
Preface

The Trans-Pacific Partnership (TPP) trade agreement between the United States and 11 Pacific Rim countries concluded in October 2015. Despite fears about secrecy, the entire text was released soon after, months before the official signing of the pact in February 2016, so that the public could read and assess the trade deal. Even the interested and educated publics of participating countries, however, need a clear assessment and unbiased evaluation of what the pact would mean. That is the purpose of this volume. With *Trans-Pacific Partnership: An Assessment*, which includes rigorous, fact-based, but hopefully accessible essays by experts, the Peterson Institute for International Economics hopes to clarify the issues for readers and dispel misinformation.

The TPP is a ground-breaking megaregional trade deal encompassing 36 percent of world GDP and a wide range of economies and people and clearly would be on net beneficial for all participants, including the United States. The partnership adds several new free trade agreement (FTA) partners for the United States, including Japan and Vietnam, and substantially upgrades existing trade pacts between member countries, most notably the North American Free Trade Agreement (NAFTA). These upgrades make NAFTA fairer and more functional for Canada, Mexico, and the United States. The TPP will open markets and contribute new rulemaking in issues that are critical to economic integration in the 21st century, such as services, investment, and digital trade. The agreement neither achieves full liberalization nor addresses all concerns in these important growing sectors. But it does make real progress in both market opening and setting higher common standards, though in a way not seen before.

Trans-Pacific Partnership: An Assessment, edited by Jeffrey J. Schott and Cathleen Cimino-Isaacs, provides an indepth, comprehensive analysis of the

potential economic impact of the TPP. We assembled contributions from a team of experts to deal with the key issues. The authors analyze the traditional market access aspects of the deal but also assess innovations in trading rules, drawing out the implications for governments, businesses, workers, and households. Chapters 1 to 20 were first published as two volumes of *PIIE Briefings* in February and March 2016, with all the data underlying the analyses available on the Institute's website, www.piie.com.

The volume includes a comprehensive analysis of the macroeconomic and sectoral effects of the TPP by Peter A. Petri and Michael G. Plummer in chapter 1, which demonstrates that the agreement will deliver large economic benefits to the United States and its trading partners. In chapter 2 Robert Z. Lawrence and Tyler Moran build on these estimates to quantify the adjustment costs for trade-affected US workers. Other essays analyze in greater and qualitative detail the impact of market opening in agriculture, autos, textiles, government procurement, services, and investment. Our authors examine the potential impact of innovative new rules on areas such as intellectual property, state-owned enterprises, digital trade, environment, and labor standards for both member countries and the future of the world trading system. In addition to the Institute's contributing authors, we are grateful for additional expertise contributed by R. Michael Gadbaw in chapter 18 on competition policy and Jennifer Hillman in chapter 12 on dispute settlement from the Georgetown University Law Center. Kimberly Ann Elliott, senior fellow at the Center for Global Development, contributed chapter 6 on rules of origin in textiles and apparel.

The rigorous analyses based on well-accepted economic methods put forward by the authors of this volume is a good antidote for the casual politicization and factual errors about the TPP too prevalent in the media and in political discourse. Its conclusion underscores the key point of all contemporary trade agreements: Benefits to TPP participants largely accrue from reforms and competition that boost productivity by promoting innovation and more efficient deployment of capital and labor in each domestic market. Developing countries like Vietnam that have to change their domestic policies the most are the ones that will achieve the strongest growth. It is noteworthy that all TPP countries, developed and developing, adhere to common obligations and binding dispute settlement procedures in almost all areas, though the less developed members are provided additional time to implement new reforms.

The overall gains are accompanied by challenging adjustment costs for some workers that are critical in human as well as legitimate political terms. It must be recognized, though, that such affected workers are very small in number compared with the number of workers who lose or are forced to change jobs in any given year for any member's economy. That ratio for the United States is roughly 600 job losses or involuntary changes occurring annually among American workers for every one job loss directly from trade. It is especially important for the United States to follow the lead of other advanced

economies that trade—like TPP members Australia and Canada—and reinvest a share of the gains from trade and increased productivity in providing more generous assistance to those workers forced to cope with adjustment or job loss by greater competition.

This study continues the Institute’s long tradition of and deep commitment to providing analyses of important FTAs starting with *The Canada-United States Free Trade Agreement: The Global Impact* (1998) edited by Jeffrey J. Schott and Murray G. Smith. Institute studies were widely cited and helped inform the public debate throughout North America on both the Canada-US FTA and NAFTA. This volume’s purpose is similar to that of *NAFTA: An Assessment* (1993) by Gary Clyde Hufbauer and Jeffrey J. Schott, which provided a reader’s guide to the complex provisions of that historic trade accord and was used extensively in ratification debates in Mexico City, Ottawa, and Washington. This volume reflects gains in economic knowledge since that time, including from the NAFTA debate, and focuses on well-established long-term implications of trade for productivity and resource allocation, and not on falsely precise projections of transient employment fluctuations (which can be positive or negative depending upon factors completely outside of any trade deal). *Trans-Pacific Partnership: An Assessment* builds on two previous Institute studies that provided insights into the content and implications of the TPP negotiations in its early stages, *Understanding the Trans-Pacific Partnership* (2013) and *The Trans-Pacific Partnership and Asia-Pacific Integration: A Quantitative Assessment* (2012).

The Peterson Institute for International Economics is a private nonpartisan, nonprofit institution for rigorous, intellectually open, and in-depth study and discussion of international economic policy. Its purpose is to identify and analyze important issues to making globalization beneficial and sustainable for the people of the United States and the world, and then to develop and communicate practical new approaches for dealing with them.

The Institute’s work is funded by a highly diverse group of philanthropic foundations, private corporations, public institutions, and interested individuals, as well as by income on its capital fund. About 35 percent of the Institute’s resources in our latest fiscal year were provided by contributors from outside the United States. The production of this book is partially supported by a generous grant from the GE Foundation. A list of all our financial supporters for the preceding year is posted at <https://piie.com/sites/default/files/supporters.pdf>.

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The Institute hopes that its research and other activities will contribute to building a stronger foundation for international economic policy around the world. We invite readers of these publications to let us know how they think we can best accomplish this objective.

ADAM S. POSEN
President
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