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5 on 45: Has the U.S. lost its way on trade?

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CONTRIBUTORS:

ADRIANNA PITA

MIREYA SOLÍS

Senior Fellow, Foreign Policy,

Co-Director, Center for East Asia Policy Studies

Philip Knight Chair in Japan Studies

(MUSIC)

PITA: You're listening to 5 on 45 from the Brookings Podcast Network, analysis and commentary from Brookings experts on today's news regarding the Trump administration.

SOLÍS: I am curious Mireya Solís of the Foreign Policy program.

President Trump has been in office for one year, so naturally as we reach this anniversary we're taking stock of what the Trump administration has accomplished so far in one of the areas that the president seems to care the most about—that is trade policy.

Looking back at the past 12 months it is clear that priority areas have been the renegotiation of existing trade agreements, the North America Free Trade Agreement, and that trade deal with South Korea. But also more recently, the administration has moved towards the imposition of tariffs on products such as solar panels and washing machines. And there are hints that there may be more actions along these lines, more tariffs in sectors such as steel and aluminum, and of course, there might be more action as the administration completes the investigation it is undertaking on Chinese intellectual property theft.

So there is no question that this has been a very eventful year. But there is another way to grasp why this year has been so profoundly important. In fact, we can talk about a one year cycle working almost with clockwork precision. President Trump's first action on trade policy on the first day of his administration was actually to withdraw the United States from the Trans-Pacific trade Partnership. And yet, one year later almost to the day, the remaining 11 countries have reached a final agreement to resurrect this trade deal.

Now this agreement, the revised TPP with the remaining 11 countries, is very much similar to the original TPP. It has kept the same level of ambition. The only changes were that there will be 22 provisions that have been suspended, but these have been narrowly defined. And the last issue that had created concern, that they

might not be a final agreement yet forthcoming, that is Canada's concern with protecting its cultural industries. That issue will be addressed through side letters.

So now, the TPP has received a new name, the Comprehensive and Progressive Trade Partnership trade agreement, and it's slated to be signed March 8th in Chile. And the expectation is that after six countries ratify this trade agreement it will actually enter into force next year.

So one way to look at the first year of the Trump administration, really, is to say well this was a year when Japan emerged as a leader in the world of trade diplomacy. And this is no coincidence. The abdication of U.S. trade leadership created a very powerful incentive for Tokyo to step up and supply that leadership.

Now the reversal of roles if you think about it could not be more dramatic. You go back four or five years and these countries were pursuing very different policies. You had the United States at that point in time negotiating mega-trade agreements across the Atlantic, across the Pacific, and Japan the country that appeared to waver. The country that could not put its own house in order that could not generate domestic consensus and move forcefully on trade negotiations. And now it is Japan in fact who has reached the finish line reviving the Trans-Pacific Partnership trade agreement without the United States, and also securing a trade deal with the European Union.

So it's evident that the United States and Japan have moved in very different directions, and explaining why this has happened is in fact a main preoccupation of my recent book, "The Limits of a Trading Nation," where I offer an account of why the United States lost its way on trade. I think it's really a case of trying to pursue globalization on the cheap. Opening markets but not providing safety nets.

At the same time, when Tokyo was finally able to overcome many of its handicaps by finding executive leadership, overcoming the fierce opposition of the agricultural lobby, and mending the deep rifts within the Japanese bureaucracy that had always held Tokyo back.

In the next couple of days, all eyes will be on the World Economic Forum at Davos. Last year, President Xi's speech generated a lot of attention as he presented China as the leader of free trade. But China is not practicing what it preaches.

This year President Trump will address the forum and the question is whether he will moderate or go full force with his America First message. But it is in fact Prime Minister Abe and the leaders of the other 10 countries who have just delivered the most eloquent message on the future of international trade by giving the Trans-Pacific Partnership a second lease of life.

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