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Understanding the 21st Century Trade Agreement: The Trans-Pacific Partnership

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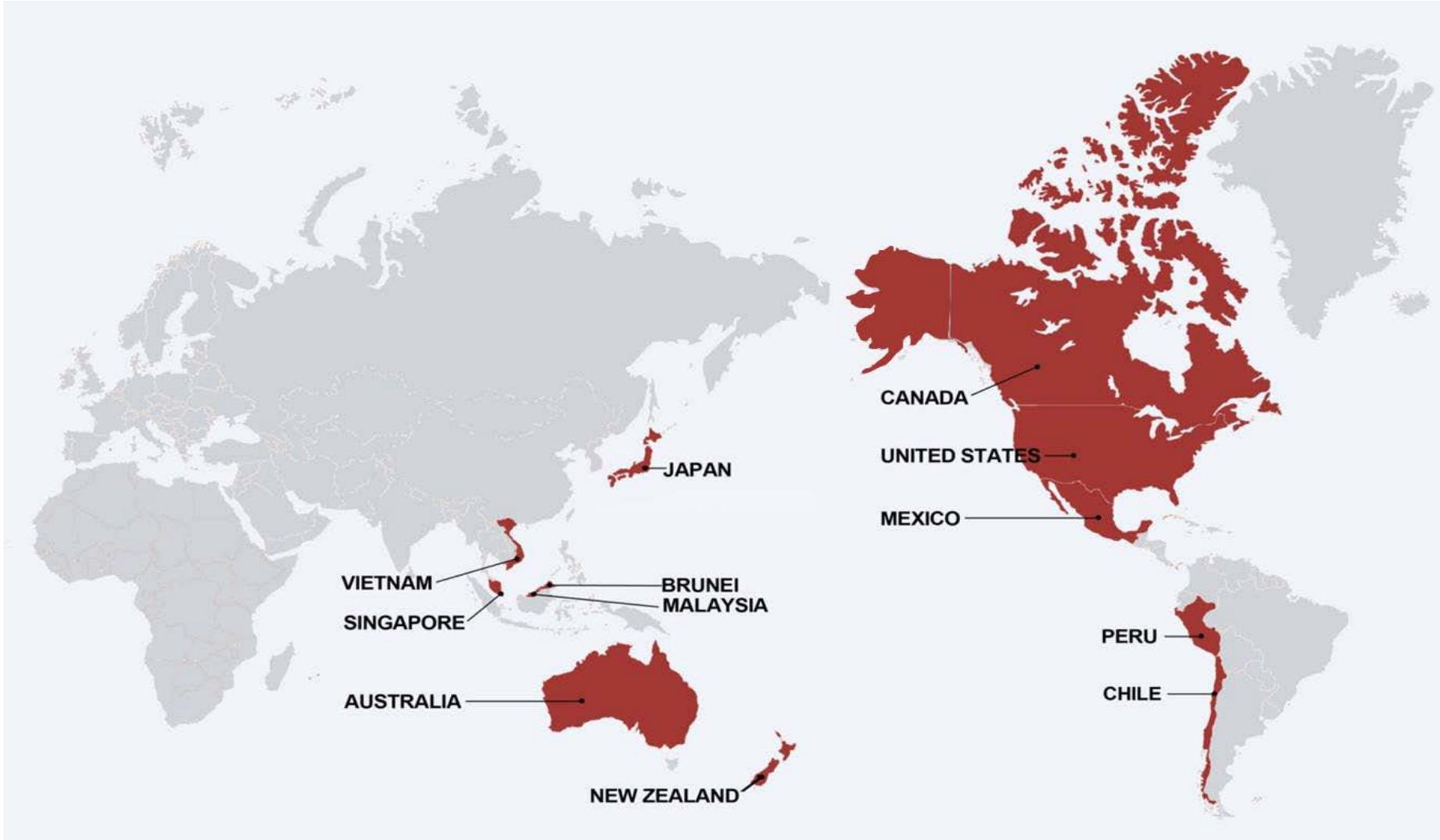


What is the Trans-Pacific Partnership?

- Proposed free trade agreement between 12 Pacific Rim Countries
 - Combined, make up 1/3 of total global trade and over 40% of global GDP
 - U.S. trade totaled \$1.9 trillion between these countries in 2013
 - Trillions of dollars in cross-border investment



Who is a Part of the TPP?



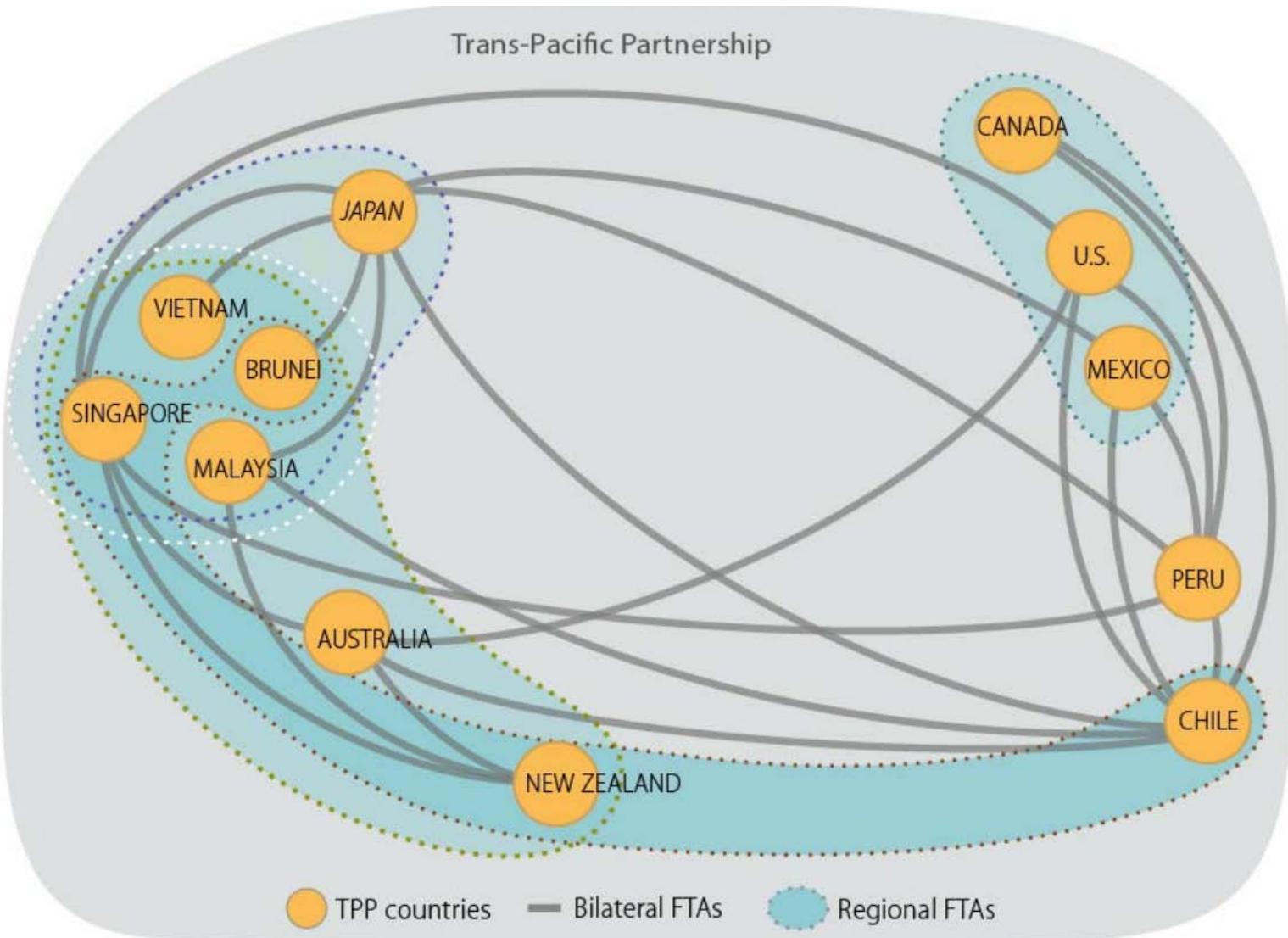


History

- Began as the Trans-Pacific Strategic Economic Partnership in 2005
 - Free trade area consisting of Chile, Singapore, New Zealand, and Brunei.
- In 2008, the U.S., Australia, Vietnam, and Peru joined talks, followed by Malaysia in 2010, Mexico and Canada in 2012, and Japan in 2013.



Many TPP Countries Have Existing Trade Agreements With One Another

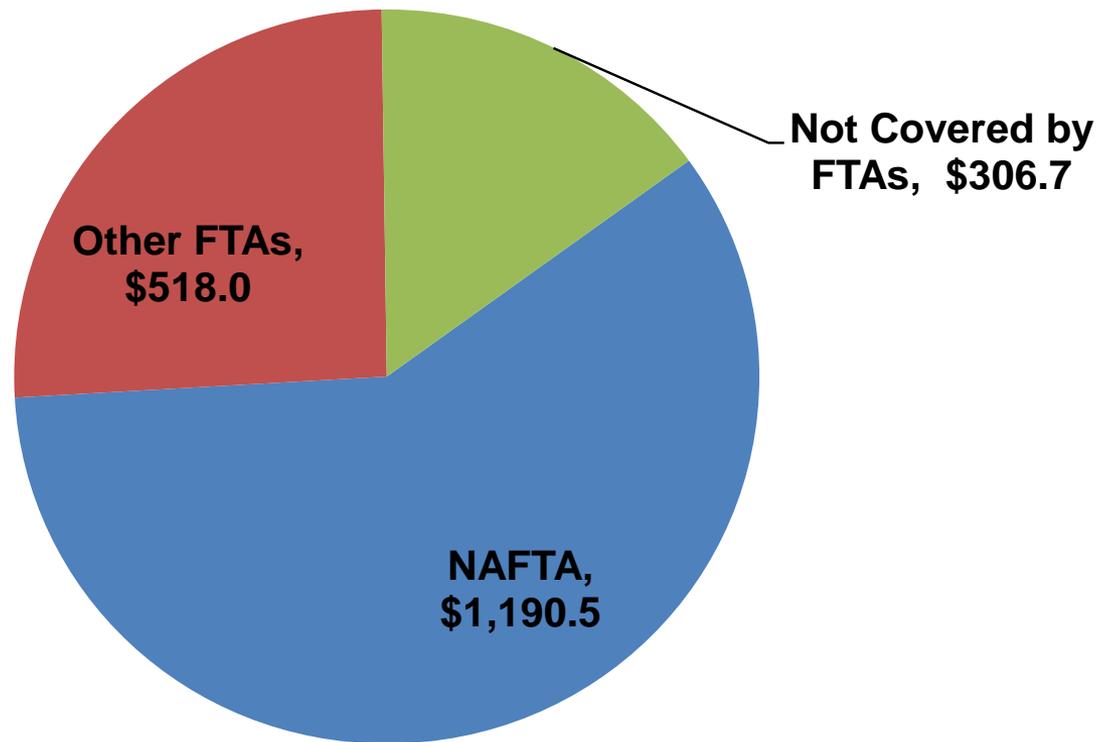


SOURCE: Congressional Research Service.



Majority of Trade in Goods Already Covered by Free Trade Agreements

Total TPP Goods Trade, 2013
(\$ Bil.)





What Makes the TPP Important?

- Gains from trade
 - Comparative advantage – all economies involved can better allocate resources toward their specialties
 - More efficient production of goods and services
 - Lower costs for consumers
- More free flow of information and ideas
 - Stronger enforcement of intellectual property rights
 - Better framework for collaboration across national boundaries



The “21st Century Model” of Trade

- Focus on services trade, e-commerce, and intellectual property rights – not just physical goods
- Push for market reforms: Stronger property right protections, phasing out of protectionist policies and barriers to trade.



Potential Model for Future Multilateral Free Trade Agreements

- Large step towards an eventual Asia-Pacific Free Trade Agreement.
 - TPP structured with future signatories in mind
- Shift away from the complexity of many bilateral FTAs with different terms into a single trade zone with more consistent rules.



Challenges Presented by the TPP



Jobs

- Concerns of job losses in developed economies, particularly in manufacturing, due to lower labor costs in developing ones
 - But many new jobs created by broader access to international markets
 - E.g., NAFTA
- Not everyone benefits equally, but overall the economies of all participants are made better off.



Agriculture

- Many TPP countries have regulations and subsidies to protect domestic agriculture
 - Dairy, sugar, beef, pork, and rice industries have been exempted in previous FTAs
- Sanitation and food safety also concerns
- Although a relatively small component of total trade, this has been a very contentious issue



Intellectual Property Rights

- Divisive issue between net producers and consumers of Intellectual Property
 - Some countries pushing for stronger IP protections to encourage continued innovation
 - Others concerned about stifling competition and restrictions on consumers
 - E.g., pharmaceutical patents



Additional Regulatory Issues

- Private Investment
- Capital Controls
- State-Owned Enterprises
- Investor-State Dispute Resolution
- Labor Standards
- Environmental Issues



Summary

- The Trans-Pacific Partnership is a large step towards economic integration across the Asia-Pacific economies.
- Such a complex deal is not without great challenge and controversy.
- But if it passes, would be a milestone the growth of international trade and globalization.