

Trade deals mark positive shift for U.S.

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Battered by crises and maligned by critics, globalization is regaining momentum. And this is good news for America's global leadership. Negotiations for an ambitious Trans-Pacific Partnership (TPP) trade deal involving a dozen countries from Asia and the Americas are quietly nearing the finishing line. Another historic agreement, the Trans-Atlantic Trade and Investment Partnership (TTIP) between the United States and the European Union, also shows signs of becoming reality.

Not long ago, the idea that two landmark trade deals could be the pillars of President Obama's foreign policy legacy would have seemed laughable. As a presidential candidate in 2008, Obama was a trade skeptic, painting deals like NAFTA as job-killers. Once in office, however, Obama warmed to trade expansion as presidents tend to do, given the dependence of the American economy and jobs on exports and global supply chains. In 2010, Obama issued a call to double U.S. exports, with trade deals forming part of the package — only now they were described as “partnerships” that would open new markets to American businesses big and small, rather than “free trade agreements” associated in the public's mind with offshoring and job losses.

As an economist who has for years worked to advance free trade in both the public and private sector, I could not be more elated. For more than a decade, global ambitious efforts to liberalize cross-border trade and investment have stalled. The promise of the Uruguay Round of negotiations, which in 1994 produced the crown jewel of the global trading system, the World Trade Organization, appeared to have been lost. The Doha Round — the multilateral talks that were supposed to expand on the Uruguay Round's gains — have been going on for 13 years, with few tangible results because of disagreements between emerging markets such as Brazil and India (who resist opening their markets to foreign manufactured products and services) and the U.S. and Europe, which are reluctant to free their agricultural markets.

With any one of the WTO's 160 member nations able to scuttle any global agreement, countries have turned to regional trade agreements or country-to-country pacts as alternatives. Since the United States, Canada and Mexico launched the North American Free Trade Agreement (NAFTA) two decades ago, no fewer than 400 trade deals have been concluded or are under negotiation, coupling such players as Chile and China, Japan and Mexico, and the United States and Singapore, to name a few. Such deals tend to go deeper than WTO efforts, pioneering in the regulation of e-commerce, intellectual property, and state-owned enterprises. But for globalizing companies, they also create a patchwork of rules that differ from one market to the next.

The two transoceanic pacts that would link us to Asia and Europe, though, would resurrect the momentum for a more comprehensive global agreement. They would also deliver considerable economic benefits. The trans-Pacific deal (TPP) will boost U.S. annual gains by \$77 billion, and Japan's by \$104 billion. The TTIP deal, by integrating markets in the U.S. and the EU, would generate \$130 billion annually in economic gains for the United States, and \$162 billion for Europe. As such, it is estimated that TTIP will boost U.S. household incomes by \$865 annually and create 750,000 new U.S. jobs, while TPP would generate about \$1,230 per household by 2025.

These trade deals could give U.S. companies the confidence needed to unlock their considerable cash holdings and invest in producing more export goods and hiring more U.S. workers. They also would make it costlier for nations who have opposed lowering barriers to stay their obstructionist course. Ever pragmatic, China has become interested in joining TPP, in part to counteract the country's economic slowdown and drive reforms of state-owned enterprises.

To be sure, the White House is facing complicated talks with Congress over the trade promotion authority (TPA) needed to successfully negotiate trade deals and get them through Congress. Such a legislative license to jump-start globalization will likely be opposed, much like the recent budget agreement was in Washington, by both the left wing of the Democratic Party and the tea party right within the Republican Party. Which may be yet another reason that a trade legacy looks appealing to President Obama: It will take a purple coalition to do the right thing.

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