

CALIFORNIA SENATE OFFICE OF RESEARCH

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Federal Update

TRANS PACIFIC PARTNERSHIP

The Trans-Pacific Partnership (TPP) is the most ambitious trade deal since the North American Free Trade Agreement (NAFTA) in the 1990s. This briefing explains the basic facts about the TPP and provides further resources.

WHAT IS IT?

The recently passed trade promotion authority provides “fast-track” ability to negotiate with the trading partners. “Fast-track authority” allows President Obama—as well as the future administration—to continue negotiating and later send trade deals to Congress for up or down votes. Congress may reject the deals if they do not meet the set standards. The White House wants the authority to conclude negotiations on the trans-Pacific trade deal. Since the last fast-track law expired in 2007, the Obama administration hasn’t been able to close any major trade deals.

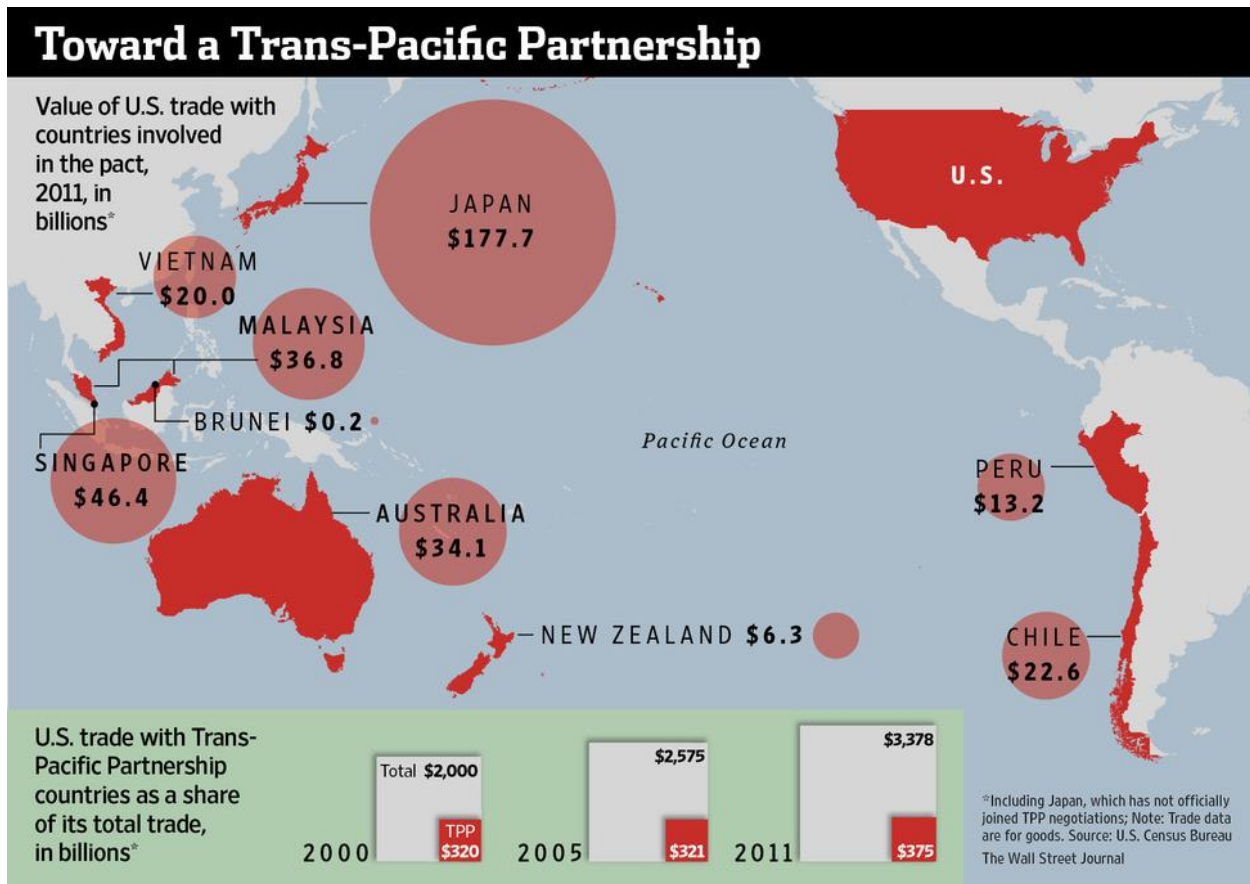
WHO’S IN?

The group includes the United States and 11 other Pacific Rim nations. The group has an annual gross domestic product (GDP) of \$28 trillion. It represents almost 40 percent of worldwide GDP and one-third of world trade.

Main Negotiating Partners	Invited to Join (NAFTA)	Interested In
United States, Australia, Chile, Malaysia, Peru, Vietnam, New Zealand	Canada, Mexico	Japan

Figure 1 shows the major TPP partners, along with the value of the U.S. trade of those countries.

Figure 1



Source: Wall Street Journal

WHO'S OUT?

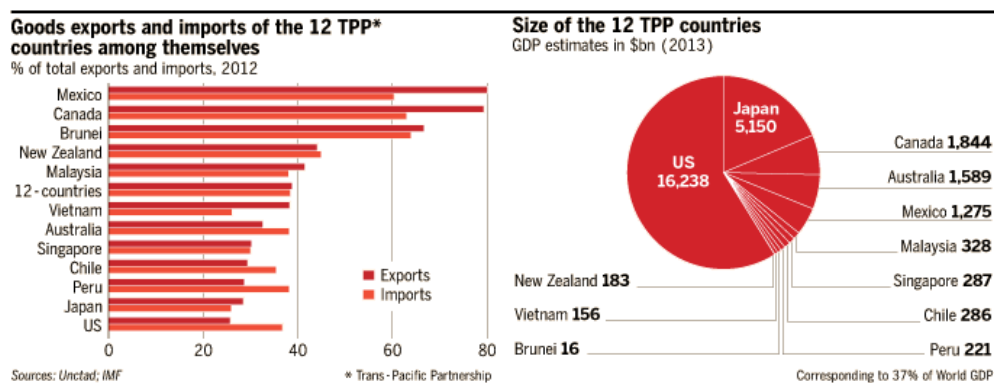
Most notably, China has been pointedly excluded from the deal, at least for now. The TPP is considered a way to bind Pacific trading partners closer to the United States while raising a challenge to China. China has not expressed specific interest in joining the talks at this time.

WHAT'S IN?

In addition to the United States' desire to create a formal "fast-track authority" to negotiate the trade agreement with Japan, Malaysia, Brunei, New Zealand, and Vietnam, and also to strengthen NAFTA (the current agreement with Canada and Mexico), there are a number of other issues the agreement addresses:

- **Stumbling blocks:** As global trade has soared in recent years (see Figure 2), a number of issues, such as e-commerce, financial services, and cross-border communications, thwart trade.
- **Tariffs:** Once standard to protect domestic industries from cheaper goods from overseas, tariffs began disappearing after the Depression and World War II. The United States still imposes tariffs on sugar, for example. The TPP would create a free-trade zone.
- **Environmental and Labor Standards:** U.S. negotiators say the agreement “levels the playing field” with rigorous standards for the countries involved.
- **Data:** The agreement prohibits the restriction of cross-border data transfers over the Internet so servers need not be located in a specific country to conduct business.
- **Services:** The TPP aims to increase opportunities in service industries, including finance, engineering, software, education, legal, and information technology. While services are not subject to tariffs, restrictions on investing have been used to protect local businesses.
- **State-Owned Business:** Many developing countries offer favoritism to state-owned companies that are directly or indirectly owned by the government (such as Fannie Mae in the United States). The agreement contemplates competitive neutrality.

Figure 2



WHAT'S THE SECRET?

The office of the U.S. Trade Representative states: "Negotiators need to communicate with each other with a high degree of candor, creativity and mutual trust. To create the conditions necessary to successfully reach agreements in complex trade and investment negotiations, governments routinely keep their proposals and communications with each other confidential."

WHO LIKES IT? WHO DOESN'T?

A series of procedural votes have delayed passage of the bill, which has been largely supported by Republicans and corporations. Organized labor and some environmental groups have expressed significant concerns, as have Democrats.

The Democrats cast "yes" votes even though the trade package did not include a workers' assistance program for people displaced by increased trade. The Trade Adjustment Assistance (TAA) program was a part of the last fast-track package approved by the Senate in May, but became a key part of opposition to the package among Democrats in the House. The TAA will be considered at a later date.

WHEN WOULD IT HAPPEN?

The trade negotiating powers last six years, according to the bill. Every subsequent agreement would have to be sent back to Congress for an up or down vote with no amendments.

Some further reading on the TPP, from the *New York Times* and elsewhere:

- A detailed defense of the trade pact from the Web site of the United States Trade Representative. <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-issue-issue-negotiating-objectives>.
- A report on [China taking a "watch and study" position on the deal.](http://www.nytimes.com/2015/04/29/business/international/once-concerned-china-is-quiet-about-trans-pacific-trade-deal.html) <http://www.nytimes.com/2015/04/29/business/international/once-concerned-china-is-quiet-about-trans-pacific-trade-deal.html>.
- Senator Elizabeth Warren criticizes the secrecy surrounding the negotiations. President Obama says Senator Warren [is "absolutely wrong"](#) in her opposition to

the deal. <http://www.nytimes.com/politics/first-draft/2015/04/22/elizabeth-warren-knocks-obama-over-trade-deal-transparency/>.

<http://www.nytimes.com/2015/05/10/us/politics/obama-calls-elizabeth-warren-absolutely-wrong-on-trans-pacific-trade-deal.html>.

- The Economic Policy Institute research group, arguing why it believes the pact is likely to [hurt American workers](http://www.epi.org/publication/tpp-unlikely-to-be-good-deal-for-american-workers/). <http://www.epi.org/publication/tpp-unlikely-to-be-good-deal-for-american-workers/>.
- [“Room for Debate—What We’ve Learned From NAFTA.”](http://www.nytimes.com/roomfordebate/2013/11/24/what-weve-learned-from-nafta) Six concise and varied viewpoints on why NAFTA has been a success or not. <http://www.nytimes.com/roomfordebate/2013/11/24/what-weve-learned-from-nafta>.

Compiled by Gayle Miller. The California Senate Office of Research is a nonpartisan office charged with serving the research needs of the California State Senate and assisting Senate members and committees with the development of effective public policy. The office was established by the Senate Rules Committee in 1969. For more information, please visit <http://sor.senate.ca.gov> or call (916) 651-1500.
