barriers, such as import-licensing restrictions and other requirements that impede trade. To give an example of the potential benefit for American manufacturers, last year U.S. auto parts faced a 27 percent tariff upon entering Vietnam but parts from China, Thailand and Indonesia—countries with which Vietnam has a free trade agreement—did not. This is not an isolated problem. Malaysia, for instance, imposes a 40 percent tariff on U.S. poultry exports. A TPP agreement could reduce that number to zero, making American agricultural products much more competitive than they are today. In addition, TPP is intended to include important protections for investors, new rules to support the digital economy, strong intellectual property rights that balance innovation and access to medicine, and a number of measures that address emerging global challenges impacting trade. Such challenges include unfair competitive advantages accorded to state-owned enterprises, inadequate protection of labor rights like freedom of association and collective bargaining, and inadequate environmental protection and conservation.

Figure 2: TPP Countries
TRANSLANTIC TRADE & INVESTMENT PARTNERSHIP

The estimated value of the Transatlantic Trade & Investment Partnership (TTIP) also under negotiation is no less significant. If the United States and the European Union can reach an agreement, it will result in greater integration and cooperation within the world’s largest bilateral trade relationship. Both economies are responsible for nearly half of global GDP and about one-third of all international trade, and have a combined market of over 800 million people. But notwithstanding the $2.7 billion in goods and services that flow each day and the $4 trillion invested in each other’s economies that support more than 13 million jobs in the United States and the EU, both sides believe their economic relationship has not yet reached its full potential. Indeed, a number of studies have shown that eliminating tariffs and reducing non-tariff barriers to goods and services exports could generate billions of dollars in new exports and thousands of new jobs on both sides of the Atlantic.

Not surprisingly, U.S. negotiating objectives for TTIP are somewhat similar to those for TPP. After a great deal of preparatory work to explore whether there was enough common ground to justify launching a major negotiation that would need to overcome historical differences and be both ambitious and comprehensive, U.S. and EU leaders gave the green light to proceed in June 2013. Both sides agreed the goal would be to eliminate all tariffs on industrial and agricultural goods and to seek further liberalization with respect to services, investment and government procurement. Both sides also decided to address non-tariff barriers by enhancing regulatory cooperation in general, as well as in specific sectors. Indeed, this aspect of the negotiation has the possibility of the greatest gains because it is non-tariff barriers that pose the greatest constraints in a relationship where tariff barriers, on average, are already relatively low. The parties further agreed that they would address emerging trade challenges that can diminish their competitiveness around the world. As in TPP, the TTIP negotiation too is trying to reach agreement on new trade rules to address concerns like anti-competitive state-owned enterprises to ensure high levels of labor and environmental protections. Given similarities that already exist between the U.S. and EU approaches to many of these issues, it may prove easier to achieve agreement on higher standards in TTIP.

Figure 3: TTIP Countries
**Spillover Benefits**

Taken together, the countries participating in TPP and TTIP account for two-thirds of global GDP and half of global trade, and have a combined market of 1.3 billion consumers. Nearly 70 percent of U.S. exports already go to TPP or TTIP partners, and 84 percent of foreign direct investment comes from them. By 2018, TPP and TTIP markets are estimated to grow by $6.7 trillion.\(^{15}\) At the conclusion of both negotiations, the United States would enjoy liberalized trade with almost two-thirds of the global economy.\(^{16}\)

**Figure 4: Total Trade Agreement Partners**

A successful outcome to these negotiations would benefit not only the countries participating directly in them, but also their trading partners. For other countries, the cost of doing business with the United States, Europe and Asia would be lowered by reducing duplicative costs that result from similar, but not identical, regulations, standards and testing requirements. That means that for standards judged to be substantially equivalent, manufacturers in Johannesburg or Jakarta would no longer need to operate two different assembly lines for the same product. Similarly, enabling goods and information to flow more smoothly across borders in both regions would benefit third parties that operate in both markets. Studies have indicated that TPP could grow the global economy by as much as $224 billion annually, equating to a 0.2 percent increase in global GDP,\(^{17}\) and TTIP could add an additional $133 billion to global GDP annually.\(^{18}\)
We should not take these spillover effects for granted, or overlook the powerful role that trade can play in promoting growth, raising living standards in some of the poorest countries, and reducing poverty, especially given that global trade remains below its normal rate of expansion. Jeffrey Sachs and others have written extensively about the importance of trade liberalization to overall economic reform efforts and economic growth. While there has been debate about the extent to which trade openness can help alleviate poverty, recent studies show that trade does tend to reduce poverty when there are complementary reforms also under way. These enabling factors include a growing financial sector, improving education and better governance. This conclusion reinforces earlier research finding that trade generally is a “strongly positive contributor to poverty alleviation,” notwithstanding some shifts and temporary dislocations in the job market. The Organization for Economic Cooperation and Development (OECD) has drawn similar conclusions, stating in a report on “Trade, Growth and Jobs” that:

“Openness has historically gone hand in hand with better economic performance, in both developed and developing economies, creating new opportunities for workers, consumers and firms around the globe and helping to lift millions out of poverty. Raising barriers to trade, on the other hand, is not only a costly and an ineffective policy option, but it can also be anti-poor, penalizing most those it aims to protect.”

Market-opening opportunities become even more important in light of recent data released by the World Trade Organization (WTO). It had predicted that international trade would grow by only 4.7 percent this year, which would be sluggish compared to the annual average growth rate of 6 percent for the three decades prior to the financial crisis. But, based on data from the first quarter of this year, the WTO has downgraded its forecast.

**Other Key Trade Initiatives**

Given the desire to boost growth, both domestically and internationally, the United States is actively engaged in a number of additional initiatives beyond the TPP and TTIP negotiations to update older agreements and forge new ones. Lowering barriers to the export of services is an area of great promise for many countries, particularly the United States. Last year, the U.S. helped launch negotiations on a new Trade in Services Agreement that builds upon the General Agreement on Trade in Services done 20 years ago. Fifty partners are involved, including the EU, Japan and Turkey, which all together account for 65 percent of trade in services and a combined services market of more than $30 trillion. A new services agreement would not only facilitate the export of more services globally, but it would also make it easier to boost goods exports by liberalizing the services that are the lifeblood of international commerce, such as banking, e-commerce and express delivery.

Expansion of the Information Technology Agreement would also stimulate the global trading system by expanding the list of technology products subject to duty-free treatment. The current agreement, which dates from 1996, has increased annual trade flows from $1.2 billion to more than $4 trillion but is now severely out of date given dramatic advances in technology products. Industry believes an updated agreement could boost annual global GDP by $190 billion. A successful negotiation would also mark the first agreement to cut tariffs since the founding of the World Trade Organization in 1995. China, however, has been blocking progress, despite estimates that it would be one of the largest beneficiaries of the new agreement.
Environmental goods is another area where the United States and several other countries are trying to break new ground by advancing both trade and environmental objectives. Earlier this year, negotiators announced an initiative to develop an agreement to reduce tariffs on a wide range of environmental goods. Those participating in the effort include Australia, Canada, China, the EU and Japan, and all together represent 86 percent of global trade, estimated at nearly $1 trillion annually. While U.S. tariffs are already quite low, those of other WTO members can run as high as 35 percent.

These ambitious bilateral and plurilateral initiatives beg the question of why not simply resuscitate the Doha Round of multilateral trade negotiations launched at the WTO in 2001. While nothing involving the Doha Round has been simple, the WTO’s energetic director-general, Roberto Acevedo, is working with members to develop a roadmap to restart the effort. His task is viewed as nearly impossible, however, amidst little evidence that key countries are inclined to support genuine trade liberalization. Recent difficulties in ensuring that WTO members stick to commitments made at the Bali Ministerial last December, in particular implementation of a Trade Facilitation Agreement that was the first accord reached in WTO history, are a further indication of the challenges ahead.

The difficulties are not surprising given that the WTO now has 160 members, which represent vastly different levels of development and interests. In earlier days, when the GATT had fewer than 50 members and faced higher levels of protectionism, it took less arm-wrestling and time to reach deals. In the absence of brighter prospects for multilateral liberalization, TPP and TTIP offer the most hopeful venues for broad progress in the near term.

Both negotiations could still motivate emerging economies to come to discussions about Doha’s future with a greater sense of realism and responsibility. Brazil, China, India, Russia and others were viewed by all as developing when Doha began 13 years ago, and thus seen then as deserving of additional leeway when it came to tariff reductions. But today these countries have grown in dramatic ways. Ten years ago, no emerging economy ranked among the world’s five largest, and only China was in the top ten. Today, China is in the top five, and Brazil, Russia and India rank in the top ten. Only India remains classified by the World Bank as a lower-middle-income country.

These and other countries are watching developments in TPP and TTIP closely. China has at times indicated interest in joining TPP because it is already a member of the Asia Pacific Economic Cooperation (APEC) forum. It has expressed more definitive interest in joining the negotiations on the new Trade in Services Agreement, an issue that remains under review by participants given Beijing’s foot-dragging in the information technology negotiations, and the other steps it has taken that run counter to liberalization. Brazil has been spearheading efforts to resuscitate EU-Mercosur negotiations on a free trade agreement begun years ago, which had floundered over high Mercosur tariffs and high EU agricultural subsides. Last fall, the Sao Paulo business community took the unprecedented step of calling for the launching of trade negotiations with the United States. Russia, before its aggressive actions in Ukraine and annexation of Crimea, had voiced aspirations to develop a new framework for a stronger partnership with the United States as well as Europe. The Indian government has been less vocal, but business leaders and commentators have been advocating that India join TPP although it is not part of APEC.
India’s decision in July 2014, however, to thwart implementation of the WTO’s Trade Facilitation Agreement questions about its genuine interest in any multilateral, plurilateral or bilateral commitments.

The progress of TPP and TTIP, as well as the struggles over Doha, have given new impetus to other regional trade initiatives. Several of the fastest growing economies in Latin America have undertaken a far-reaching integration effort called the Pacific Alliance. Launched in 2011 by Chile, Colombia, Mexico and Peru, these “Pacific Pumas,” as they are sometimes called,\(^{10}\) have agreed to go farther than most other trade initiatives by promising to include the free movement of persons. Earlier this year, members eliminated nearly all tariffs on their trade, and in June they agreed to connect their stock exchanges.

In Asia, a number of countries are negotiating the Regional Comprehensive Economic Partnership. Started by the Association of Southeast Asian Nations (ASEAN), it now includes, notably, China and even India, as well as several TPP partners (Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam). The group began negotiations in May and announced the goal of completing them by the end of 2015. There has been rampant speculation whether this negotiation and TPP are in a “mega-regional” FTA competition with each another; the answer will have to wait until it is possible to compare the agreed levels of ambition.

All of these initiatives suggest TPP and TTIP have helped galvanize more serious interest in reducing barriers than we have previously seen, on a plurilateral or multilateral basis, in the past two decades. The economic value of both agreements is establishing a gold standard of trade liberalization is even more important in light of the WTO’s recent warning about increasing protectionism, especially among G-20 countries.\(^{31}\)

**The Strategic Dimension**

The strategic elements of an ambitious trade agenda further underscore the importance of moving ahead promptly to conclude TPP and TTIP, and creating the public and legislative support necessary to do that.

From a U.S. perspective, both of these new partnerships would effectively work together to position the United States at the center of two of the most significant trading areas in the world. As foreign companies make decisions on where to build and invest, the combination of reduced barriers for imports and exports, decreasing energy costs and a skilled workforce would be hard to beat. They would also enable the United States to maintain a leading role in setting the rules and norms that will govern international trade for the foreseeable future, such as with respect to state-owned enterprises, labor and environment. Such standards are critical to enable U.S. companies to compete fairly against firms that are subsidized or managed by their governments, as well as against firms that would otherwise not be obligated to uphold labor rights or protect the environment.

Tearing down barriers to increased trade will strengthen not only the U.S. economy, but other TPP and TTIP economies as well. In the EU, for example, growth has begun to recover but still lags. Overall unemployment remains at nearly 11 percent, with massive unemployment among youth in certain countries, such as Greece (58 percent) and Spain (56 percent). Concerns about deflation and weak investment persist.\(^{32}\) These challenges will likely be made more difficult by the cumulative effect of Russia’s retaliatory sanctions against European exports.\(^{33}\)
Stronger economic growth in Europe may also enable European members of NATO to meet their defense spending commitments, which is particularly important in light of NATO’s responsibilities to its eastern members bordering Russia. Even at only 2 percent of GDP, most NATO allies have failed to meet their pledges. At present, U.S. expenditures are three times those of all 27 other NATO partners combined, even though its GDP is smaller than that of the group.\(^{34}\)

In Asia, Japan’s recovery remains weak, and concerns about the potential for declining exports have been exacerbated by the imposition of a new consumption tax. On the other hand, the economies of the other TPP countries are all projected to grow by at least 2 percent in 2014, ranging from Canada at 2.3 percent to Vietnam at 5.6 percent.\(^{35}\) Unemployment rates vary, from a low of 2 percent for Singapore to over 7 percent for Canada and Peru. Concluding the TPP and TTIP negotiations can also strengthen the ability of America’s partners to meet their energy needs and bolster their energy security, especially given the chaotic situation in Iraq and Libya and simmering tensions with Russia. Ensuring that both agreements cover energy issues is critical because U.S. law gives exports of natural gas to countries with which it has a trade agreement a presumption of approval. In addition, thought should be given to whether the current U.S. ban on the export of crude oil still makes sense.

**Expanding Partnerships**

Other countries wishing to join these two new partnerships will have a powerful incentive to make commitments to market liberalization and the rule of law. TPP is already open to other members of APEC, including theoretically Russia and China, although prospective candidates must be approved through a vigorous vetting process. TPP has expanded several times since its inception but now postponed accepting additional partners until the conclusion of negotiations. This is a prudent decision given the complexity of integrating a new player, as we have seen most acutely in regard to Japan, and may soon witness with respect to Canada and Mexico. Time also gives aspiring candidates the chance to demonstrate that they have satisfied existing trade commitments and are prepared to take on more rigorous ones. So far South Korea, the Philippines and Taiwan, as well as Colombia, are among those that have expressed clear interest in joining. Colombia is not a member of APEC, however, and so its request raises the question whether other countries will be able to join on a case-by-cases basis. As long as all TPP participants agree, there is no sound reason to exclude non-APEC members in the region from joining. Expansion in such manner is consistent with the purposes of TPP and would enlarge the network of countries committed to its obligations.

TTIP’s expansion is still an open question, since presently it is being negotiated exclusively between the United States and the EU, representing 28 member states. But the question is a critical one, which should be resolved soon in the affirmative, because TTIP has great potential to serve as an important platform for broader Euro-Atlantic integration by inviting countries to join that are able to demonstrate they can meet the same high standards. For a number of countries, the prospect of being invited to join TTIP in the future can provide strong incentives to embrace economic reforms and market liberalization more quickly and more effectively.

Turkey is such a country. Turkey’s situation is unique among other trading partners whose economies are already closely linked to the United States or Europe. Unlike, Canada, Mexico or the European Free Trade
Association counties (Switzerland, Norway, Iceland and Lichtenstein), Turkey has a Customs Union with Europe. As a result, there are no industrial tariffs on goods crossing between Turkey and EU countries. If TTIP, for example, were to remove all EU duties on electrical components immediately, those products could also enter Turkey duty-free, while Turkey’s exports of the same product would still be subject to U.S. tariffs. As a result, Turkey has expressed a strong desire to be part of TTIP or, failing that, to negotiate a bilateral trade agreement with the United States.

There is little doubt that the United States and Turkey have a strong relationship of strategic importance to both countries. But questions linger about Turkey’s readiness to embrace the kinds of high standards that are now being discussed, from ensuring strong labor and environmental protections to streamlining regulatory decision-making to reflecting robust protection and enforcement of intellectual property rights. Given the gap between previous efforts to address these issues and the rules being developed, it would make sense for Turkey and the United States to find ways to translate Turkey’s enthusiasm for TTIP into concrete steps it can take to demonstrate its seriousness before it could be invited to participate.

TTIP can also be important for strengthening relations between the west and countries such as Ukraine, Georgia and Moldova, for the path to a closer trade partnership may well be faster than the road to NATO or even EU membership.

Just as TPP is open to members of APEC, TTIP could be opened up to the other 28 members of the Organization for Security and Cooperation in Europe (OSCE). Originally known as the Conference on Security and Cooperation in Europe, it negotiated the historic Helsinki Final Act in 1975 and continued to build bridges between East and West during the Cold War. The organization has since played a central role in helping to manage and resolve tensions in Europe regarding territorial disputes, troop levels, human rights, economic cooperation and other issues. Its membership consists of all countries in North America, Europe and Eurasia, including Turkey, Ukraine, Georgia and Moldova.

Interest in TTIP has come largely from states in the Euro-Atlantic region, but not exclusively so. Mexico too has expressed that it would like to have a seat at the TTIP table. Unlike Canada, Mexico already has trade agreements in place with both the United States and Europe, which it believes would justify its request to participate.

Clearly, during the negotiations both the United States and the EU will have to consider the interests of their other major trading partners, but—given the existing level of complexity—it is difficult to imagine expanding TTIP until it is concluded. But it is not too early to signal a readiness to invite other partners to join once the agreement is done.

**Supporting Other Regional Integration Initiatives**

While the United States and its partners in TPP and TTIP are focused on completing both agreements, the U.S. intention has never been to do so at the expense of also building stronger relationships with other key partners around the world.
Sub-Saharan Africa has been the focus of several important initiatives to increase cooperation on trade and investment. A number of regional economic organizations are already active in this region of 911 million people with a GDP of $1.5 trillion. These communities include the Common Market for Eastern and Southern Africa, the East African Community, the Southern African Customs Union, and the West African Economic and Monetary Union. In addition, the U.S. Trade Africa initiative seeks to support these efforts as well as expand regional ties to the United States and other global markets. Focusing initially on the members of the East African Community, the goal is to seek to double intra-regional trade and to increase exports to the United States by 40 percent. Progress on this and other initiatives were given new impetus at the U.S.-Africa Leaders’ Summit held in Washington in August, which included a commitment to consider how renewal of the African Growth and Opportunity Act (AGOA) could further regional economic integration.

With a population of over 580 million and a GDP of $5.3 trillion, Latin America is home to a number of countries that have embraced trade liberalization. The United States already has trade agreements with 11 countries in the region, which account for more than half of its 20 FTA partners worldwide, and so the focus is mostly on implementation and enforcement. As noted, several governments in the region have already undertaken an ambitious integration effort in launching the Pacific Alliance. The United States is party to trade agreements with each of the four founding members—Chile, Colombia, Mexico and Peru—as well as prospective members Costa Rica and Panama, and attends meetings as an observer.

In the Middle East, the United States has sought to get countries to work together more directly, as well as to take better advantage of access they already have to the U.S. market. With a growing population of more than 400 million people, and GDP of more than $3 trillion (up almost 30 percent in the past 3 years), the region has great potential notwithstanding pockets of deep instability. The United States has five FTA partners in the region (Bahrain, Israel, Jordan, Morocco and Oman), and there are other countries that would like to start negotiations. After the Arab Spring, Washington looked to Egypt, Jordan, Morocco and Tunisia to set the tone for greater regional integration and growth by working more closely together through a new Middle East and North Africa Trade and Investment Partnership. This yielded mixed results because each country mostly wanted only to forge stronger ties with Washington. But the United States realized it could help its regional partners achieve both goals, for as local economies strengthened they could also create new opportunities for regional partners. Jordan, for example, has been working with others members of the Greater Arab Free Trade Area (GAFTA) to see if it can increase cooperation beyond merely reducing tariffs on goods, and it has also encouraged others to join the Agadir free trade agreement it has with Egypt, Morocco and Tunisia. Cross-border trade had also increased among Turkey, Israel and Jordan. With the war in Syria cutting off roads between Turkey and Jordan, Israel became a land bridge for commerce, enabling trucks loaded with products from Jordan to drive through Israel and travel by sea to Turkey, and then to reverse the route.

As an increasing number of regional integration initiatives in addition to TPP and TTIP focus on increasing intra-regional and extra-regional cooperation, the time is ripe to consider how these efforts may evolve over time to complement each other. Such consideration should include the role that the WTO could play in supporting this cooperation. Options range from serving as a neutral venue to review best practices to a role more akin to the job the WTO was designed to do: multilateral trade liberalization. The answer to this question will depend to
a large extent on how WTO members decide to handle current challenges, in particular implementation of all of the Bali commitments and efforts to resuscitate the Doha round or—more perhaps realistically—create a viable post-Doha platform.

THE CHALLENGE AHEAD

The economic value of reducing trade barriers and the importance of cementing key economic alliances through TPP and TTIP, as well as bolstering greater economic and political stability in other regions, is clear but so are the challenges to advancing this far-reaching agenda. Some challenges are unique to each negotiation while others are common to both; several are most relevant for the United States while others also affect its partners.

SHARED CHALLENGES

The TTIP and TPP negotiations share a number of common challenges, especially given their level of ambition and scope in seeking to eliminate tariffs, reduce non-tariff barriers, protect investment, promote intellectual property and innovation, and modernize existing trade rules. For all partners, these hurdles stem from the trade-offs involved in any complex negotiation that can impinge on protected domestic interests. In addition, they are exacerbated by a rising tide of misinformation and mischaracterizations about both negotiations. For the United States, these challenges are heightened by schisms among key stakeholders, as well as a lack of strong support from many in the U.S. Congress.

All countries protect certain economic sectors, and eliminating or reducing those protections can be painful for those interests used to being sheltered from competition. Some of the most challenging areas, for example, include removing tariffs on meat and dairy exports and reducing non-tariff barriers on auto exports. Any new rules will anoint economic winners and losers among and within industries, depending on the competitiveness of the sector. The challenge for each government, of course, is to ensure that there are significantly more winners than losers. And for workers in sectors where job dislocation occurs, there must be adequate retraining opportunities and support. In the United States, this assistance has taken the form of “Trade Adjustment Assistance” and is usually enacted, or reauthorized, when Congress passes a new trade agreement.

Balancing these different interests is more difficult when there is a great deal of misinformation being circulated, whether it be claims about capricious investors, sinister regulators or harmful “Frankenfoods,” to name three of the characterizations that have surfaced so far. Some of the prevailing myths are due to the complexity of the underlying issues and reflect genuine confusion. Others are being promoted to build opposition.

One misunderstanding common to both negotiations is in the area of investment. The United States and many of its trading partners have signed hundreds of agreements that enable investors to bring a claim against a state when they have been discriminated against solely because they are foreign-based. These provisions—known as “investor-state dispute settlement” or ISDS—do not limit a government’s ability to regulate fairly in the public interest. The United States and its partners have signaled that they are open to ways to improve the process and ensure it is not abused, such as by imposing penalties for frivolous claims and clarifying that
such a clause does not interfere with a government’s ability to regulate in the interest of health, safety, the environment or other public interest. While some suggest that ISDS provisions are not necessary to have with European countries in TTIP, or with certain TPP partners, preserving this option establishes a valuable precedent for negotiations involving countries that have more opaque legal systems. And even in sophisticated juridical systems like the United States, the EU or Australia, there are still areas in these jurisdictions where a foreigner may not get a fair trial.

A second area of misunderstanding concerns the goal of improving regulatory coordination in both agreements, especially in TTIP. Critics mischaracterize efforts to streamline duplicative regulations and testing requirements as a “race to the bottom” In actuality, the challenge is to find ways of avoiding unnecessary duplication and costs while maintaining high standards of health, safety, environment and consumer protection that can, over time, set new global norms. Simply put, the goal is to preserve the protection but drop any protectionism. While large companies can afford to build two assembly lines in the same plant to make essentially the same product while satisfying the rules of different countries, companies in developing markets and smaller businesses cannot.

A third myth, more prevalent in Europe than Asia, is that TTIP will flood markets with genetically modified meat and other agricultural “Frankenfood” products. Neither negotiation is intended to lower quality standards, but to ensure that countries use only science and risk assessments as the sole legitimate basis for devising import rules. Europe, for instance, does permit approved GMO imports. But the process is cumbersome and heavily politicized. Moreover, given the frequency of mislabeled or contaminated food in both the United States and Europe, authorities should be finding new ways to work better together.

**TPP vs. TTIP**

Notwithstanding these myths, TTIP is sometimes seen as less controversial than TPP because there is greater uniformity between the United States and the 28 member states of the European Union, even if the latter are not all at the same level of development. But the negotiation faces challenges of a different nature. For the first time, each side is negotiating with a partner of relatively equal size and weight. Despite many common approaches, some differences reflect strongly held views. For example, with respect to financial services, the EU has been demanding that regulatory cooperation be included, and the United States has been adamant that it not be. On agriculture, the U.S. has been insisting that the agreement phase out all tariffs, while the EU has been resisting that approach other than for industrial goods. The negotiation has also been complicated by the Snowden disclosures, although most European leaders have worked hard to separate privacy and security discussions from the TTIP negotiations.

So far TPP has generated more opposition than TTIP in the United States, in part because its members represent a mix of advanced and emerging market economies at very different stages of development. Some concerns are warranted and deserve a fair discussion. Others appear aimed at making headlines to mobilize opposition.

The potential for job loss as a result of a new trade agreement is of course a serious topic for discussion. U.S. stakeholders, particularly in the labor community, are understandably concerned about the loss of jobs to countries such
as Malaysia and Vietnam that have lower labor costs. A number of studies have looked at this question in the context of other agreements, and found such causality is not clear. Advances in technology and globalization typically have strong impacts on employment and productivity, which can add jobs in some sectors but reduce them in others. The decision to negotiate a trade agreement has little impact on these globalization forces already at play. The Peterson Institute has found that about 4 million Americans are separated involuntarily from their jobs each year due to shutdowns or layoffs, even when the overall number of jobs is rising. The NAFTA agreement has been criticized by some as creating job losses, but nearly 7 million jobs were added to the U.S. economy in the seven years after passage, and during that period unemployment dropped from 6.9 to 4.0 percent.

Irrespective of a clear connection, one way to address this concern is to ensure that new agreements contain strong and enforceable provisions to protect labor rights. The experience following NAFTA has been cited by opponents of TPP as a reason not to move forward, but it was precisely the debate surrounding this question in the early 1990s that led United States to develop nascent labor protection measures that have evolved over time into stronger, and enforceable, provisions. Recent trade agreements now have labor obligations that are enforceable on the same basis as the treaty’s commercial commitments. Moreover, the Obama Administration has been vigilant about enforcing trade agreements, including the labor provisions. It brought the first FTA labor enforcement action in a case against Guatemala under the Dominican Republic-Central America-United States Free Trade Agreement, because of its view that the country had failed to enforce effectively its labor laws. Much has been learned since NAFTA’s labor provisions were adopted in 1994, and the Administration has made clear it is open to further improvements as it seeks tough labor provisions in TPP.

Another legitimate concern raised by concluding trade agreements with less developed countries is that the U.S. market may be flooded with less expensive imports. The level of imports is likely to rise, as with any agreement that makes it easier to trade. But what can be overlooked is that more imports also leads to more exports given the interconnected nature of production today through global value chains. In addition to driving productivity, imports also provide access to less expensive goods, thereby enabling consumers a broader array of choice.

In addition to concerns about labor rights, there are serious issues with respect to the commitment of several TPP partners to fundamental freedoms and human rights that need to be addressed. Annual reports on human rights and on human trafficking published by the State Department detail a number of significant problems. In Brunei, concerns include authoritarian leadership, restrictions on religious freedoms and a harsh new penal code that punishes actions legal in many other countries with death by stoning. Malaysia was cited this year in the most serious category of human trafficking offenses, as well as for limitations on freedom of expression and on opposition parties. Vietnamese citizens face continued restrictions on political freedoms, including the right to change their government. TPP should be an important vehicle for prodding positive change in strengthening the rule of law and nurturing democratic norms in these countries. Each of these governments has the opportunity to work closely with the United States and other concerned TPP partners to develop concrete benchmarks they can meet before the agreement would take effect for them.
**Key Stakeholders**

U.S. business and labor groups share common interests in increasing employment and investment. But as in previous trade debates, they have been driven to opposite sides over issues general and specific to the two negotiations. This is particularly the case with respect to potential job losses and net job gains, the extent of enforceable labor and environmental protections, the scope of protection for investors and the desired level of regulatory cooperation. But labor and business have been able to find common ground on other difficult issues in the past, and should spend time exploring whether that is possible here. Business and labor leaders came together, for instance, on legislation in 2011 to create an American infrastructure bank to leverage private-public partnerships and maximize private funding to address water, transportation, and energy infrastructure needs.\(^48\) They also reached an agreement on immigration reform, one of the toughest domestic challenges facing the United States.\(^49\) If greater consensus could be reached among these interests on at least some outstanding issues, it would improve greatly prospects for completing both negotiations, and may persuade other important stakeholders, such as environmental and consumer groups, to be more supportive.

Were business, labor and other interests to succeed in finding a path towards closer alignment, it would enable the administration to navigate more easily through the considerable domestic political challenges ahead. The TPP negotiations, which began earlier, were scheduled to be concluded last year. The TTIP negotiations, which began just over a year ago, could finish by the end of next year if both sides accelerate the pace. However, congressional opposition to “fast-track authority” has become a significant setback. While trade promotion authority is not needed to conclude either TPP or TTIP, its absence has been interpreted as U.S. political ambivalence towards both deals.\(^50\)

**Can Congress Rise to the Occasion?**

Omnibus trade agreements historically face major challenges in Congress. But lawmakers have shown that they can meet such challenges, successfully and swiftly, when the political stars align. In three successive votes on October 12, 2011, Congress approved new trade agreements with South Korea, Colombia and Panama with strong support for each, on a bipartisan basis. This happened despite active opposition by the AFL-CIO and other groups. With each agreement, the administration addressed deep-seated concerns and made the case persuasively that U.S. economic and strategic interests were advanced.

That argument can certainly be made with respect to both TPP and TTIP. But it needs to be articulated forcefully. Enactment of Trade Promotion Authority will not happen before the congressional elections in November, but the stage can be set now for passage afterwards. The leadership of the committees most directly responsible for trade—the Senate Finance Committee and the House Ways and Means Committee—should move promptly to prepare a bipartisan bill that can generate sufficient support after the election. With the Chairman of Ways and Means retiring from Congress, and Democrats fighting to retain control of the Senate and hence all committee chairmanships, both Representative Dave Camp (R-MI) and Senator Ron Wyden (D-OR) should have a shared interest in moving forward to shape a bill on their terms. And the White House should be convincing enough Democrats in both the House and the Senate to move the bill after the election.
The challenge of securing votes on trade is not unique to this presidency. Earlier administrations of both parties have had their share of uphill battles, from President Clinton’s charm offensive to drum up enough votes for NAFTA to President Bush’s unsuccessful efforts to see the Korea, Colombia and Panama agreements pass before he left office. Two Pew polls earlier this year give President Obama a powerful argument: 59 percent of Democrats said they support TPP compared with 49 percent of Republicans, and 60 percent of Democrats and 44 percent of Republicans back TTIP.11

POLICY RECOMMENDATIONS

With the global economy recovering from the financial crisis at an anemic pace, creating more favorable trade winds among U.S., Asian and European negotiating partners should not wait. Negotiating teams continue to be deeply engaged in trying to advance both agreements, and there are additional steps that should be taken now to increase the chance of a successful conclusion.

First, it is critical that proponents of TPP and TTIP become more vocal and active. There are powerful economic and strategic arguments in favor of concluding both agreements, which are only starting to be made. Governments and supporters should push back more firmly against the misinformation that is circulating and set the record straight by separating fact from fiction. The benefits to other countries in terms of spillover benefits for global economic growth and development should also be emphasized.

Second, all of the negotiating partners must build stronger domestic support in favor of market liberalization, the opportunity to set modern rules for trade, and the chance to strengthen further their middle classes and create more inclusive growth. In the United States, it is time to explore whether there can be more common ground established among business, labor and other stakeholder interests, just as has been found on other difficult issues, such as immigration reform.

Third, all sides should recognize that, as is typical in any complex negotiation, no party is going to be able to achieve all of its goals. All sides must be ready and willing to make compromises and find creative and pragmatic solutions or risk a failed effort. Leaders should be prepared to engage and re-engage as necessary to break impasses. Explaining to their domestic audiences why these agreements matter, for the countries involved and also for other partners, can help create the breathing space that is necessary to make such tradeoffs.

Fourth, the negotiators need clear guidance on how to weigh competing concerns, the flexibility to explore solutions, and deadlines by which to make progress before elevating issues to leaders. TTIP will have completed seven rounds of negotiations by the beginning of October, and the outlines of the deal should be taking shape. President Obama has opportunities to review progress with European leaders this month. Later this fall, the President and other TPP leaders will have the chance to meet during the East Asia and APEC summits, which will take place a few days after U.S. congressional elections on November 4. That would be an ideal time to announce the wrapping up of the substantive aspects of TPP, which means that bilateral market access negotiations, in particular between the United States and Japan, should be substantially complete before then.
Fifth, TPP and TTIP partners should reassure other countries that these partnerships are not directed competitively or punitively against anyone, and that they will be open for expansion. That decision has already been taken for TPP, but not yet for TTIP. As noted, there are important political and strategic benefits in reassuring potential partners that neither platform is a closed process, and that their interests will be taken into account. But it also means that countries aspiring to join either partnership, once negotiations are finished, must prove that they can demonstrate a commitment to high standards of market liberalization and the rule of law. With half of the countries in the G-20 already a part of TPP or TTIP, the leaders’ meeting in Brisbane this fall provides an opportunity to reinforce both parts of this message. Indeed, Australia—as host—has already suggested that the G-20 play a role in ensuring that these new agreements are “building blocks” rather than “stumbling blocks.”

Sixth, the United States and its TPP and TTIP partners should also begin to articulate how their negotiations might evolve to complement various efforts at regional integration under way elsewhere, as well as work at the WTO. As noted, potentially significant initiatives, such as the Pacific Alliance in Latin America, the East African Community and the Greater Arab Free Trade Area, although at very different stages of development and integration, could become significant platforms for greater regional integration. It could be possible, for example, to envision over time the emergence of stronger transatlantic trade and investment ties not only in the North Atlantic area between the United States and the EU, but also further south, perhaps with an expanded Pacific Alliance or the Economic Community of West African States. A clearer role for the WTO in supporting such cooperation, as a step in the direction towards greater multilateral trade liberalization, could also be feasible.

Finally, Congress has work to do. It is vital that the United States be able to continue to exercise a leadership role in advancing not only the TPP and TTIP partnerships, but a far-reaching trade agenda more broadly. Voicing support for economic recovery and increased growth is not the same as engaging in the hard work of drafting a trade promotion bill that can gain a majority of both houses. Clear progress towards enacting fast-track authority will at least give the administration the clout it needs overseas to bring back two strong trade deals. Without such progress, the view in European and Asian capitals is that the United States is not serious about the end-game. And that will make it more difficult to get there.
CONCLUSION

With 95 percent of the world’s population living outside of the United States, America cannot recover its economic footing as quickly or as effectively without the ability to deliver on an expansive trade agenda. The substance of the new partnerships it is forming with Asia and Europe are essential to get right, both to secure domestic support and to reassure these partners that the United States takes their security and economic interests seriously. Just as important as concluding TPP and TTIP is signaling to key countries not part of these negotiations that the door will be open for them to demonstrate that they can meet the high standards for joining.

If it turns out that the United States is unwilling or unable to deliver the results it has promised its public and its partners, then others will step in to fill the void. There is no shortage of trade agreements being concluded by other countries but they are not as ambitious or as high-standard as the United States would make TPP and TTIP. For America to forego a chance to cement its economic alliances with major partners in Asia and Europe at this time of turmoil in international politics would be a missed opportunity to advance U.S. economic and national security interests worldwide.
PARTICIPANTS IN KEY PLURILATERAL AND REGIONAL INITIATIVES

Agadir Agreement: Egypt, Jordan, Morocco, Tunisia

Asia Pacific Economic Cooperation (APEC): Australia, Brunei Darussalam, Canada, Chile, China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, South Korea, Chinese Taipei, Thailand, United States, Vietnam

Association of Southeast Asian Nations (ASEAN): Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam


East African Community (EAC): Burundi, Kenya, Rwanda, Tanzania, Uganda

Economic Community of West African States (ECOWAS): Benin, Burkina Faso, Cape Verde, Cote d’Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo

Environmental Goods Agreement (EGA): Australia, Canada, China, Costa Rica, European Union, Hong Kong, Japan, New Zealand, Norway, Singapore, South Korea, Switzerland, Chinese Taipei

Greater Arab Free Trade Area (GAFTA): Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen

Information Technology Agreement (ITA) Expansion: Albania, Australia, Canada, China, Colombia, Costa Rica, Dominican Republic, El Salvador, the European Union, Guatemala, Hong Kong, Iceland, Israel, Japan, Korea, Malaysia, Mauritius, Montenegro, New Zealand, Norway, the Philippines, Chinese Taipei, Singapore, Switzerland, Thailand, Turkey, United States

Mercosur: Argentina, Brazil, Paraguay, Uruguay, Venezuela

Organization for Security and Cooperation in Europe (OSCE): Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Holy See, Hungary, Iceland, Ireland, Italy, Kazakhstan, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Mongolia, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russia, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, the former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, United Kingdom, United States, Uzbekistan

Pacific Alliance: Chile, Colombia, Mexico, Peru
Regional Comprehensive Economic Partnership (RCEP): Australia, Brunei Darussalam, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, South Korea, Thailand, Vietnam

South African Customs Union (SACU): Botswana, Lesotho, Namibia, South Africa, Swaziland

Trade in Services Agreement (TiSA): Australia, Canada, Chile, Colombia, Costa Rica, European Union, Hong Kong, Iceland, Israel, Japan, Liechtenstein, Mexico, New Zealand, Norway, Pakistan, Panama, Paraguay, Peru, South Korea, Switzerland, Chinese Taipei, Turkey, United States

Transatlantic Trade and Investment Partnership (TTIP): Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom, United States

Trans-Pacific Partnership (TPP): Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, Vietnam

West African Economic and Monetary Union (WAEMU): Benin, Burkina Faso, Cote d’Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo
REFERENCES


Australia G20. 2014. “Removing Obstacles to Trade.” https://www.g20.org/g20_priorities/g20_2014_agenda/removing_obstacles_trade


Reed, John and Beit She’an. 2013. “Israel Promotes Trade Route between Turkey and Middle East.” Financial Times, August 27. http://www.ft.com/intl/cms/s/0/11183018-0f22-11e3-ae66-00144feabdc0.html


ENDNOTES

1. More recently, China and Taiwan have put aside significant differences and built a thriving commercial relationship that has helped to keep the Straits from becoming a flashpoint (Sullivan 2014).
5. U.S. Department of State, Office of the Historian
7. International Monetary Fund (2014)
9. International Trade Administration (2)
10. Data from the Bureau of Economic Research
11. Froman (2014)
12. TPP began as the “Pacific-4,” an initiative launched by Brunei, Chile, New Zealand and Singapore to deepen their economic integration. The Bush Administration announced in 2008 that the United States would join the effort beginning with negotiations in March 2009, but the incoming Obama Administration asked for a delay in order to assess its position. (Field and Watkins 2009)
13. Office of the United States Trade Representative (2)
14. The Atlantic Council, the Bertelsmann Foundation and the British Embassy (2013)
15. Office of the United States Trade Representative (2014)
16. International Trade Administration (2)
17. Petri, Plummer and Zhai (2014)
18. Francois et al. (2013) assuming Ė1 = $1.35
20. See both LeGoff and Singh (2013) and Hoekman and Winters (2005)
25. Office of the United States Trade Representative (2014)
27. Reuters (2014)
28. FIESP (2013)
30. Pacific Alliance members have been characterized as “agile and ambitious [and] poised to pounce on opportunity” (George 2013).
31. World Trade Organization (2) (2014)
32. Europe, of course, is far from monolithic. Eurostat data indicates that last year Greece’s real GDP fell by nearly 4 percent while Latvia’s grew by 4 percent. But Latvia’s GDP in per capita terms is only about one-tenth of that of Luxembourg’s, which is the highest at $104,000.
33. Macinstosh (2014)
34. Hagel (2014)
35. International Monetary Fund (2014)
36. See generally Kirisci (2014)
37. Canada and the European Union have finalized the text of an agreement only recently, despite an announcement in October 2013 that substantial agreement had been reached.

38. Office of the United States Trade Representative (1)

39. Reed and She’an (2013)

40. González (2014)

41. Herkes and Sapiro (2014)

42. Donnan (2014)

43. EurActiv (2) (2014)

44. See generally Dadush, Dervis, Puritz Milsom and Stancil (2012)

45. Hufbauer, Cimino and Moran (2014)


48. McNamara (2009)

49. Easley (2013)

50. In the absence of trade promotion authority, the Administration has consulted closely with Congress on the development of negotiating objectives and progress during both TPP and TTIP, as well as with respect to the other negotiations progressing in Geneva on services, information technology goods and environmental goods. Wherever relevant, the current negotiations reflect the bipartisan agreement Congress reached on May 10, 2007 that provided guidance on several issues, including how certain aspects of labor, environment, intellectual property and investment issues should be handled.


52. Australia G-20 (2014)

53. In February, the EU and the Economic Community of West African States (ECOWAS) reached agreement in principle on an economic partnership agreement, bringing ten years of negotiations to a close (EurActiv 1). In August, ECOWAS and the United States signed a Trade and Investment Framework Agreement (TIFA) which provides a new mechanism for expanding trade and investment ties (Office of the United States Trade Representative 2014 (2)).