



Policy Brief No. 201654

November 3, 2016

东艳: dongyan@cass.org.cn

毕晶: 13581858280@126.com

TPP failure would cost the US trade dominance^①

Impacted by the US presidential election, there is a slim chance that the US-led Trans-Pacific Partnership (TPP) free trade agreement will take effect by the end of this year. The US Congress is unlikely to ratify the agreement as US President Barack Obama expected and one of the TPP member countries, Vietnam, has decided to hold off on initiating any legal procedures until after the US presidential election.

Considering the 12 participating countries' varied levels of economic development, the standard of the trade deal is likely to be lower than the "gold standard" previously used to describe the trade pact. In this regard, the benefits of adopting the TPP standard in practice are to some degree negated.

In the US, the working class has spoken out against the deal, as they believe it will transfer more domestic jobs to foreign countries. Especially in the country's traditional industrial heartland, workers have been strongly against the TPP due to a large industrial recession, despite Obama's insistence that the TPP would offer more opportunities for domestic workers and small- and medium-sized enterprises in the coming years.

However, it is still possible for the TPP to be approved by the US Congress during the period

^①Dong Yan, research fellow with the Institute of World Economics and Politics at the Chinese Academy of Social Sciences. Bi Jing, associate research fellow with the Institute of European and Eurasian Studies at the Chinese Academy of International Trade and Economic Cooperation. This paper has been published on Global Times, November 2, 2016.



between when a new president is elected this November and when Obama leaves offices in January 2017.

According to chapter 30 of the TPP titled "Final Provisions," all countries need to ratify the agreement within two years of signing or "it shall enter into force 60 days after the expiry of this period if at least six of the original signatories, which together account for at least 85 percent of the combined GDP of the original signatories."

If the TPP does not receive legal approval from the US, which has the largest economic volume among the participant countries - which in total account for nearly 40 percent of global GDP - the trade deal will be doomed.

It has been less than a year since the TPP was signed by 12 participant countries in February 2016. Even if the deal is not passed by the US Congress by the end of the year, the new president could still change his or her stance on the TPP to push for legal approval of the deal within the mandated two-year period.

The TPP agreement is in the US' interest. In fact, Obama's efforts to shape and push for TPP negotiations can be attributed to the country's sluggish economic recovery since the 2008 global financial crisis. During this same period, the Asia-Pacific region has shown robust growth momentum by swiftly recovering from the crisis and becoming increasingly significant in the global economy.

At the same time, negotiations in multilateral trade agreements have reached an impasse. But the new trade rules shaped by the TPP agreement could potentially change the current status of fledgling and even distorted trade relations under the multilateral framework, facilitate trade liberalization and protect US' edge in international trade, strengthen economic ties the US has with other nations and ultimately solidify the US' leading status regionally and globally. The US is



absolutely wise in making its push for the TPP.

After nearly six years of negotiations, the final contents of the TPP agreement have garnered the interest of the member countries and relevant interest groups, suggesting that the agreement is not a game.

All those countries need now is respective legal approval. While the participating nations "wait and see" what the US Congress will do, the US should be the last country that gives up on the extremely advantageous trade deal.

In the long run, the TPP represents the future for US trade and global trade. If the TPP agreement comes to an end at this stage, it would be a situation no participating nation would hope to happen.

IGI 简介：国际问题研究系列（Inside Global Issues）是由中国社会科学院世界经济与政治研究所国际贸易研究室组织和发布的。该系列涉及的研究领域主要为国际经济与贸易；主要成员包括余永定研究员、宋泓研究员、姚枝仲研究员、倪月菊研究员、田丰研究员、东艳研究员、李春顶副研究员、高凌云副研究员、马涛副研究员、张琳博士和苏庆义副研究员。

声明：本报告为非成熟稿件，仅供内部讨论。报告版权为中国社会科学院世界经济与政治研究所国际贸易研究室所有，未经许可，不得以任何形式翻版、复制、上网和刊登。本报告仅代表作者的个人观点，并不代表所在单位的观点。

欢迎通过扫描下面的二维码订阅和关注我们的微信公众平台（微信号：iwep_ite，名称：IWEP 国际经济贸易研究）

