

Why Clinton Will Support the Trans-Pacific Partnership and Trump Will Not

Written by Erik Lindell

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ERIK LINDELL, MAY 8 2016

The twelve nation Trans-Pacific Partnership (TPP) trade pact is now public and subject to final legislative approval by the twelve participating countries. President Obama is hoping for Congressional ratification of the TPP before he leaves office.

But it is entirely possible that the controversial trade deal will not come up for a final vote until 2017, after Obama has vacated the White House. The reason is simply because of the complexity of the treaty ratification process combined with election year politicking. Further muddying the TPP's future is the opposition of the leading Presidential contenders, Hillary Clinton and Donald Trump.

Critics have hammered Clinton for her sudden, and politically expedient, reversal on the TPP. As Secretary of State Clinton was an enthusiastic supporter of the TPP, even referring to it as the gold standard of trade agreements. But with Democratic rival Bernie Sanders nipping at her electoral heels from the Left, Clinton decided to jump ship. American workers and their wages would be disadvantaged by the TPP, she now claims, adding that the agreement did not meet the high bar that she had set for it.

In response to unrelenting attacks by Sanders on her trade policies prior to the Ohio primary, Clinton further clarified her opposition. Her specific target became the complex TPP 'rules of origin' (ROO) governing autos. ROO determine what percentage of an auto would have to be made in a TPP country (how much 'domestic content') in order for it to qualify for benefits under the agreement, including importation into the U.S. with no tariffs.

The TPP sets the threshold for autos at 45% domestic content. Critics claim that the figure is too low and will disadvantage U.S. auto workers and auto parts makers. The problem, according to Senator Sherrod Brown (D - Ohio), is that '... most of the car's value could come from (parts made in) China and then it would be assembled in a TPP country - say, Japan - and then that would be sold in the United States tariff-free.'

Under Rust Belt political pressure Clinton agreed. She then added, echoing a familiar refrain from Trump and Sanders, 'We are going to enforce trade agreements and— are not going any longer to be at the mercy of what any country is going to do to take advantage of our markets.'

However, despite these electorally-driven protestations Clinton will nevertheless find a way to salvage the TPP. The reason is simply because she is diplomatically savvy and recognizes that the trade deal is, overall, in America's best interests.

So why would Clinton push for the TPP? One reason is economic. The TPP will standardize trade and investment rules and regulations governing the participating states, making it easier and cheaper for American firms to conduct business. The 'noodle bowl' of bilateral trade agreements that currently crisscross Asian economies, which result in vastly different and conflicting trade rules, will give way to a more uniform and transparent trade regime.

The trade pact will also pry open service and agricultural markets, areas where American business excels (the U.S.

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runs a substantial trade surplus in services), increase the protection of American intellectual property (which many American jobs depend on), and apply many World Trade Organization standards to trade, labor rights, and the environment. It would be difficult for Clinton to pass on all this.

In addition, U.S. allies such as Japan and Australia view the TPP as an important vehicle to strengthen their domestic economies. Japanese Prime Minister Shinzo Abe addressed a joint session of Congress in 2015 and stressed the criticality of the TPP for regulatory reform in agriculture and other areas of the Japanese economy. Abe has battled against entrenched protectionist interests in the process.

Similarly, the Australian government is firmly in the pro-TPP camp. The agreement will, according to their Department of Foreign Affairs and Trade, 'open new trade and investment opportunities for Australia in the Asia-Pacific region, further integrate our economy in this fast growing region, and promote and facilitate regional supply chains.' Prime Minister Malcolm Turnbull has called the TPP a 'gigantic foundation stone' which will deliver jobs and growth for Australia.

And like Japan, Australia constitutes an important partner for the U.S. as it 'pivots' to Asia as a hedge against an increasingly aggressive China. To that end the Obama Administration has strengthened bilateral cooperation with Australia in defense and space and established rotational deployment of U.S. troops. In terms of American security, Defense Secretary Ash Carter has claimed that TPP passage is equivalent to adding another aircraft carrier.

If the next American president casually dismisses the interests of critical national security allies by torpedoing the TPP, after five years of intensive negotiations, U.S. credibility in the region will suffer accordingly. The Japanese Government has stated this publicly and also claimed that they will not renegotiate the pact.

Then there is the China challenge. The Xi Jinping regime has launched the Silk Road Economic Belt, an ambitious project to connect China to Central Asia, Iran and beyond with oil pipelines, railroads, and roads. The Silk Road initiative represents a concerted effort by the Chinese leadership to extend China's economic and geopolitical influence throughout the region.

China is also the driving force behind the Regional Comprehensive Economic Partnership (RCEP), a proposed trade agreement involving sixteen nations (including seven TPP states). The RCEP is China's answer to the TPP. As one analyst notes, both the U.S. and China are competing to '—shape the architecture of economic cooperation in the region.'

The TPP, in turn, establishes an important American counter- presence in the Pacific Rim and demonstrates a continuing U.S. commitment to Asia's security and economic prosperity. It is difficult to imagine a successful U.S. security pivot to the region without a corresponding economic pivot, in the form of the TPP.

The trade pact does not require every signatory to sign on before it comes into force. Rather if two years have passed and all signatories have not signed on, the TPP will still come into force as long as at least six original signatories have ratified it and these signatories represent at least 85% of the total GNP of the twelve original signatories. Translated this means that the TPP cannot come into force *without both* the U.S. and Japan signing on. And that is why the American Presidential election could possibly determine the ultimate fate of the trade deal.

Given the considerable American economic and diplomatic baggage riding on TPP passage, Clinton is unlikely to desert the TPP groom at the altar. She is astute and experienced enough in foreign affairs to realize that when the electoral battles are over, America's commercial and diplomatic interests in Asia take precedence.

An account in *Bloomberg* once noted that 'more than her predecessors, Clinton has argued that commercial diplomacy and the promotion of trade, long the neglected stepchildren of the foreign policy establishment, are central to U.S. strategic interests.' And Clinton is well aware that those strategic interests include moving forward with the TPP.

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How Clinton will address the auto ROO issue, if elected, remains to be seen. With the TPP deal now sitting on the tables of twelve national legislatures, awaiting final ratification, there is no easy solution. But keep in mind that Clinton has never unequivocally opposed the TPP as Sanders and Trump have. Rather the campaign has forced her into demanding greater benefits, a higher bar, for American workers. If elected, and if the TPP is still in play, she will be tasked with raising the bar sufficiently to convince labor, Progressives, and other TPP skeptics that her enthusiastic support for the trade agreement is now warranted.

Finally, there is the angry protectionist, Republican Presidential candidate Donald Trump who preaches economic salvation through protectionism, tariffs, and aggressive retaliation against any country that runs a trade surplus with the United States. Trump has also warned against the false song of globalism and argued that under his administration the U.S. would never enter any agreement ‘—that reduces our ability to control our own affairs.’

According to Trump the TPP and all U.S. trade pacts are ‘terrible.’ In the midst of the Super Tuesday primaries he eviscerated the agreement once more in an OPED.

Yet while Trump suggests that ‘his people’ are smarter and could produce better trade deals, it is nevertheless unlikely that Trump will support the TPP under any circumstances. For Trump has simply invested too much of his ego and credibility in condemning it to reverse course at this point. In addition, Trump appears to have only the slimmest understanding of global trade issues, the importance of imports and global supply chains for the American economy, and the larger geopolitical issues associated with trade. Moreover, when you claim that the ‘TPP is the biggest betrayal in a long line of betrayals where politicians have sold out U.S. workers’ there is no room left for political retreat.

If the TPP is not finalized before President Obama leaves the White House, its life or death will likely be contingent upon who wins the U.S. election in November.

About the author:

Erik Lindell has a PhD in International Relations and is a former academic. His areas of specialization include International Political Economy and U.S. Foreign Policy. Some of his recent articles have appeared in the *Georgetown Journal of International Affairs*, the *Fletcher Forum* (Tufts University), and *Global Politics* (U.K.)