

# The TPP A Tough Political Proposition

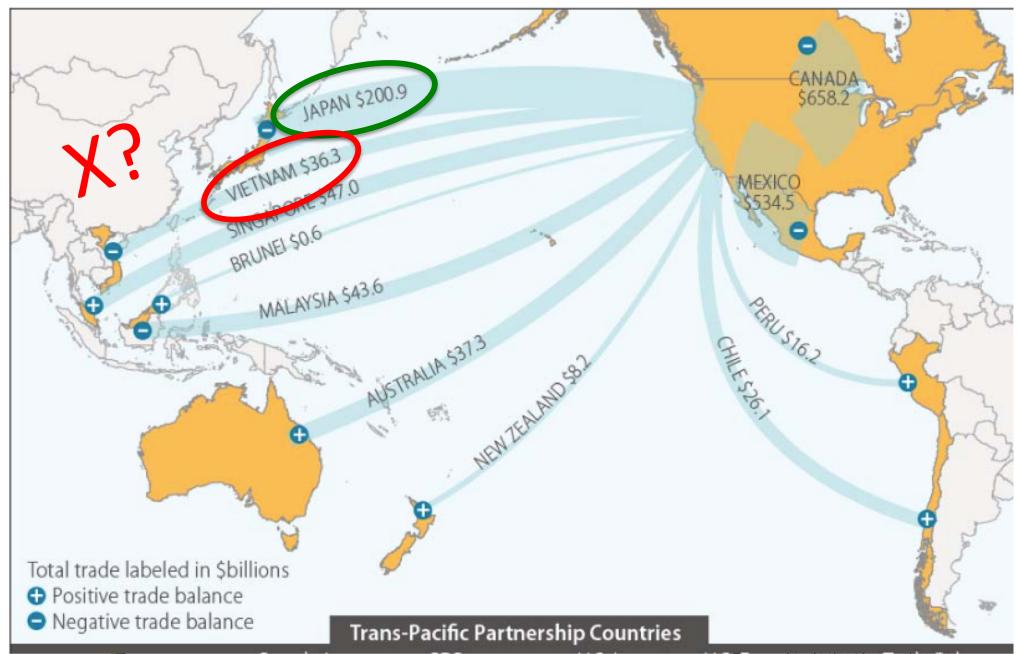
(aka the Trans-Pacific Partnership)

Alan V. Deardorff

Ford School Tuesday Lunch October 4, 2016



Figure 1.Trans-Pacific Partnership Countries



www.foraschool.umich.eau



#### What Is the TPP?

- Main Features of TPP (only a few of 30 chapters):
  - Trade in goods: Reduce/remove tariffs & NTBs
  - Trade in services: Reduce/remove barriers
  - Digital trade: Facilitate data flows and Ecommerce
  - Investment: Investor/State Dispute Resolution
  - Intellectual property: Expanded patents, etc.
  - Labor: Enforcement of standards
  - Environment: Enforcement of standards
  - State-owned firms: Competitive neutrality
  - Currency manipulation? (No, but side agreement)



- Tariffs
  - Cars and trucks: US tariffs removed
    - Cars: 2.5%, removal phased in over 25 years.
    - Trucks: 25%, removal phased in over 30 Years.
  - Schedules and rates differ by exporting country

#### TARIFF SCHEDULE OF THE UNITED STATES

HTS 8 (2010)	Description	Base Rate	Australia	Brunei	Canada	Chile	Japan	Malaysia	Mexico	New Zealand	Peru	Singapore	Vietnam
01011000	Live purebred breeding horses and asses	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01019010	Live horses other than purebred breeding horses	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01019020	Live asses other than purebred breeding asses	6.80%	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01019030	Mules and hinnies imported for immediate slaughter	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01019040	Mules and hinnies not imported for immediate slaughter	4.50%	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01021000	Live purebred bovine breeding animals	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01029020	Cows imported specially for dairy purposes	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01029040	Live bovine animals other than purebred or those imported for dairy purposes	1 cents/kg	US20	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01031000	Live purebred breeding swine	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01039100	Live swine, other than purebred breeding swine, weighing less than 50 kg each	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01039200	Live swine, other than purebred breeding swine, weighing 50 kg or more	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01041000	Live sheep	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01042000	Live goats	68 cents/head	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01051100	Live chickens weighing not over 185 g each	0.9 cents each	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01051200	Live turkeys weighing not more than over 185 g each	0.9 cents each	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01051900	Live ducks, geese and guineas, weighing not more than 185 g each	0.9 cents each	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01059400	Live Poultry; Chickens	2 cents/kg	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01059900	Live ducks, geese, turkeys and guineas, weighing over 185 g each	2 cents/kg	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01061100	Live primates	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01061200	Live whales, dolphins and porpoises (mammals of the order Cetacea); manatees and dugongs (mammals of the order Sirenia)	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01061930	Live foxes	4.80%	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01061990	Live mammals, not elsewhere specified or included	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01062000	Live reptiles (including snakes and turtles)	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01063100	Live birds of prey	1.80%	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01063200	Live psittaciforme birds (including parrots, parakeets, macaws and cockatoos)	1.80%	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01063900	Live birds, other than poultry, birds of prey or psittaciforme birds	1.80%	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
01069000	Live animals other than mammals, reptiles and birds	Free	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF
02011005	Bovine carcasses and halves, fresh or chid., descr. in gen. note 15 of the HTS	4.4 cents/kg	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF	EIF

Description	Base Rate	Australia	Brunei	Canada	Chile	Japan
	40/	FIF	FIF	rir	rir	rir.
Bovine meat cuts, boneless, not processed, frozen, descr in add. US note 3 to Ch. 2	4.4 cents/kg	EIF	EIF	EIF	EIF	B10
Bovine meat cuts, boneless, frozen, not descr in gen. note 15 or add. US note 3 to Ch. 2	26.40%	US13	EIF	EIF	EIF	TRQ: CSQ-
						US21
Carcasses and half-carcasses of swine, fresh or chilled	Free	EIF	EIF	EIF	EIF	EIF
Eroch or chilled retail cute of ham, chouldors and cute thoroof, with hone in	1.4 contc/kg	EIE	CIC	CIC	CIC	CIC

<sup>5</sup>www.fordschool.umich.edu



EIF: Entry In Force (duty-free from start)

Ford		/			7	
Base Rate	Australia	Brunei	B5: Eliminated in stages, duty-free	Japan		
4%	EIF 🕏	EIF	EIF	EHF	EIF	
10%	EIF	EIF	EIF	EIF	→ B5	
4.4 cents/kg	EIF	EIF	FIF	FIF	B5	
4%	EIF		10: Eliminated in tages, duty-free in	B10		
10%	EIF	EIF	Lin Cir	B10		
4.4 cents/kg	EIF	EIF	EIF	EIF	→ B10	
26.40%	% US13 EIF		EIF	EIF	TRQ: CSQ- US21	
Bovine Mea	nt \					

Cuts (i.e., Beef)

US13: Base rate until 2022; duty-free in 2022

US21: No higher that Peru FTA



- ISDS: Investor/State Dispute Resolution
  - Controversial
    - Gives foreign companies rights that domestic companies lack
  - Solution: Does not apply to tobacco industry
    - (Implication: Tobacco companies won't support TPP)



Biologic Drugs

(advanced medicines made from living organisms)

- The issue: Time period of permitted data exclusivity
- US wanted 12 years of protection, as contained in the Obama Care.
- Australia and others wanted much shorter protection, 5 or 6 years.
- Compromise: US keeps 12-years; others will not. 5 years protection will be an increase.
  - (Implication: Drug companies may not support TPP)



- Japanese Agriculture:
  - Japan will lower its tariff on beef from over 38.5% to 9% over 16 years
  - Rice (no cut in tariff): New duty-free quota of 50,000 tons, rising to 75,000 tons in year 13



- Exchange Rates
  - US wanted TPP to address currency undervaluation (which makes exports cheaper)
  - Resolution: Side Agreement on Exchange Rates:
    - Commitment to avoid manipulation
    - Transparency and Reporting
    - Group to meet at least annually to discuss macroeconomic and exchange rate issues
    - No enforcement mechanism



# Should TPP be Approved?

- Is it a good agreement?
  - Much of it is good
    - Reduces trade barriers
    - Harmonizes rules on health, safety, etc.
    - Broadens Rules of Origin
  - Some parts are bad (ISDR, IP)
    - But not as bad as I feared



# Should TPP be Approved?

- Is it a good agreement?
  - Will it hurt workers?
    - Some yes, just as NAFTA did
    - Provisions for labor standards are present but weak
  - Answer is not to reject TPP, but to accompany it with
    - Better Trade Adjustment Assistance
    - Wage Insurance
      - (And not just for workers dislocated by trade)
         www.fordschool.umich.edu



# Should TPP be Approved?

- Would rejection of TPP be bad?
  - Yes, hugely!
  - It will signal US withdrawal from the liberal trading system
  - It will tell TPP members that we are not on their side
  - It will encourage China to move ahead with its own trading block:
    - RCEP: Regional Comprehensive Economic Partnership (16 Asian countries) w.fordschool.umich.edu



## Will TPP be Approved?

- Maybe not:
  - -TPP
    - Has not yet been ratified by any country
    - US
      - Will not consider in Congress until after November election, if then
      - TPP is opposed by Trump, Clinton, and much of the electorate
    - If TPP is voted down by US, it will die