The twelve Trans-Pacific Partnership (TPP) ministers hold a press conference to discuss progress in the negotiations in Lahaina, Maui, Hawaii July 31, 2015 (Marco Garcia/Reuters).

A dozen countries from the Asia-Pacific region showed today that it is still possible for nations to do big things. Following a week of difficult meetings in Atlanta, trade and economy ministers from the United States, Japan, Mexico, Vietnam and others have reached a final deal on the Trans-Pacific Partnership (TPP), the largest and most consequential trade agreement since the creation of the World Trade Organization (WTO) more than two decades ago. While there is still a long road ahead to final ratification by the U.S. Congress and other national legislatures, the TPP deal has the potential to reshape an important part of the U.S. economy, strengthen American diplomacy, and launch a new generation of international economic cooperation.

There are three broad implications for the United States. The first is economic. The United States is a far more trade dependent economy than it was even two decades ago when the WTO was formed, and the TPP will have big implications for the future of America’s traded industries, especially in manufacturing. The decade of the 2000s was a lost one for U.S. manufacturing, in no small part because of growing competition following China’s 2001 entry into the WTO. But the TPP should help write a different story for the next decade. The most important impact of trade agreements is in shaping corporate investment decisions—all else being equal, big companies are likely to invest more now in the TPP member countries because they can move their products freely within the TPP’s tariff-free zone. In sophisticated industries like autos and electronics, corporations rely on global supply chains, and the ability to move intermediate
and finished goods at low cost within the TPP region will provide a significant advantage for the countries that are part of the deal. This should be good for the United States as an investment location. A recent report from the Boston Consulting Group found that manufacturing costs in the United States have fallen against every one of the other ten largest exporting nations over the past decade. Among the TPP countries, only Mexico still has an edge on the United States.

Such investments will not flow automatically, to be sure. U.S. states and cities will have to compete aggressively to attract and retain companies. The U.S. government will need to keep a careful eye on the dollar to ensure that—as has happened too often in the past—a rising currency doesn’t price the United States out of global markets. The absence of any provisions on currency is a weakness of the TPP agreement, but one the U.S. government can address by actually using the many tools it already has to discourage currency manipulation. Investments in infrastructure and worker training to make the United States a more attractive business location would help a lot, as would corporate tax reform. And the government will need to stop doing stupid things, like Congress’s decision to let authorization lapse for the U.S.-Export Import Bank, which provides financing for U.S. companies selling to buyers in developing countries. But if Washington takes a few sensible steps, the TPP should help the United States become more competitive as a business location, boosting exports and creating higher-paying jobs for Americans.

The second implication is diplomatic. Again assuming Congress does not torpedo the deal, which seems unlikely, the TPP shows that U.S. global leadership is alive and well. The United States more or less by itself choreographed the conclusion of the agreement—it was no coincidence that the critical final two ministerial meetings were both held in this country, in Hawaii and Atlanta. And it did so by working closely with multiple partners—Japan and Mexico on the rules for auto trade, Vietnam and Malaysia on labor rights, Australia on data protection for biologic drugs, New Zealand and Canada on dairy trade. There will be dissenters on the compromises reached in each of these sensitive areas, but pulling them together was an impressive feat of negotiation. Such a success will serve the United States well in future international negotiations, by demonstrating that Washington can still set ambitious targets and reach them.

Finally, the conclusion of the TPP should create the conditions for a new push to enhance international economic cooperation—and on terms that favor the United States. The conclusion of TPP will light a fire under the Europeans to speed up the slow-moving negotiations on the Trans-Atlantic Trade and Investment Partnership (TTIP). With the conclusion of those two deals, nearly two-thirds of all U.S. trade would be covered by free trade arrangements. Perhaps more importantly, it will force some difficult decisions on the big emerging economies that have benefited so much from growing global trade.
but have been reluctant to open their own markets and enforce fair rules for trade and investment. China in particular, which has been turning more inward under President Xi Jinping, will face a tough choice on whether to stick to its own lackluster collection of trade agreements or try to make the reforms needed to join the TPP. India too faces a similar decision if it wants to accelerate its drive to become a manufacturing center. The open architecture of the TPP, which invites membership by any country in the region that agrees to accept its terms, will be a bargaining chip held by the United States and its allies for many years.

The TPP deal took nearly a decade to come to fruition, and it is not quite done yet. But big things are hard to do. And with the TPP, the United States has shown that it still has the capacity to do them.