

The United States Withdraws from the TPP

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On January 23, President Trump directed the United States Trade Representative (USTR) to [withdraw the United States](#) as a signatory to the Trans-Pacific Partnership (TPP) agreement; the [acting USTR gave](#) notification to that effect on January 30. The TPP is a proposed free trade agreement (FTA), signed by the United States and 11 Asia-Pacific countries on February 4, 2016. The agreement requires ratification by the member countries before it can become effective. Implementing legislation, the vehicle for U.S. ratification, was not submitted by the President or considered by Congress, in part due to the contentious debate over the agreement. Because the TPP had not taken effect, U.S. withdrawal does not immediately affect U.S. tariffs or other trade commitments. The United States also has existing FTAs with six of the TPP countries (Australia, Canada, Chile, Mexico, Peru, and Singapore), which this announcement does not affect.

[TPP supporters](#) argue that the withdrawal could damage U.S. negotiating credibility, undermine U.S. economic leadership in the region, hurt U.S. firms' competitiveness abroad, and give China greater leverage to set regional trade rules. [TPP opponents](#) see the withdrawal as preventing greater U.S. import competition and potential job losses. Beyond the trade realm, some analysts also argue the withdrawal may signal declining U.S. engagement in the region and inability to assert leadership at a time when China's rise and North Korea's growing nuclear and missile capabilities are testing the U.S.-led rules system and challenging U.S. influence.

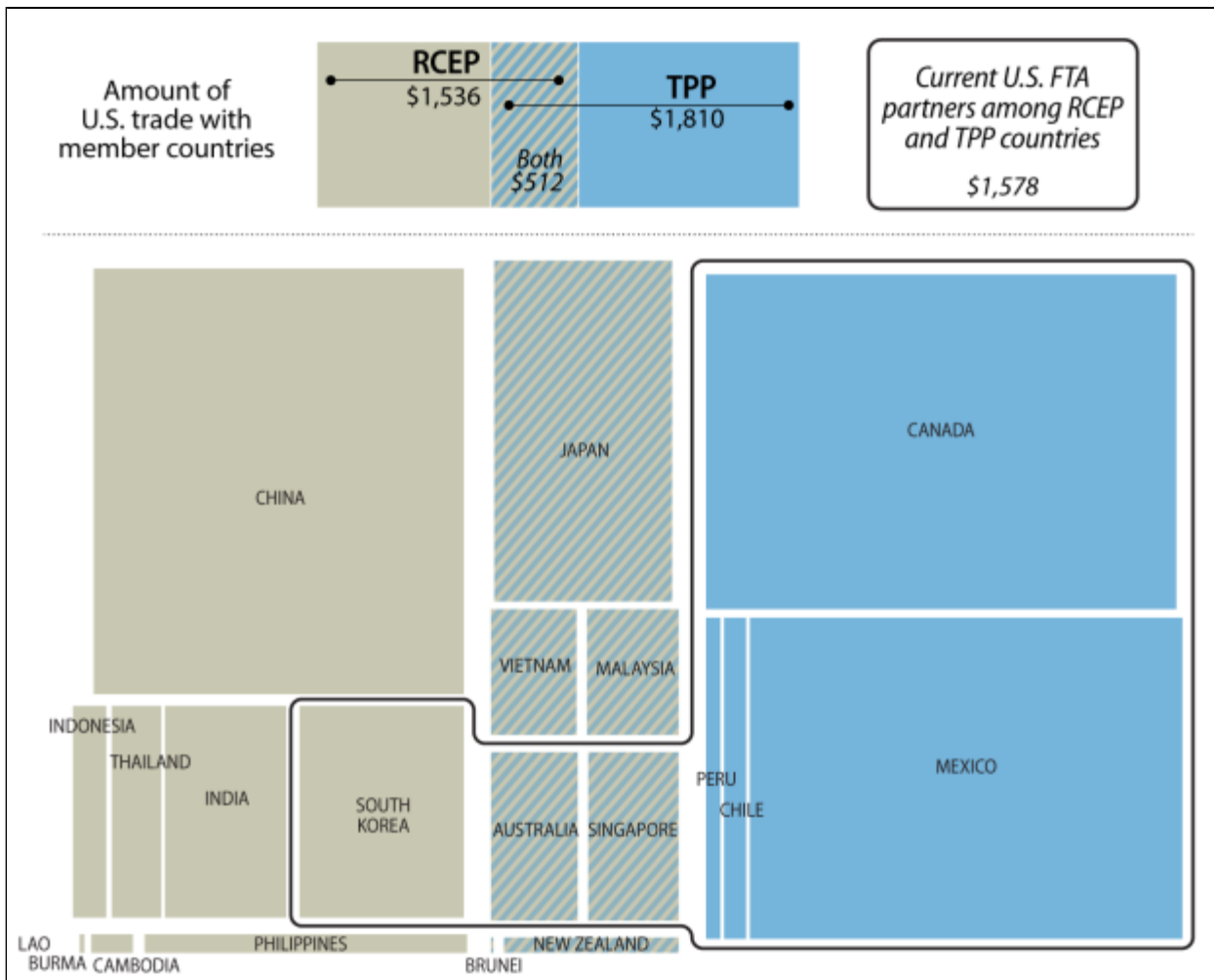
What happens to the TPP now? As signed, the TPP cannot take effect without U.S. participation. The TPP requires ratification by at least 6 countries representing 85% of the original 12 members' collective GDP, requiring both U.S. and Japanese participation to become effective. Given the size of the U.S. market relative to the other TPP countries (U.S. GDP accounts for about 65% of the group's total), the U.S. withdrawal reduces the economic value of the pact for the other members, especially countries without an existing U.S. FTA, such as Japan. However, following the Trump Administration's repeated statements over several months that it has no intent to change its position on TPP participation, the remaining 11 signatories have expressed uniform support for proceeding with the agreement without the United States. On the sidelines of the May APEC ministerial, [these countries set a November time frame](#) to establish how best to proceed toward that goal. To date, [Japan](#) and [New Zealand](#) have ratified the agreement.

On May 18, the Trump Administration [notified Congress](#) of its intent to renegotiate NAFTA with Canada and Mexico, both participants of TPP (see CRS Insight IN10706, [North American Free Trade Agreement: Notification for Renegotiation](#), by M. Angeles Villarreal and Ian F. Fergusson). The notification proposes a "modernization" of NAFTA on issues such as digital trade, intellectual property rights, labor, and environment, which may draw on the TPP provisions. The [White House has also stated](#) that it may explore bilateral deals with the various TPP countries. Japan represents the largest market among the TPP countries without an existing U.S. FTA. [Vice President Pence suggested](#) that the new U.S.-Japan economic dialogue could be used to launch formal bilateral FTA negotiations at some point. The U.S.-Japan negotiations were a critical aspect of the TPP, which included provisions on autos, insurance, and other issues applicable only to the two countries. Economically, Malaysia and Vietnam also represent significant candidates for bilateral negotiations given their quickly growing economies and existing trade barriers (e.g., relatively [higher average tariffs](#)).

How could other regional negotiations impact the United States? The TPP was, in part, a U.S. response to recent growth in [regional trade agreement negotiations](#), many of which do not include the United States and could put U.S. firms at a disadvantage in export markets. The Regional Comprehensive Economic Partnership (RCEP), a trade negotiation among the 10 Association of Southeast Asian Nations, as well as Australia, China, India, Japan, New Zealand, and South Korea, has garnered significant attention because of its size and the fact that it includes China and several major U.S. trading partners, but not the United States. Should RCEP move forward in its current form, the United States would [face higher tariffs in RCEP markets](#) (excluding existing U.S. FTA partners) vis-à-vis other RCEP countries. This tariff disadvantage could spur other nations to seek RCEP membership, and could give RCEP members outsized influence in establishing the region's trade rules and disciplines. The extent to which those rules align with U.S. interests in the region remains an open question as [RCEP negotiations are ongoing](#), but most analysts expect RCEP to be less comprehensive in its tariff coverage than the TPP and unlikely to include commitments as strong on issues from intellectual property rights to labor and environmental protections.

Figure 1. U.S. Trade with RCEP and TPP Countries

(2015, billions of dollars)



Source: CRS with data from U.S. Census Bureau.

Note: Shapes scaled to reflect the total amount of U.S. trade with each country.

What are the implications of the shift to bilateral negotiations? Whether or not bilateral or regional trade deals result in a better outcome for the United States is subject to debate. [The Trump Administration argues](#) that the bilateral approach allows the United States to use its economic leverage and focus on U.S. priorities. Meanwhile, [former USTR Michael Froman](#) suggests that multiparty negotiations can provide more options for mutually beneficial trade-offs and can allow countries to make politically challenging concessions that might not be possible in one-on-one negotiations with the United States. Others contend multiparty agreements are more efficient, helping to avoid more overlapping rules in the increasingly [complex web of existing agreements](#). The United States has negotiated and implemented agreements of both types—of the [14 existing U.S. FTAs](#), 12 are bilateral, and 2 ([NAFTA](#) and [DR-CAFTA](#)) are multiparty.

What will future U.S. trade negotiations look like? The Trump Administration has [initiated a review](#) of existing U.S. FTAs and vowed to take a new approach to future negotiations. Congress, however, has set [U.S. negotiating objectives](#) under [Trade Promotion Authority \(TPA\)](#). Under TPA, U.S. trade agreements must make progress toward achieving these objectives for their implementing legislation to receive expedited legislative consideration. Based on these objectives, the United States has been negotiating broad-based FTAs since the 1980s to reciprocally reduce and eliminate tariff and nontariff barriers in goods, services, and agriculture and to establish trade rules and disciplines. These commitments expand on WTO obligations and address new issues. For example, the TPP included new provisions on digital trade and state-owned enterprises, viewed by many as critical components of the agreement. Going forward, the Trump Administration's FTA negotiations may be the primary vehicle through which the United States can address these emerging aspects of trade policy.