

REPORT

Reengaging the Asia-Pacific on Trade: A TPP Roadmap for the Next U.S. Administration

Wendy Cutler



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FOREWORD

WHOEVER OCCUPIES THE OVAL OFFICE NEXT YEAR WILL FACE CHALLENGES that seemed unimaginable only four years ago. Chief among them will be how to keep the COVID-19 pandemic in check while steering an economic recovery. However, another challenge that the American president will have to navigate has been on the horizon for decades—the economic rise of Asia, and China in particular, coupled with rapid technological innovation, all of which have radically transformed the global economy.

The extent of this transformation will require the next administration to fundamentally rethink the U.S. economic and strategic relationship with the Asia-Pacific region as a whole. Indeed, in the next few years, the United States will have to decide how it will engage with this new Asia, just as it had to find its footing as a global leader in the years leading up to World War II and after the fall of the Soviet Union.

This is not a task for the fainthearted. But thankfully, there is a template that can serve as a baseline, at least in the trade and economic sphere.

In February 2016, the United States signed the Trans-Pacific Partnership (TPP) agreement with 11 other countries that together accounted for some 40 percent of the world economy. The agreement, like any trade deal, was far from perfect. But it established a common set of high-standard trade and investment rules for the region in areas such as intellectual property protection, e-commerce, market access, labor, and the environment.

As we all know, President Donald Trump withdrew from the TPP during his first week in office. But, as this report argues, the TPP framework is still the best bet for the United States to “redefine the terms of engagement with the region on trade and economic issues.”

This report realistically outlines the main U.S. options for working with the economies that are members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which was ultimately concluded without U.S. participation.

In assessing the feasibility of these options, this report draws on one of the Asia Society Policy Institute’s core strengths: its relationships with top experts in the Asia-Pacific. My colleagues at the Institute, led by our Vice President, Wendy Cutler (a former Acting U.S. Deputy Trade Representative), spoke to a dozen current and former trade officials from across the region to understand whether, and under what conditions, their capitals would welcome U.S. reentry into the CPTPP. This view beyond Washington is critical, as foreign policy is not conducted in a vacuum absent the perspective of others—something that is often missing from other commentary in this field.

The report concludes by outlining a road map for how the next administration could reenter the CPTPP specifically, and how it could structure its reengagement on trade with the Asia-Pacific more broadly. It addresses the domestic and international challenges facing the next administration as it works through its own trade policy. At the same time, the report considers how seemingly small initial steps, such as a sectoral agreement with the CPTPP countries on an important issue such as digital trade, trade

in medical and other essential products, and trade and the environment/climate, would help reestablish U.S. leadership in the region and pave the way for the U.S. reentry into the CPTPP.

We hope that the next U.S. administration, whether Republican or Democratic, will find this report a useful and thought-provoking contribution.

The Honorable Kevin Rudd AC
President, Asia Society Policy Institute
26th Prime Minister of Australia

EXECUTIVE SUMMARY

IN THE AFTERMATH OF A PRESIDENTIAL ELECTION, it's not unusual for an incoming administration to revisit policy choices made by the previous administration or, in the case of reelection, during the first term. One decision that strongly merits another look after November is the U.S. withdrawal from the Trans-Pacific Partnership (TPP), a regional trade agreement that the United States signed with 11 other countries in 2016. In addition to eliminating tariffs, the TPP established high-standard rules in areas critical to the global economy, such as e-commerce, intellectual property protection, state-owned enterprises, labor, and the environment, promoting an alternative economic model to state-led capitalism in the region.

In recent years, the case for U.S. participation in the TPP has only become more compelling as the political and economic importance of the Asia-Pacific region has grown and concerns about Beijing's economic model have mounted. East Asia is bouncing back from the COVID-19 pandemic before the rest of the world, and deepening economic ties with the engines of global growth will be an even more valuable proposition in the midst of a deep recession. Moreover, the pandemic has revealed serious vulnerabilities in supply chain networks, and the common standards and rules of the TPP can serve as the basis for establishing trusted supply chains in the region. But is there a path for the United States to return to the TPP or to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which the 11 remaining countries finalized without the United States?

This report examines four options that the next administration would have for reengaging the CPTPP countries on trade: returning to the original TPP agreement, formally acceding to the CPTPP, seeking a broader renegotiation with the CPTPP as a baseline, or working on a narrower sectoral deal as an immediate, interim step. It then assesses the feasibility of each option based on domestic considerations and developments, as well as input from the CPTPP countries.

Domestically, a policy window may be opening for CPTPP reentry. Whereas trade was seen as toxic only four years ago, recent polls have found growing bipartisan public support for trade. At the same time, however, the views of the political parties on trade appear to be shifting. Some observers have gone so far as to suggest that the United States is on the precipice of a new trade order, with Republicans more protectionist and Democrats friendlier toward trade. This makes the domestic landscape and the outcome of a congressional trade vote uncertain. The strong bipartisan congressional vote in favor of the United States-Mexico-Canada Agreement (USMCA) led many to conclude that this agreement should be the new U.S. template for trade agreements. However, there may be factors unique to the USMCA that would not be in play in a negotiation with Asian countries. Another complicating factor is the fate of Trade Promotion Authority, set to expire in July 2021, which is a prerequisite for negotiations in the view of U.S. trading partners.

The prospect of CPTPP reentry also depends on the extent to which its members would be open to revisions proposed by the United States. To take the temperature of capitals in Asia, the Asia Society Policy Institute spoke with a dozen current and former trade officials from a diverse set of CPTPP countries. Those interviewed unanimously affirmed that they would welcome the United States back, but not at any cost. They are wary of being asked to make extensive revisions, having been scarred by the U.S. withdrawal after expending significant political capital during the TPP negotiations. Those countries

were accustomed to the uncertainties of the congressional approval process, but they now also worry about the presidential election cycle.

With the foregoing considerations in mind, the report offers a road map for the next administration to reengage with the CPTPP countries. Recommended steps include the following:

- *Launch an interim sectoral agreement:* As a first step, pursue a limited, sector-specific Asia-Pacific trade deal with the CPTPP members, and perhaps other countries, to set high standards, rebuild trust, and build momentum. Promising topics include:
 - Digital trade, an area that represents more and more of overall trade, particularly now that the COVID-19 pandemic has accelerated the digitalization of the global economy.
 - Trade in medical and other essential products, a sector in which COVID-19 has focused attention on trade restrictions and vulnerabilities in global supply chains.
 - Trade and the environment/climate, which may be of particular interest to a Democratic White House.
- *Invest in competitiveness and adjustment at home:* Build support for trade agreements generally and the CPTPP specifically at home by investing in competitiveness and adjustment policies and programs. Doing so would take the pressure off trade agreements to achieve goals they are not designed to tackle, such as ensuring more equitable income distribution.
- *Make the case for trade:* Explain to the American public that deeper U.S. trade engagement with Asia-Pacific partners is integral to building an alternative economic model to Chinese state capitalism, diversifying U.S. trade beyond China and, ideally, promoting reforms within China.
- *Prioritize negotiating proposals:* Develop and prioritize concrete proposals for U.S. reengagement with the CPTPP based on input from business, labor, and civil society groups throughout the country, as well as Congress.
- *Consult with trading partners:* Consult with the CPTPP members to understand their limits, priorities, and concerns around U.S. reengagement.

These steps would pave the way for U.S. reentry into the CPTPP. Even then, CPTPP reengagement would be a heavy lift that would require flexibility and creativity from both the United States and the CPTPP countries. Returning to the original TPP by signing on to a five-year-old agreement that faced considerable opposition at home is not a realistic proposition in 2021. The approach with the best odds of success would likely fall between formal CPTPP accession and a more extensive renegotiation. For that to work, the United States would need to focus on the most important changes and modernizations needed, while the CPTPP countries would need to be more open to changes than during a typical accession.

Given the domestic and international challenges outlined in this report, it is understandable that many would question whether returning to the CPTPP is worth all the trouble. Despite those concerns, rejoining the CPTPP is one of the most impactful ways in which the United States can work with like-minded countries in the region to promote an alternative economic model to state-led capitalism and help shape the economic future of a region that is increasingly the engine of global growth and innovation.

1. INTRODUCTION

MANY EXPECTED THE TRANS-PACIFIC PARTNERSHIP (TPP) TO DIE A QUIET DEATH after the United States exited the agreement in the first week of the Donald Trump administration. That didn't happen. Instead, the regional trade deal lives on internationally as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), as well as in numerous provisions of the United States-Mexico-Canada Agreement (USMCA) and the U.S.-Japan phase one trade agreement.

Meanwhile, the debate in the United States on whether to reconsider participation in TPP continues. Critics argue that the TPP was a bad deal. Some say it favored big business and encouraged offshoring to countries with weak labor standards, while others claim that it failed to prevent currency manipulation or to sufficiently rein in state-owned enterprises (SOEs). Still others, such as U.S. Trade Representative Robert Lighthizer, suggest that the TPP wouldn't boost the U.S. economy much because the United

States already has bilateral free trade agreements with 6 of the 11 other members.¹

New administrations often take a fresh look at what can be accomplished in the coming four years, and it's conceivable that the TPP could make the list for consideration.

TPP advocates have not gone quiet, however. Support for the TPP remains one of the few areas in which numerous congressional Republicans openly break with President Trump. A year after withdrawal, 25 GOP senators signed an open letter urging President Trump to reconsider his decision.² Senator Chuck Grassley (R-IA), chair of the Senate Finance Committee, plainly said that TPP withdrawal “was a mistake,”³ and Senator John Cornyn (R-TX) admitted that he preferred the TPP to the much narrower U.S.-Japan phase one deal.

Some Democrats continue to favor it, too, arguing that the TPP would allow the United States to “play the long game with China,”⁴ and they believe, in the words of Representative Ron Kind (D-WI), that the “decision to withdraw from the Trans-Pacific Partnership was a win for farmers, workers, and businesses . . . in China.”⁵ Trump himself has brought up the idea of reconsidering participation.

With 2021 approaching, the topic of TPP may be revisited regardless of the outcome of the upcoming presidential election. To be clear, TPP is not on the radar of either candidate, and Trump's and Biden's statements on the deal have varied. Trump has lambasted the agreement, repeatedly calling it a “horrible deal” and making his preference for bilateral agreements known.⁶ That said, Trump has brought up the idea of reconsidering participation. In April 2018, he briefly suggested that the United States might rejoin.⁷ There is nothing to glean from candidate Trump's stated second-term agenda, which simply says “Enact Fair Trade Deals that Protect American Jobs.” Democratic nominee Joe Biden supported the TPP during the Obama administration, and during one of the early primary debates, he said that he would consider rejoining provided there was a renegotiation.⁸ More recently, however, the former vice president wrote in the spring 2020 edition of *Foreign Affairs* that he would “not enter into any new trade agreements until we have invested in Americans and equipped them to succeed in the global economy.”⁹

But new administrations often take a fresh look at what can be accomplished in the coming four years, and it's conceivable that the TPP could make the list for consideration. Rejoining the TPP would be challenging, but the case for reengaging with the CPTPP countries in some form has become more compelling as the political and economic importance of the Asia-Pacific region has grown and concerns about Beijing's state-led economic model have mounted. With no end to tensions with China in sight, there is a growing recognition that the United States would be better off enlisting like-minded countries to rein in unfair Chinese trade practices and to promote an alternative economic model to state-led capitalism, rather than going it alone. To date, U.S. unilateral tariff hikes and export control restrictions have not led to meaningful Chinese reforms.

With this possibility in mind, this report examines the options on the table for what U.S. reengagement with the CPTPP members could look like. Among the questions it seeks to answer are:

- Could the United States return to what it signed or sign on to what the other members agreed to after it left the TPP?
- In light of U.S. trade policy developments over the past five years, what would be the scope and magnitude of the updates and revisions the United States might seek?
- How would CPTPP members respond, particularly if the United States envisioned a major renegotiation?
- Are more limited negotiations a more realistic short-term alternative to reengage in the region?

This report also examines how U.S. trade policy and the global and regional trade landscape have shifted during the five years since the TPP negotiations were concluded and how views on trade and the TPP have evolved in the United States and among our key trading partners.

Twenty years ago, Asia accounted for less than a third of global output. Twenty years from now, it will account for more than half the world's total economy.¹⁰ Asia is today home to a burgeoning middle class and to many of the countries and companies that will shape the global economy for years to come. Regardless of who wins in November, the United States will need to redefine the terms of engagement with the region on trade and economic issues. The CPTPP can offer an important framework for doing so. To this end, the report concludes with a road map for how the United States can move forward into the Asian trading century.

2. RECENT DEVELOPMENTS IN THE REGIONAL TRADE LANDSCAPE

IN THE FIVE YEARS SINCE THE TPP NEGOTIATIONS WERE FINALIZED, the regional trade landscape has changed dramatically. No single development has been as impactful as the U.S.-China trade war. In response to Chinese trade practices, the United States hit China with a series of escalating tariffs, which begat a series of retaliatory tariffs from Beijing. The tariffs slowed trade and overall growth in both countries, as well as in Japan, Korea and other Asian economies whose trade flows and supply chains are even more closely linked to China, although the effects were largely masked in the United States by an economic expansion. The World Trade Organization (WTO) proved unable to mediate. The United States and China reached a tenuous truce with a “phase one” trade deal in January 2020, but that agreement left most tariff increases in place.

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Of course, no discussion of the 2020 geopolitical landscape is complete without mention of COVID-19. The pandemic has produced economic disruptions that are expected to reverberate in all corners of the world for the foreseeable future. Trade flows and supply chains have

been impacted, with global trade volume down by nearly 20 percent in the second quarter of 2020 as a result of the pandemic.¹¹ Some countries have introduced or considered inward-looking measures such as export restrictions and the reshoring of manufacturing as they struggle with the economic fallout of COVID-19. As of this writing, it’s unclear how these developments will play out, but they will undoubtedly have an unprecedented impact on the global economy and trade for years to come.

Beyond U.S.-China trade tensions and COVID-19, four other major developments on the Asia-Pacific trade front are germane to this report: (1) the U.S. exit from the original TPP agreement; (2) the formation of a new CPTPP among the remaining members; (3) the pursuit of a U.S. trade policy centered around “America First” and bilateral deals; and (4) the continued, steady march of new trade agreements across the Asia-Pacific region that do not include the United States.

This section describes these key developments before taking a more targeted look at the specific options for a more active U.S. trade strategy in Asia.

U.S. Exit from the TPP

On January 23, 2017, three days after taking office, President Trump issued an executive order instructing the United States to withdraw from the TPP. During the campaign, Trump’s anti-trade posture was prominent, as he criticized existing trade agreements generally and the TPP specifically. He called the TPP “a continuing rape” of the United States.¹² While candidate Trump’s language was unusually harsh, he was not alone in his skeptical view of the TPP. Hillary Clinton, despite expressing support for the negotiation while secretary of state, disavowed the TPP as a candidate, saying that the final agreement “didn’t meet my standards” of “more new, good jobs for Americans, for rising wages for Americans.”¹³ Both candidates seemed to be responding to polls showing that many Americans had soured on trade.

The withdrawal put the brakes on U.S. participation in a 12-country agreement whose members represented nearly 40 percent of global economic output. It included 30 chapters and state-of-the-art rules on such topics as customs administration, services, technical standards, intellectual property protection, e-commerce, investment, labor, and the environment. It also provided members with unprecedented access to each other's markets by eliminating or lowering tariffs and nontariff barriers across all sectors, including agriculture. The TPP was envisioned as an open platform that would welcome other participants that could meet its high standards.

For the remaining 11 TPP signatories, the exit of the United States threw the agreement into disarray. The loss of the world's biggest market diminished the TPP's appeal, collapsing the share of global gross domestic product (GDP) covered by the deal from 40 percent to 13 percent. "Losing the United States from the TPP is a big loss, there is no question about that," said then-Australian prime minister Malcolm Turnbull.¹⁴ Countries were divided on how to proceed. Australia announced that it wanted to move forward without the United States but raised the possibility of including other partners such as Indonesia and China. Chile said that it would pursue bilateral trade deals with Beijing instead.

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Japan, the largest signatory aside from the United States and the last to join the negotiation, was especially disappointed. Former prime minister Shinzo Abe had spent significant political capital on the TPP, taking on powerful agricultural interests and prioritizing Diet approval of the deal, which took place shortly before the U.S. withdrawal. In the early days after the U.S. exit, Tokyo seemed disinterested in a deal without Washington. "The TPP would be meaningless without the United States," said Abe.¹⁵ He added that the U.S. departure "destroys the basic balance of gains" from the deal.¹⁶

With time, however, Japan reversed course. Following a bilateral meeting in February 2017, Trump and Abe released a joint statement noting that Japan was "continuing to advance regional progress on the basis of existing initiatives."¹⁷ With this, Japan felt that it had tacit approval from Washington to go ahead with the TPP without the United States. In March of that year, Chile hosted the remaining TPP members, as well as South Korea and China, to discuss the pact's fate. By May, the 11 original TPP members were determined to move forward among themselves.

A New Path in the Shadow of the TPP

Following months of negotiation, the most crucial discussions took place on the margins of the November 2017 APEC (Asia-Pacific Economic Cooperation) Economic Leaders' Meeting in Da Nang, Vietnam. At Da Nang, leaders were close to reaching an agreement on what would eventually be called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP.

Yet, while Japanese, Australian, and Vietnamese leadership pushed the negotiation toward a conclusion, others, particularly Canada, began to drag their feet. Ultimately, the 11 countries regrouped and were able to work through their remaining differences, including Canada's concerns that the revised deal did not go far enough in addressing progressive issues, particularly labor rights.

The CPTPP members surprised skeptics and concluded their revised agreement in March 2018. The amended agreement put aside some of Washington’s core concerns. While the 11 remaining countries agreed to keep the market access commitments (on tariffs, services and investment access, government procurement, and temporary entry) intact, they suspended 22 provisions from the original TPP, a small fraction of the lengthy and detailed text. These provisions included those that were most important to the United States and those that had drawn concerns from other countries. Specifically, the changes removed special data protection for biologic drugs, narrowed the scope of the investment disciplines, and reduced the term of copyright protection to 50 years, among other things.

At the same time, CPTPP members also made several new procedural adjustments, including terms for the revised agreement’s entry into force and accession. They also exchanged side letters to address specific concerns. New Zealand was essentially exempted from the CPTPP’s investor-state dispute

settlement (ISDS) mechanism, and the various digital trade commitments that Vietnam had made in the original TPP were weakened. Yet the overwhelming majority of the TPP provisions, including the elimination or reduction of tariffs and increased market access, remained untouched, making the CPTPP one of the broadest and most state-of-the-art trade agreements ever signed.

Ratification followed swiftly in Mexico, Japan, Singapore, New Zealand, Canada, and Australia, and the CPTPP officially entered into force between those members in December 2018. Vietnam joined a few

weeks later. Four of the CPTPP members—Brunei, Chile, Malaysia, and Peru—have yet to ratify the deal and bring it into force. This is largely due to domestic politics, but the U.S. absence most likely made ratification less urgent.

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Throughout the renegotiation and ratification process, there was lingering hope that the United States would return. In April 2018, Trump briefly suggested an openness to rejoining the pact before reversing course again and saying, without specificity, that he would only be interested “if the deal were substantially better.”¹⁸ Yet, among the 11 CPTPP countries, rifts had already begun to emerge between members that wanted the United States to return and those that didn’t want U.S. interests to derail the conclusion of the CPTPP negotiations. Australian trade minister Steven Ciobo captured the latter sentiment when he said that he couldn’t see the negotiators “unpicking all the stitching that brought this deal together to accommodate the U.S. at this point.”¹⁹

Shift to a Bilateral Approach

The executive order issued by President Trump in January 2017 instructing the United States to withdraw from the TPP also stated that the United States would seek “to deal directly with individual countries on a one-on-one (or bilateral) basis in negotiating future trade deals.” By pursuing bilateral deals instead of regional agreements, the president believed, the United States would have more negotiating leverage and thus be able to deliver more advantageous and balanced trade deals.

While the CPTPP was moving forward, the Trump administration focused on renegotiating two existing U.S. free trade agreements that the president had singled out as particularly unsatisfactory, again without specificity. First, South Korea agreed to make modest improvements, largely in the automotive sector, to the U.S.-Korea Free Trade Agreement (KORUS) that had entered into force in 2012. The revisions to KORUS did not require congressional approval. The White House also turned its attention to the North American Free Trade Agreement (NAFTA), which entered into force in 1994 and which Trump decried during the 2016 campaign. NAFTA 2.0, rebranded the United States-Mexico-Canada Agreement, or USMCA, involved long and tense negotiations and borrowed heavily from the TPP. Bruce Heyman, former U.S. ambassador to Canada, estimated that two-thirds of the USMCA borrowed language directly from the TPP, and a separate study found that the USMCA copied 57 percent of its text from the TPP.²⁰

The USMCA also updated a number of TPP provisions. In the new digital trade chapter, absent from the original NAFTA, the USMCA borrowed from the TPP's e-commerce chapter but also strengthened some commitments, expanded coverage, and deleted carve-outs. For example, it liberalized data localization requirements for financial services, banned forced turnover of underlying algorithms, and endorsed APEC cross-border privacy rules as an authorized means for data transfer. Other TPP provisions updated in the USMCA included the promotion of science-based rules for sanitary and phytosanitary measures and removal of technical barriers to trade.

The USMCA also added new features that were controversial not only with Mexico and Canada but among U.S. stakeholders as well. These included stricter automotive rules of origin to qualify for duty-free treatment among the three parties, limitations on any of the parties subsequently entering into free trade agreements with nonmarket economies (widely understood to mean China), and a so-called sunset provision for the agreement to lapse after 16 years unless all three parties agreed to extend it. The U.S. business community labeled some of these unconventional additions “poison pills.”

Also, determined to secure the agriculture market access from Japan that Tokyo had provided to other CPTPP partners, U.S. negotiators cajoled Japan into negotiating a partial “phase one” bilateral agreement focused on agriculture and digital commerce, which was signed in October 2019. That, too, borrowed heavily from the TPP, obtaining most of the Japanese agriculture market access provided by the TPP, with the notable exceptions of rice and certain dairy products, and including a “gold standard” digital trade chapter akin to the USMCA's.

Recent Asia-Pacific Trade Trends

The trade developments discussed previously are either directly or indirectly related to the Trump administration's decision to steer clear of the TPP. But much has transpired in the Asian trade landscape in recent years independent of the United States: the possibility of new countries acceding to the CPTPP,

Much has transpired in the Asian trade landscape in recent years independent of the United States: the possibility of new countries acceding to the CPTPP, continued momentum toward concluding trade-liberalizing agreements... and the emergence of sector-specific agreements.

continued momentum toward concluding trade-liberalizing agreements despite the reverse trend occurring elsewhere, and the emergence of sector-specific agreements.

Accessions to the CPTPP

Efforts by the CPTPP countries to attract accession partners have yet to materialize. A number of economies have expressed varying degrees of interest, including Colombia, Indonesia, the Philippines, South Korea, Taiwan, Thailand, and the United Kingdom. However, none to date has officially thrown a hat in the ring and triggered the accession procedures.

The United Kingdom and Thailand seem the most viable accession candidates as of this writing. Despite being a world away from the Pacific, the United Kingdom seems closest to an official decision on accession. Secretary of State for International Trade Liz Truss said that London was “working with CPTPP countries to secure our accession” and framed British interest in both economic and geostrategic terms.²¹ In September 2020, the UK held talks with the 11 CPTPP members about possible accession and separately announced an agreement in principle with Japan on a bilateral trade deal, characterizing it as “an important step towards joining the [CPTPP].”²² The UK is also pursuing bilateral agreements with three other CPTPP members: Australia, New Zealand, and Canada. If successfully concluded, the negotiations could further pave the way for a smooth CPTPP accession.

The CPTPP is not the only game in town. Many countries in the Asia-Pacific region have stepped up their trade agreement activity in recent years.

Thailand has also expressed interest in acceding to the CPTPP. The Thai deputy prime minister told Japanese officials that Thailand would join “as soon as possible” in May 2018,²³ and Thai officials have spoken favorably of the CPTPP throughout 2020. Japan is particularly interested in Thai accession, given the close supply chain integration between Japanese and Thai firms. Nevertheless, domestic concerns have presented obstacles. In particular, many in Thailand have grown skeptical of free trade agreements since the Thai government rammed through several free trade agreements in the early 2000s without much public input.

China has also raised its interest in the CPTPP privately and publicly in recent years. Most recently, in June 2020, Premier Li Keqiang stated during the National People’s Congress that China “has a positive and open attitude toward joining CPTPP.”²⁴ This was the first time China’s leadership had expressed such interest publicly. From Beijing’s perspective, accession would allow China to further integrate its economy with others in the region while also reducing its reliance on the U.S. market and its vulnerability to U.S. tariffs and other forms of retaliation. For Communist Party leaders, replacing the United States in its signature Asian trade deal would also represent a major public relations coup.

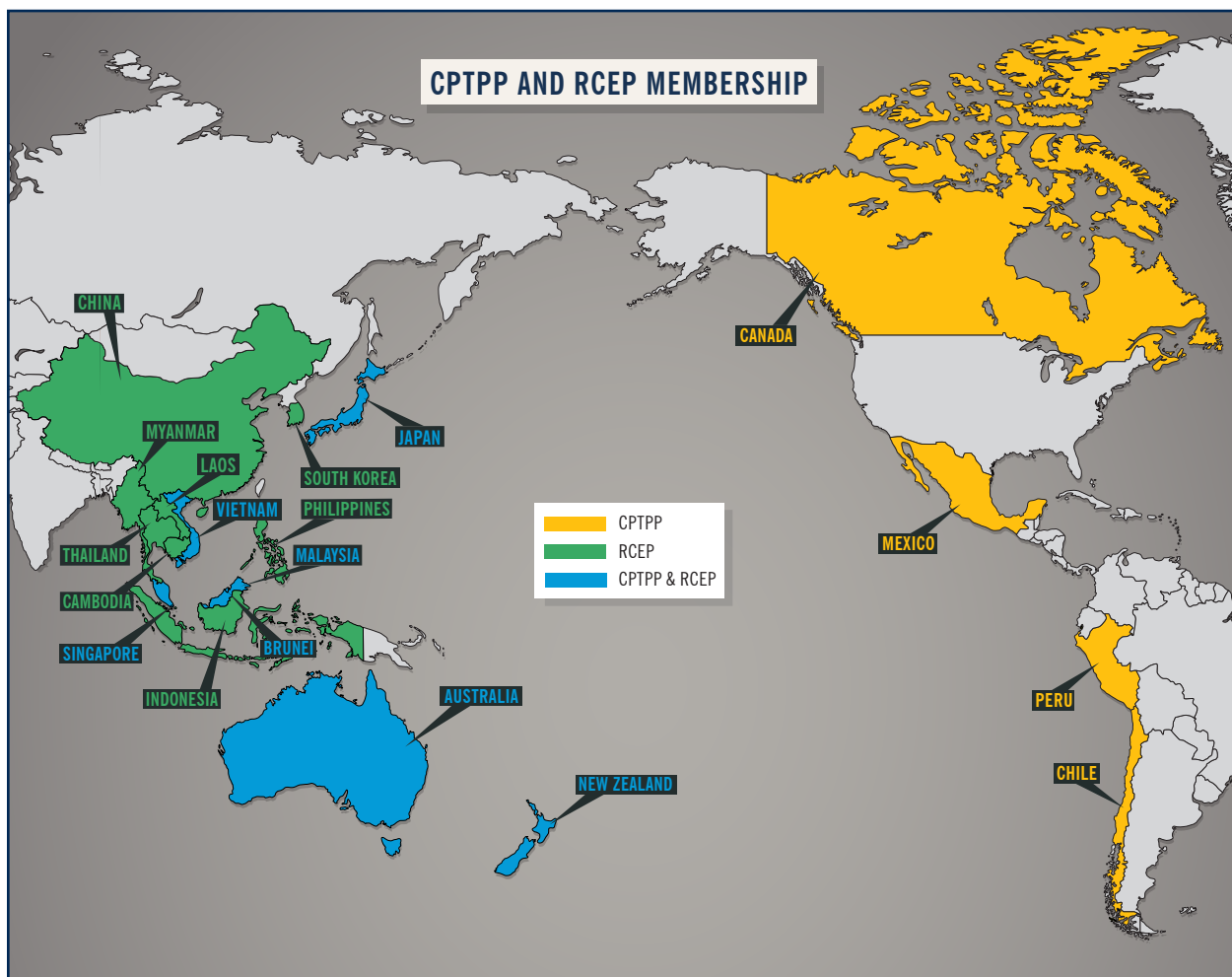
Other CPTPP countries are unsure of what to make of Beijing’s interest. China is a major trading partner of virtually every country in the Asia-Pacific region. For many CPTPP members, two-way trade with China has surpassed two-way trade with the United States. That said, China would have a long way to go to demonstrate its CPTPP “readiness,” particularly with respect to digital trade, labor, and SOEs, and at a time of growing global concern about whether China has fully adhered to both the spirit and the letter of the commitments it made when it joined the WTO.

Trade Activity in the Asia-Pacific Region: Full Steam Ahead

The CPTPP is not the only game in town. Many countries in the Asia-Pacific region have stepped up their trade agreement activity in recent years. This phenomenon is due to several factors, including the desire to grow their economies, create jobs, attract foreign direct investment, diversify their trading partners, and demonstrate that trade liberalization, not protectionism, is the preferred path to follow. In addition, economies that are not plausible near-term candidates for CPTPP accession want to show that they are not being left behind in the push for greater regional integration.

The other major regional trade agreement, the Regional Comprehensive Economic Partnership (RCEP), under negotiation since 2012, appears to be on track for signature in November 2020 despite India's decision not to join. The remaining 15 members would account for roughly 30 percent of the world's population and GDP. If India were to return, both numbers would rise significantly. Overall, the RCEP is less ambitious than the CPTPP with respect to market access (including tariffs) and trade and investment "rules." That said, certain chapters, such as e-commerce, may go further than expected.

Beyond regional deals, countries across the Asia-Pacific region have also moved ahead on the bilateral front with several agreements. Just within the past few months, the Indonesia-Australia Compre-



hensive Economic Partnership Agreement (July 2020) and the European Union (EU)-Vietnam Free Trade Agreement (August 2020) entered into force, as did updates to the ASEAN-Japan Comprehensive Economic Partnership Agreement (August 2020). South Korea also wrapped up negotiations on a free trade agreement with Indonesia in November 2019, and both are now working to ratify the deal.

The EU's renewed pursuit of trade deals in the region is notable as well. The EU concluded the Economic Partnership Agreement with Japan in July 2018, establishing the world's largest bilateral trade agreement. The EU also concluded agreements with Singapore in 2018 and with Vietnam in 2020. Long-running negotiations with ASEAN and certain individual ASEAN members are in various stages, along with more recent negotiations with Australia and New Zealand.

Digital Trade Pacts

Sectoral negotiations are also cropping up in the region. Nowhere is this more evident than in the digital space, a fast-evolving area of international commerce. In June 2020, Chile, New Zealand, and Singapore signed the Digital Economy Partnership Agreement (DEPA). Singapore also concluded a bilateral digital agreement with Australia in March 2020, and Singapore and South Korea recently launched negotiations.

Sectoral negotiations are also cropping up in the region. Nowhere is this more evident than in the digital space

All of these agreements go beyond the CPTPP provisions and include rules for nondiscriminatory treatment of electronic transactions, easing of restrictions on cross-border data flows, and various consumer protections. DEPA, for example, adds trade facilitation provisions in areas such as e-payments and e-invoicing, and it adds cooperation clauses regarding new and emerging technologies, including fintech and artificial intelligence.²⁵ DEPA is novel with respect to its approach to new members. It provides an avenue for joining the pact in a piecemeal fashion in which countries can accept only some of its modules.

Of course, Asian countries, including China, are also participating in the WTO e-commerce pluri-lateral negotiations, involving approximately 80 WTO members.

3. OPTIONS FOR U.S. REENGAGEMENT WITH THE CPTPP COUNTRIES

THESE DEVELOPMENTS OVER THE PAST FIVE YEARS HAVE SHAPED the next administration's options for reengaging with the TPP/CPTPP members. Should it choose to do so, the United States would have four basic paths: (1) returning to the original TPP agreement; (2) acceding to the CPTPP; (3) seeking a broader renegotiation; or (4) pursuing a narrower sectoral agreement as a first step. In this section, we discuss these options, which are not entirely mutually exclusive, and evaluate their feasibility.

Option 1: Returning to the Original TPP

On the surface, the most obvious option would be for the United States to express its interest in returning to the original TPP agreement that it signed with the 11 other countries in February 2016. This option has serious shortcomings. First, it's unlikely the CPTPP members would be willing to go back to the original TPP text. These countries had substantive concerns about the suspended provisions, particularly those in the intellectual property rights (IPR), and investment chapters. Additionally, they would be reluctant to redo their domestic approval process, which makes for contentious political debates and requires significant political capital. In their view, that ship has sailed.

This option also presents roadblocks from the U.S. perspective. Turning the clock back to a trade deal that concluded in 2015 and faced considerable opposition, including from the two 2016 U.S. presidential candidates, would be extremely challenging in 2021. The trade landscape has also shifted dramatically over the past five years, and it's questionable whether any U.S. administration would still consider the 22 suspended provisions as desirable, let alone worth fighting for at this point. In the USMCA, for instance, the Trump administration decided not to push for the special multiyear protection term for biologic drugs, one of the most contentious issues advanced by the U.S. negotiators in the TPP and one of the first provisions the remaining 11 members cast aside when the United States withdrew.

Option 2: Acceding to the CPTPP

A second option would be for the United States to express its formal interest in acceding to the CPTPP. This option is likely to be met with the greatest support by the CPTPP members because it would not require them to enter into new negotiations, and it would affirm their decision not to abandon the deal. However, it is fraught with difficulties from the U.S. perspective.

First, in accession negotiations, existing members typically hold the cards since it's up to them to give the thumbs up or thumbs down to the accession candidate's proposals. With the U.S. economy eclipsing the combined GDP of the other 11 countries by over 50 percent, the United States would not likely be interested in such a subordinate role. Moreover, accession negotiations by definition focus on signing on to what's already been agreed to by others and keeping adjustments, exceptions, and transition periods to a minimum. It's not clear that the United States could agree to this limitation.

Furthermore, the CPTPP agreement as ratified reflects some, but far from all, of the evolutions in U.S. trade policy over the past five years. For example, the new automotive rules of origin in the

USMCA are far more restrictive than those in the CPTPP. It's hard to see the CPTPP countries, particularly Japan, agreeing to these requirements.

Finally, congressional approval would be an uphill battle. We will never know whether the original TPP agreement would have secured congressional approval. However, it's indisputable that it lacked strong bipartisan congressional and public support, and the participation of some members, such as Japan and Vietnam, drew active opposition from some U.S. trade stakeholders. Has that reality changed in the past five years? It's far from certain.

In accession negotiations, existing members typically hold the cards since it's up to them to give the thumbs up or thumbs down to the accession candidate's proposals.

Of course, it's more than likely that with U.S. accession on the table—a priority for existing members—the CPTPP countries would be somewhat more open to updates and revisions than with other potential accession partners. This is particularly true for the rules part of the agreement, as opposed to each country's market access commitments, where some countries may go to great lengths to avoid reopening the intricate and domestically sensitive web of tariff concessions.

Option 3: Renegotiating the CPTPP

In light of the difficulties of returning to the original TPP or acceding to the CPTPP, the United States could propose a major renegotiation. This approach would help restore the United States to its historical leadership role in trade negotiations. It would also allow it to fully leverage its market size in the negotiations and to push for more extensive revisions and updates than accession would permit. These updates could include the following:

- Modernizing provisions in such areas as digital trade, customs, and IPR
- Deleting commitments that may no longer represent U.S. priorities, such as the ISDS mechanism, or weakening others, such as government procurement
- Revising or adding new provisions to reflect the evolution in U.S. trade policy, including but not limited to the USMCA provisions on rules of origin, labor, environment, and currency manipulation
- Adjusting market access commitments on goods and services

This option could also open the door for other accession candidates, such as South Korea, to join the negotiation with the United States at the outset. Under this option, they, too, would have more leeway to help shape the rules, rather than largely accepting the existing CPTPP provisions.

While welcoming U.S. reengagement, current CPTPP members are likely to be wary of such an ambitious endeavor. This not only would be time-consuming, it also could present domestic difficulties by raising controversial issues. Furthermore, many are still scarred by their TPP experience with the United States. Being asked again to make difficult decisions with no assurance of congressional approval, and no guarantee that the next administration would keep the deal intact, may be a bridge too far. CPTPP leaders would likely be criticized for both having an unwarranted faith in U.S. intentions, and for “paying twice” for U.S. economic engagement in the region.

Such criticism would be especially acute in countries that already have bilateral free trade agreements with the United States and would receive little new market access from U.S. entry into the CPTPP. That said, if a renegotiation is the price for U.S. economic reengagement in the Asia-Pacific, it may still receive support at the highest political levels across the region. Some assurances, including an agreed and finite set of focus areas for renegotiation, concrete demonstrations of congressional bipartisan support, and/or a provision in the implementing legislation requiring congressional approval for withdrawal, could make a renegotiation more enticing.

Option 4: Pursuing Interim Sectoral Deals

A fourth option would be to start more modestly by launching negotiations with the CPTPP countries on an important or emerging sector, such as digital trade, trade in medical and other essential products, or the trade and the environment/climate, before entering into more comprehensive negotiations. While many CPTPP countries might prefer an all-in posture by the United States, they may also be receptive to a more limited, piecemeal option, depending on the specific subject area.

This approach would allow Washington to gradually rebuild trust and to demonstrate its commitment to renewed engagement in the region. A sectoral agreement could also build on work that the United States is already undertaking with some of the CPTPP countries within APEC, the G-20, and the WTO and conclude in a shorter period than the many years typically required for negotiation of a broader agreement. Furthermore, assuming no changes to U.S. law are necessary, these deals could be concluded through executive agreements, requiring congressional consultation but avoiding a politically fraught and time-consuming congressional vote.

Finally, a sectoral deal need not be limited to the United States and existing CPTPP countries. It would also provide an opportunity for those that have shown serious interest in CPTPP accession, including the United Kingdom, Thailand, South Korea, and other Southeast Asian countries, to engage in negotiations that could eventually lead to accession talks.

This option, however, also presents challenges. First, agreeing on a topic for negotiation would not be easy. While the United States will have its priorities, others will have their own wish lists. Second, such an approach does not lend itself to trade-offs in the negotiations, which proved instrumental in getting the TPP countries to agree to U.S. proposals in such areas as IPR, labor, and the environment in the original negotiations. Finally, it raises concerns on whether such an agreement would meet the WTO requirements that it cover “substantially all the trade” between the parties and include “substantial sectoral coverage.” Nevertheless, each of these challenges might be easier to surmount than some of the challenges the other options present. On the WTO question, for example, a sectoral agreement would arguably meet WTO standards if it is the starting point for a more comprehensive deal down the road.

As negotiations proceed on a specific subject area, the United States could use that valuable time to build domestic support for a more ambitious regional agreement. There is no question that the gains

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from trade accrue unevenly. The inadequacy of Trade Adjustment Assistance and other programs to mitigate those uneven gains likely contributed to the visceral anti-trade nature of the 2016 campaign.

The United States could, with time, build up its ability to help Americans adjust to import competition by developing more robust, flexible, and better funded safety net and worker adjustment programs and implementing more coherent and focused measures around domestic competitiveness, innovation, and workforce development. Additionally, the next White House should make a stronger case to the public for the benefits of trade, and, in particular, connect trade and foreign direct investment to the creation of well-paying jobs.

Through extensive consultations with Congress and stakeholders across the country, the United States could also develop its vision of what a regional agreement should look like, taking into consideration the developments over the past five years. As it consults domestically, the United States would benefit from seeking the early input of trading partners to understand their priorities and concerns, as well as their bandwidth for working with specific new U.S. ideas.

Possible Areas for Negotiation

Digital trade is a promising candidate for an issue-specific agreement. This is not a new idea. A 2017 Asia Society Policy Institute report coauthored by former trade officials from the Asia-Pacific region suggested pursuing a regional digital trade agreement.²⁶ The case for such an agreement has only grown as digital trade makes up an increasing share of overall trade. According to the WTO, digital technologies such as the Internet of Things, artificial intelligence, 3D printing, and blockchain will further lower trade costs and help boost trade by 34 percent by 2030.²⁷

Members of the CPTPP, particularly Singapore, New Zealand, and Japan, have negotiated ambitious digital trade agreements, and their experience would be essential in facilitating a sectoral agreement.

Digital trade and e-commerce have also served as gateways for small and medium-sized enterprises to participate in the international trading system. More recently, the COVID-19 pandemic has accelerated the digitalization of the global economy with respect to trade in both goods and services, with no turning back.

Furthermore, the CPTPP members and the United States have both demonstrated leadership in digital trade in recent years. As described earlier in the report, regional activity in this sector has proliferated, building on the TPP's focus on digital trade and e-commerce. Members of the CPTPP, particularly Singapore, New Zealand, and Japan, have negotiated ambitious digital trade agreements, and their experience would be essential in facilitating a sectoral agreement. Furthermore, the United States negotiated cutting-edge digital trade provisions with Canada and Mexico in the USMCA and with Japan in its phase one trade agreement.

Another topic of increasing interest is **trade in medical and other essential products**. The COVID-19 pandemic has focused attention on vulnerabilities in global supply chains, particularly for medical supplies and equipment, as well as certain medicines and key ingredients. A negotiation in this area could focus on building trusted regional supply chains with like-minded CPTPP countries, featuring provisions on trade facilitation, export restrictions, services, government procurement, invest-

ment, and market access, while addressing new challenges such as incentives for onshoring and domestic stockpiling.

The environment/climate is a third option. Such a negotiation could include some of the updates the USMCA made to the CPTPP environment chapter, including requirements for environmental impact assessment, commitments to provide data on air quality and to protect marine environments, and specification of the multilateral environmental agreements to which signatories must adhere. Other additions could include climate change-related provisions, including references to the Paris Agreement and curbing fossil fuel subsidies, rules around the imposition of carbon tariffs, as well as improved market access for environmental goods, services, and technologies.

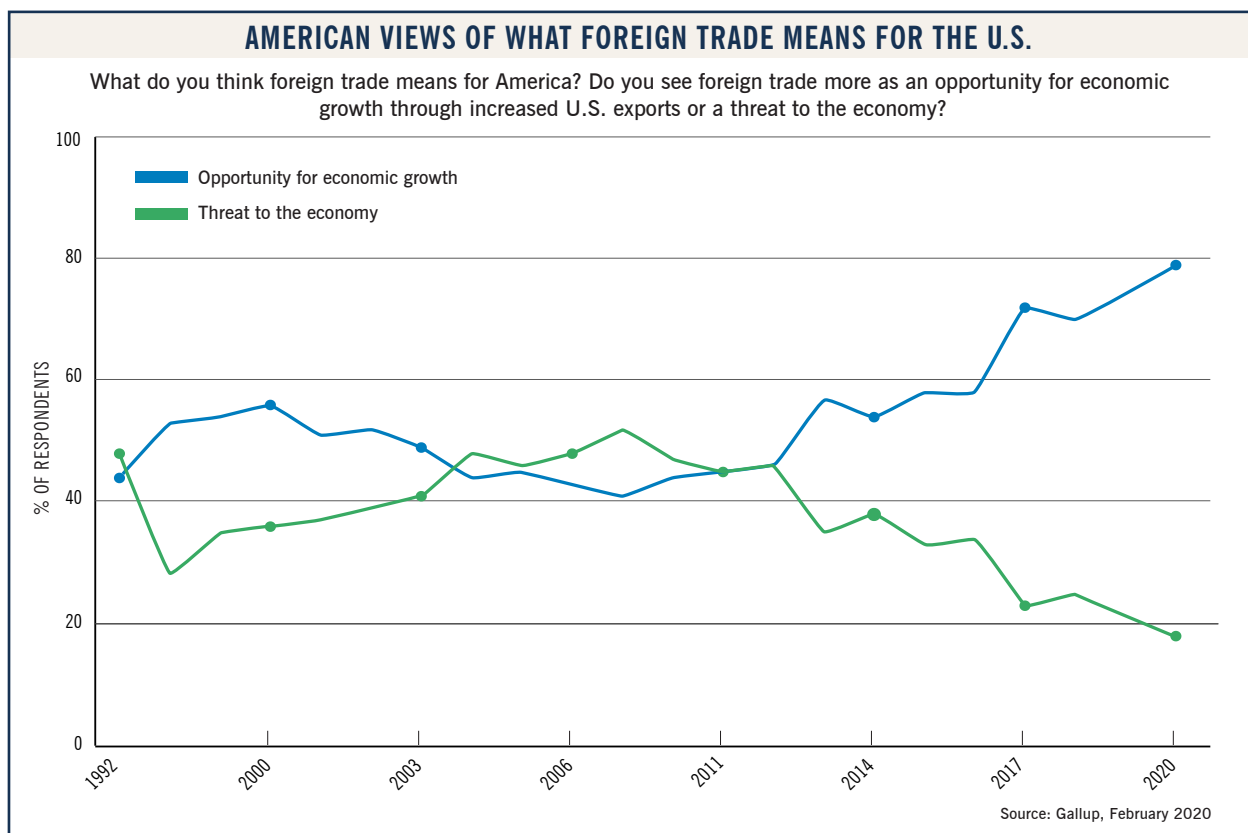
4. DOMESTIC AND TRADING PARTNER CONSIDERATIONS

ANY POTENTIAL U.S. REENGAGEMENT WITH THE MEMBERS OF THE CPTPP will be shaped by the domestic political environment and the receptivity of trading partners to U.S. interests. In assessing the foregoing options, it's important to carefully consider these two factors.

The Changing U.S. Views on Trade

Recent U.S. polling suggests the American public has warmed to trade. As of February 2020, Gallup found that 8 in 10 American adults believe that trade represents an opportunity for economic growth.²⁸ That represents a marked shift from as recently as 2012, when respondents were evenly split on whether trade was more of an opportunity or a threat. A 2019 NBC News/*Wall Street Journal* survey found that two-thirds of Americans agreed with the statement “free trade is good for America.”²⁹ Other recent polls from the Chicago Council on Global Affairs and the Pew Research Center found Americans growing similarly bullish on trade.^{30, 31}

Moreover, the February 2020 Gallup poll found that “trade enjoys strong bipartisan support.” A majority of respondents from both political parties now support trade. Surprisingly, Democrats (82 percent) are slightly more likely than Republicans (78 percent) to say that trade is an opportunity for growth. This is a reversal from the last few decades, when Republicans espoused more pro-business



and pro-market views, while Democrats have been more skeptical of free trade due to concerns over the impact on U.S. labor. Time will tell whether this reversal represents a fundamental policy shift or whether some Democrats are voicing support for trade to distance themselves from Trump's trade policy.

As the U.S. public changes its views on trade, some have suggested we are on the precipice of a new trade order, with Republicans more protectionist and Democrats friendlier toward trade. Many Republicans on the Hill have supported President Trump's trade agenda. A new group of Republicans, including Senators Josh Hawley (MO) and Tom Cotton (AR), have advocated for a more populist and labor-friendly trade position and for onshoring of U.S. innovation and manufacturing.³² Senator Hawley has gone so far as to introduce a congressional resolution to withdraw from the WTO. And, almost universally, Republicans fell in line with President Trump's demand to drop the ISDS provisions from the USMCA, even though they were a Republican priority in previous trade talks. On the other side of the aisle, several of the 2020 Democratic presidential candidates, including Joe Biden, openly supported the TPP at various points.³³

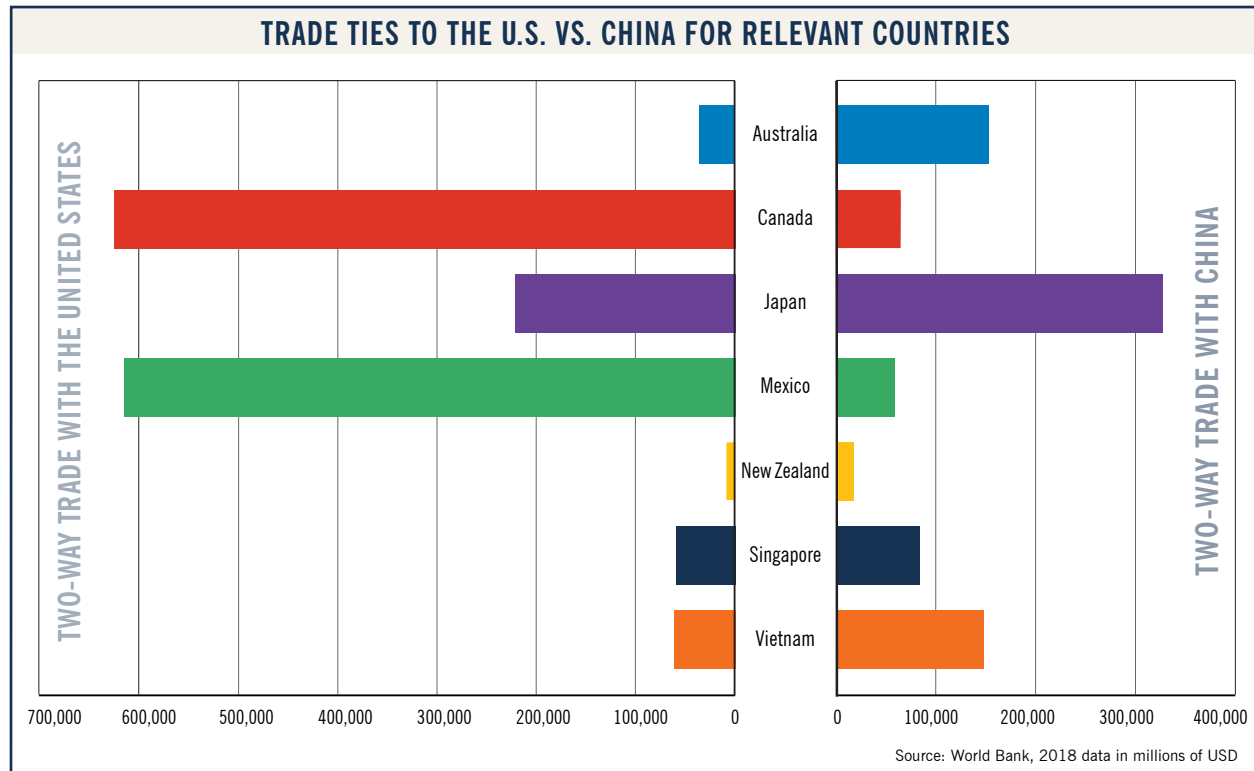
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Despite the examples cited here, public opinion on trade policy appears to have shifted more quickly than the views of elected officials in Congress, leaving each party somewhat misaligned with the emerging views of its supporters. Such uncertainty weighs on policy, making it difficult to gauge congressional support for new trade agreements and congressional views on specific provisions in such deals. This will become an important consideration if the next administration moves forward with a comprehensive trade agreement, which would require congressional approval.

USMCA: A Template or an Aberration?

The most recent trade agreement submitted to Congress, the USMCA, received strong bipartisan congressional support at a time of historic division in U.S. politics. It passed the House of Representatives with a vote count of 385–41, and the Senate approved it 89–10. The Trump administration worked closely with congressional Democrats to address their concerns about labor enforcement, the environment, and pharmaceuticals, paving the way for such strong support. As a result, there is a growing chorus urging that the USMCA become the new U.S. template for trade deals.

Yet the USMCA vote does not imply that securing congressional approval for trade deals is now easy. The bipartisan vote may have resulted from factors specific to the USMCA negotiations, as opposed to marking a new dawn of bipartisan trade support. With 25 years of NAFTA having shaped North American production and trade, President Trump seized on unique leverage with Congress by threatening a costly, disruptive U.S. withdrawal from the original NAFTA if the USMCA was not approved. This tactic strong-armed some congressional and business skeptics into finding a way to support the USMCA. Moreover, Canadian and Mexican dependence on the American market—three-quarters of their exports are destined for the United States—gave U.S. negotiators a strong hand in the negotiations. It's an open question as to whether the contents of the deal, and the tactics that went into its negotiation, are applicable to future trade agreements, particularly in the Asia-Pacific region, where China, and not the United States, is the largest trading partner of most countries.



Whither TPA?

An additional uncertainty is the fate of Trade Promotion Authority (TPA), legislation that provides authority to the executive branch to negotiate trade agreements and then hold an up-or-down votes on those agreements. In practice, TPA does not prevent Congress from seeking changes to deals after their conclusion, as it did with the USMCA, but it is still valued by U.S. trading partners as an assurance that any changes would be minimal. Conversely, some U.S. trading partners are reluctant to negotiate end-game issues with a U.S. administration that does not already possess TPA; the TPP negotiation did not conclude until a few months after Congress approved TPA in May 2015.

The existing TPA will expire on July 1, 2021. This means that the next administration—be it a second Trump term or a Biden White House—will need to decide whether to seek its reauthorization or let it lapse. Congressional trade votes are never easy, and TPA votes, which are more about abstract legislative procedures than actual, concrete benefits that a specific trade agreement may bring to constituents, have been even more difficult to push through Congress.

Moreover, a TPA vote would be a low priority in the first half of 2021. The next U.S. administration will rightly be focused on economic recovery and other domestic priorities stemming from the COVID-19 pandemic. Without TPA, it's doubtful that the 11 CPTPP countries would seriously engage with the United States on rejoining the agreement—which would require congressional approval—making smaller or sectoral deals that could be implemented through executive agreements a more attractive course of action in the short term.

The Views of CPTPP Member Countries

It's also vital for the United States to consider the views of foreign trading partners, particularly the seven members of the CPTPP that have implemented the agreement and therefore will decide on accession candidates. To reengage with the CPTPP, the United States would need to negotiate with those countries, many of which have deep-seated memories not only of the U.S. decision to withdraw from the original TPP in 2017 but of how that development followed an eight-year TPP negotiation process that was largely shaped around U.S. needs and demands.

This section provides the key takeaways from interviews conducted during the summer of 2020 with a dozen former trade officials from a diverse set of CPTPP member countries who were involved at some point in the TPP or CPTPP negotiations. Although they were not necessarily aligned on specific negotiating issues, they nevertheless agreed on several key points about a potential U.S. engagement with the CPTPP.

They Welcome a U.S. Return . . .

It could not be clearer: CPTPP members would welcome the United States back to the regional agreement. “We would have never supported the CPTPP if there hadn't been a clear path for the U.S. to return,” one former TPP negotiator said. Trade officials interviewed pointed to both economic and geostrategic reasons for supporting U.S. reentry. Having the United States back in the CPTPP would give the agreement a “stronger sense of purpose.” Others suggested that a U.S. return could provide the impetus for the remaining four CPTPP members to ratify the deal.

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There was uniform belief among the interviewees that U.S. participation in the CPTPP would provide momentum for the possible accession of other candidates. Most admitted that the accession process was stuck, with hopes for early accession by Thailand, South Korea, and the United Kingdom not having materialized. The United States, with its large market, as well as the geostrategic and economic heft it would bring to the table, could unlock the accession process for others. A few opined that U.S. reentry might complicate the accession process for others but that this “would be a welcome complication.”

. . . But Not at Any Cost

Just as there was uniform support for a U.S. return, interviewees were unanimous in noting that member countries would have limits on the magnitude and scope of revisions and updates they could bear. One official said that while CPTPP member countries would welcome the United States back, it “depends on which U.S. wants [to come] back.” Another interviewee added that members want a “reasonable” United States. “If the U.S. is seeking a disruptive zero-sum game, we need to avoid this by all means,” offered another official.

Interviewees urged the United States to be “targeted” and “strategic” in determining which revisions to seek. Another interviewee urged that “in coming back to the TPP, the U.S. should realize that it took a lot of effort and political capital for the 11 parties to strike a negotiated balance for a second time,” and

therefore it should be “realistic in its ambition.” One interviewee said that his country’s biggest concern would be that the United States would be “too demanding, resulting in a protracted negotiation.” For this to work, the negotiation “must be concluded quickly.”

U.S. Reliability

A number of interviewees raised concerns about the reliability of the United States as a negotiating partner, particularly Washington’s ability to obtain congressional approval for negotiated commitments.

Capitals in the Asia-Pacific region were accustomed to the uncertainties of the U.S. congressional approval process, but now they are also worried about the executive branch and the four-year presidential election cycle.

Some of the interviewees called the TPA a “prerequisite” for serious negotiations.

Capitals in the Asia-Pacific region were accustomed to the uncertainties of the U.S. congressional approval process, but now they are also worried about the executive branch and the four-year presidential election cycle. This realization didn’t stop interviewees from positively discussing a U.S. return, but it made them less open to major revisions of the agreement. Such revisions would require them to expend serious political capital without a guarantee that a future U.S. president would not pull

out of the deal, as Trump did with the TPP. One interviewee said that “evidence of strong bipartisan support” would be critical before moving forward.

USMCA: Some Parts Welcome, Others Not

When asked about their views on the USMCA as a basis for CPTPP revisions, interviewees had strong views. Most were open to the trade-liberalizing aspects of the USMCA, particularly those that largely updated current CPTPP chapters. However, most made it clear that their governments would have difficulty embracing what they considered to be trade-restrictive revisions.

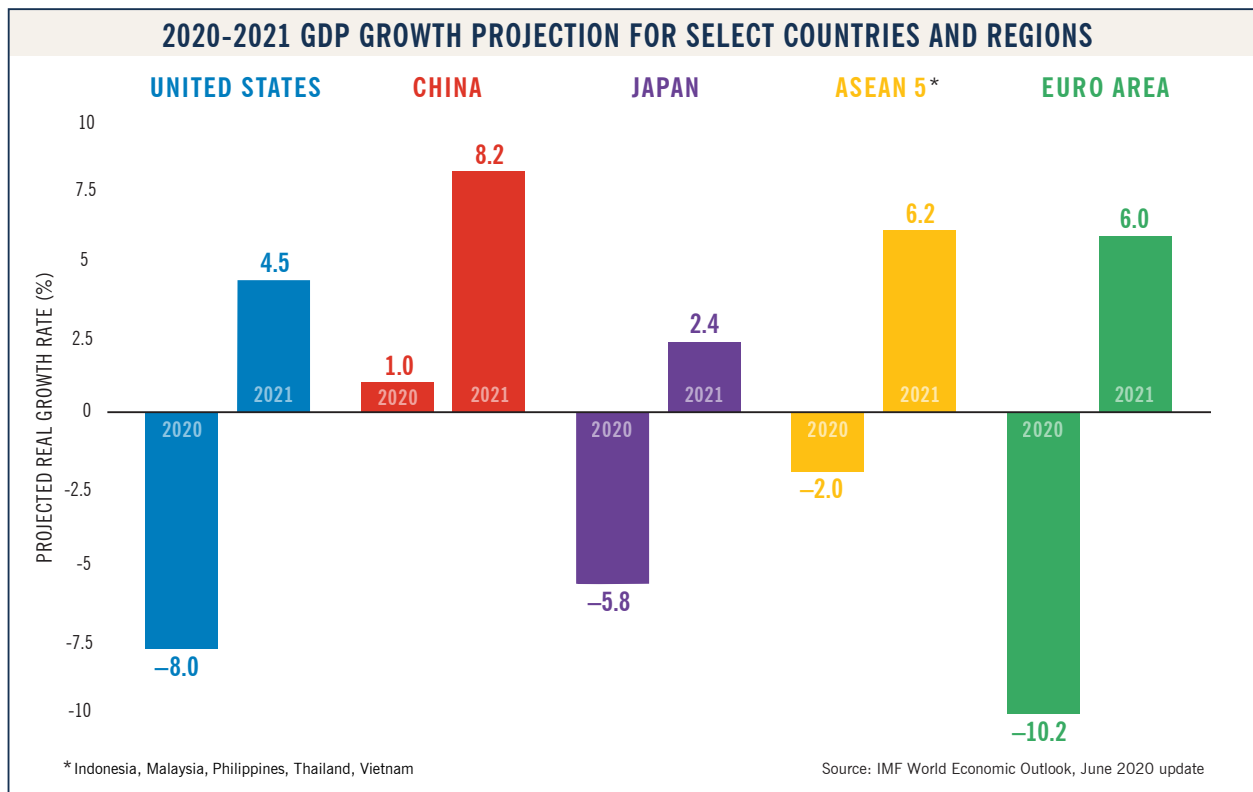
In particular, they expressed concerns about three distinct USMCA areas: strengthened labor enforcement, stronger automotive rules of origin, and the provision on future trade agreements with nonmarket economies. One interviewee shared that there may be an opening to rethink portions of the labor chapter in light of the workforce challenges and adjustments associated with the COVID-19 pandemic. One interviewee pointed to the USMCA’s government procurement outcome as “CPTPP-minus.”

What to Make of China’s Interest?

Interviewees were skeptical that China was serious or ready for CPTPP accession anytime soon, despite recent statements and overtures from Beijing. Officials pointed to digital, labor, and SOE provisions as serious obstacles to Chinese accession. Some said that they wanted to keep the door open for China down the road, but they recognized that in today’s environment, moving ahead with China’s accession would probably be a death knell for U.S. interest. A couple of interviewees were negative about that prospect unless and until China “fundamentally changed its economic model.”

5. A TPP ROAD MAP FOR THE INCOMING ADMINISTRATION

NEGOTIATING AND TAKING ON CONGRESSIONAL BATTLES over a major new trade agreement will not be an immediate priority for the incoming administration, whatever the outcome of the election. The White House will have its hands full fighting the COVID-19 pandemic and pursuing economic recovery. Depending on the outcome of the election, regaining U.S. competitiveness through an ambitious domestic agenda could also take priority. The wishful thinking of some U.S. trade observers notwithstanding, even a Biden victory would not turn the TPP clock back to December 2016.



The United States may not be ready for or interested in a comprehensive regional agreement based on the TPP at this point, but that does not mean that U.S. trade engagement in the region should be put on hold. In fact, the United States should redouble its efforts. With digital trade, the COVID-19 pandemic, and other trends fundamentally reshaping the global economy, now is not the time to stay on the sidelines. East Asia is bouncing back from the COVID-19 pandemic before the rest of the world, and deepening economic ties with the engines of global growth will be an even more valuable proposition in the midst of a deep recession. The pandemic has also highlighted serious vulnerabilities in supply chain networks, and the shared standards and norms, including common rules of origin, of the CTPP can serve as the basis for establishing trusted supply chains in the region. At the same time, public attitudes on trade might have shifted enough to open a policy window for reengaging the Asia-Pacific region, especially if it is framed as a chance for the United States to work together with allies and partners to stand up to unfair Chinese practices.

With these options and considerations in mind, the next administration should:

- As a first and immediate step, pursue a limited, sector-specific regional Asia-Pacific trade deal with CPTPP members (and other interested regional partners) to set high standards, rebuild trust, and build momentum. A road map for reengaging with the CPTPP should start with an agreement on a timely and forward-looking issue, such as digital trade, trade in medical and other essential products, or trade and the environment/climate.

Meanwhile, the next administration should take these steps domestically:

- Invest in competitiveness and adjustment measures, including more robust worker transition support and skills training, to take the pressure off trade agreements to achieve goals they are not designed to tackle, such as ensuring more equitable income distribution.
- Consult extensively with stakeholders across the country, including business, labor, and environmental groups, as well as Congress, to seek input on what future U.S. participation in the CPTPP should look like.
- Make a strong case to the American people that trade is one of the most important avenues to grow a developed economy and that trade agreements can lead to high-paying jobs generated by exports and foreign direct investment.
- Explain to the American public that deeper U.S. trade engagement with its Asia-Pacific partners is integral to the goals of diversifying U.S. trade in the region beyond China and promoting an alternative economic model to Chinese state capitalism. Ideally, that alternative model would also push Beijing to make reforms and further open its market.

And, abroad, the next administration should take these steps:

- Take the temperature of CPTPP partners to understand their limits, priorities, and concerns around U.S. reengagement. In particular, Japan and Australia should be viewed as a key strategic partners in the U.S. efforts to reintegrate into the CPTPP.
- Increase engagement on trade and economic matters by working more closely with CPTPP countries within APEC, the G-20, and the WTO.

Finally, based on input from the foregoing steps, the next administration should develop concrete proposals for U.S. reengagement in the CPTPP within the first year of the term. Altogether, these steps will lay the groundwork for a possible U.S. reentry into the CPTPP in the future and for greater engagement on trade more broadly with the Asia-Pacific region and with other major trading partners, such as the EU. Even then, CPTPP reengagement would be a heavy lift that would require flexibility and creativity from both the United States and the CPTPP countries. The model with the best odds of success would likely be a hybrid of formal accession (option 2) and extensive renegotiation (option 3). For that to work, the United States would need to limit its requests to the most important changes and modernizations required, while the CPTPP countries would need to be more open to changes than a typical accession would permit. Creative arrangements, such as packaging the more extensive U.S. proposed revisions and updates in an addendum or side letters that each country would have the option to sign on to, could help bridge the gaps during the negotiation.

Many would question whether revisiting the CPTPP is worth it, particularly in light of the previous domestic opposition to the agreement and the numerous challenges outlined above. Yet, with trade driving so much of economic growth and regional economic alignment, rejoining the CPTPP is one of the most impactful ways the United States can help shape the economic future of a region that every administration over the past two decades has determined to be critical to U.S. interests. Whoever is sworn in on January 20, 2021, must find a way for the United States to reengage the Asia-Pacific region on trade in general and on CPTPP specifically.

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