

Trans-Pacific Partnership: A Final Deal Reached Without the United States

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Earlier this week, the remaining 11 parties to the Trans-Pacific Partnership (TPP) negotiations announced the conclusion of negotiations and that an agreement will be signed on March 8, 2018. The parties to the agreement (rebranded as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership) are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The United States withdrew from the TPP almost exactly one year ago, as one of President Trump's first actions in office. The TPP's future was in question after the U.S. withdrawal; Japan struggled to keep the agreement alive through a new framework reached in May 2017. Canada continued to put up roadblocks on cultural product exemptions and market access for autos that were only resolved through bilateral side letters within the last couple of weeks.

The 11 TPP member countries account for approximately 14 percent of global GDP, and the planned reduction of 98 percent of tariffs in a \$14 trillion market will result in an estimated net benefit of \$37 billion for the trade pact participants. But the United States' exit from the negotiations has changed the dynamic of the agreement. The United States' inclusion in the agreement would have expanded the group's representation to 40 percent of global GDP. The absence of the United States also puts Japan in a leadership role in the new agreement, shifting the focus of the agreement in many ways from North America to Asia. And the 11 TPP members suspended several provisions on intellectual property and investor state dispute settlement that had been important to the United States.

Many experts have opined on how the TPP, involving both Canada and Mexico, will impact current NAFTA renegotiations. TPP may free Mexico and Canada from dependence on NAFTA in the event the North American agreement dissolves (a new free trade agreement between Canada and the EU also entered into force in 2017). Yet, the United States will likely retain significant leverage in the NAFTA talks. The United States remains the most important trading partner for both Mexico and Canada, and many other provisions that the United States tabled in the TPP negotiations during the Obama Administration have survived, potentially weakening Canadian and Mexican attempts to revisit those issues in the NAFTA context.