The Real Battle Over Obama’s Pacific Trade Deal Is About to Begin

President Obama fought for more than five years to get the Trans-Pacific Partnership. But the struggle to get Congress on board is just beginning.

In what could become the most significant foreign-policy legacy of President Barack Obama's administration, negotiators from 12 nations inked the Trans-Pacific Partnership (TPP), one of the largest free trade agreements in history.

The deal would boost trade among a dozen nations comprising 800 million people and making up 40 percent of the global economy. The pact touches on nearly every aspect of trade between the United States and 11 other countries in the Asia-Pacific. It calls for the gradual reduction or elimination of tariffs on hundreds of goods and services, from cars and trucks to rice and cheese. It also clarifies intellectual property rights for movies and pharmaceutical drugs, as well as the Internet, and is meant to create new standards for environmental protection and labor rights in participating countries. The deal also creates a novel dispute-resolution mechanism.

But it was in doubt as late as Sunday evening, as negotiators in Atlanta wrangled over the smallest details of how the deal would shape trade in the Asia-Pacific region. On Monday, U.S. Trade Representative Michael Froman announced what he called a “historic agreement” that came after more than five years of seemingly endless negotiations.

“[TPP] helps define the rules of the road for the Asian-Pacific region,” Froman said.
The trade pact would be the economic capstone to Obama’s “pivot to Asia,” or Asia rebalance, and would give the United States a way to counterbalance China’s hefty economic influence throughout the region. A successful trade deal in Asia could also jump-start stalled trade talks between the United States and Europe. But despite the negotiating breakthrough in Atlanta, it’s far from a done deal. The TPP faces plenty of political opposition inside the United States and in many Asia-Pacific countries.

The trade pact, whose text has yet to be finalized, has not enthralled even free traders among congressional Republicans, whose support is crucial for the deal’s ultimate passage. The president must wait 90 days after the TPP agreement is done before signing it. Then it goes to Congress for an up-or-down vote.

“I am afraid this deal appears to fall woefully short,” said Sen. Orrin Hatch (R-Utah), chairman of the Senate Finance Committee and a pivotal voice on the fate of the deal.

Senate Majority Leader Mitch McConnell said that “serious concerns have been raised on a number of key issues,” but the agreement would get a fair look.

“Everyone appears to be holding fire and waiting to see the text, but initial reaction isn’t great,” a House Republican leadership aide told Foreign Policy.

Obama seemed to have sewn up the TPP after he secured fast-track trade approval authority this summer. But the trade deal has sparked opposition from both the left and the right, angering environmentalists, trade unions, and plenty of lawmakers.

“The only way for this to end well for the American people, and our economy, is for Congress to reject this awful agreement, lock it in a metal safe, and dump it at the bottom of the Pacific Ocean,” Charles Chamberlain, executive director of former presidential candidate Howard Dean’s grassroots group, Democracy for America, said Monday.
On the presidential trail, Bernie Sanders, the junior senator from Vermont, has made opposition to the accord a major campaign issue. Hillary Clinton, the Democratic front-runner, has shifted from noncommittal to skeptical, despite her initial backing of the deal as Obama’s secretary of state. Some Republicans, including Donald Trump and Carly Fiorina, have opposed the deal, while Jeb Bush and Marco Rubio have spoken in favor of it. On Twitter Monday, Trump called it “a terrible deal.”

Overseas, the trade deal, which promises potential benefits but also upheaval for sectors from automaking to agriculture to pharmaceuticals, has also sparked plenty of opposition. As the deal stands now, all 12 countries must ratify the accord for it to come into force.

The deal has proved unpopular among Canadian farmers, who fear their protected dairy industry could come under assault by international rivals, and among car-parts makers in Mexico, who fear outside competition.

On Monday, Canadian Prime Minister Stephen Harper, who faces reelection later this month, urged lawmakers in the next government not to reject the deal.

“Ten years from now, I predict, with one 100 percent certainty, that if people are looking back, and we got in it, they will say, ‘It’s a great thing,’” Harper said. The opposition, Thomas Mulcair’s New Democratic Party, has slammed the deal. Mulcair said Unifor, Canada’s largest private sector union, estimates the TPP would cost Canada 20,000 jobs. The accord also has sparked protests and opposition in New Zealand, where thousands of Kiwis protested the deal in August, and in Japan, where protests have been a fixture since Tokyo joined the trade talks in 2013.

“It’s going to be a difficult process,” Cathleen Cimino-Isaacs, a research associate at the Peterson Institute for International Economics, told FP.

There is even concern that the TPP could suffer the same fate as the North American Free Trade Agreement. President George H. W. Bush’s administration nearly finished that deal but ran out of time. The next administration, led by Democrat Bill Clinton, eventually clinched NAFTA — but only after adding labor and environmental provisions. Something similar could happen to Obama’s trade centerpiece.
Daniel Twining, a senior fellow for Asia at the German Marshall Fund, said there is a “fifty-fifty” chance that the TPP will, like NAFTA, have to wait for the next president to be fully implemented.

The Obama administration on Monday again touted the potential benefits of the deal, highlighting the agreement to reduce or eliminate tariffs on thousands of products that put U.S. companies at a disadvantage in the most dynamic corner of the global economy.

“It will strengthen the hand of American workers and ensure that our businesses can compete on a level playing field in some of the world’s most significant markets,” Commerce Secretary Penny Pritzker said.

Froman, the trade representative, is preparing to blitz Capitol Hill with briefings about the benefits the deal will bring various districts around the country. His office says that the United States exports annually more than $600 billion in manufactured goods to TPP countries. Eliminating tariffs on these goods would boost economic growth and job creation, it argues. The Business Roundtable, a group which represents America’s CEOs, highlighted the pact’s potential as an economic engine, since trade with the 11 TPP countries supported 15.3 million American jobs in 2013.

While the economics dominate the domestic political arguments, the geopolitics of the deal are a major selling point for the White House as well. In a statement on Monday, Obama underscored his view that a deal "strengthens our strategic relationships with our partners and allies in a region that will be vital to the 21st century."

Inside the administration, the deal is frequently called the economic backbone of Obama’s pivot to Asia — a broad policy meant to reassure allies of America’s staying power in the region amid China’s explosive military and economic growth. One part of the pivot involves the shifting of military assets to the Asia-Pacific region in order to reassure allies and partners, especially in light of China’s recent aggressive moves. The trade pact is meant to be complementary by more fully integrating the United States with countries that have deepened their economic and trade relations with China over the past decade or more.

Notably, China is not a member of the TPP, though both Washington and Beijing have signaled an openness to China joining the club at a later date.
“The TPP’s significance is not just economic; it’s strategic — as a means of embedding the United States in the region, creating habits of cooperation with key partners, and forming a foundation for collaboration on a wide range of broader issues,” Froman said in a speech at the Center for Strategic and International Studies last month.

Without the TPP, experts say there is no clear alternative to expanding the U.S. footprint in the region given that the multilateral World Trade Organization process has been stalled for years. “TPP shows some competence and commitment to Asia,” Michael Green, a senior vice president for Asia at CSIS, told FP. “Without it, there would be a lot more uncertainty.”

Others say the deal keeps the United States in the driver’s seat as a leader in defining how trade will be conducted in this economically vibrant region. “It reinforces U.S. standing as a leader in establishing regimes that set rules for global best practices,” Scott Snyder, a senior fellow at the Council on Foreign Relations, told FP.

Obama reiterated that argument Monday. “When more than 95 percent of our potential customers live outside our borders, we can’t let countries like China write the rules of the global economy,” he said.

Scott Kennedy, a China expert at CSIS, said the creation of a massive free-trade zone offers a stark contrast to Beijing’s dirigiste economic playbook, exemplified by government meddling in currency and equity markets as well as restrictive trade and investment rules.

“China is going to have to make a choice to get to the next stage of economic reforms,” Kennedy told FP. “They’re going to have to decide whether they want to be in TPP or whether they’re going to continue along the path they’ve been on the last couple of months.”

He added the reaction in Chinese state media Tuesday would be telling.

“If they say, ‘This is a big opportunity for China and we must grab it,’ that’s a positive sign.”

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Portions of this story previously appeared in a post on The Cable.
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