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### **Article Analysis # 1**

## **Trump Abandons TPP**

### **Instructions:**

*This assignment is optional. Please consult your Syllabus for further details.*

*The following article discusses the recent U.S. withdrawal from the Trans-Pacific Partnership (TPP). I would like you to critically analyze the article by using the knowledge about the consequences of international trade that we have accumulated in class so far. Please write a short paragraph to answer each question.*

**Questions and Analysis:** Please read the attached article and answer the following questions:

1. What is TPP?
2. According to the article, “Mr. Trump said American workers would be protected against competition from low-wage countries like Vietnam and Malaysia, also parties to the deal.” (p.2) We have seen, discussed, and found flaws in a very similar statement as one of the main misconception about international trade. Use the Ricardian model to explain why trade between a high-wage and a low-wage country could be mutually beneficial.
3. It is safe to assume that Vietnam is more abundant in unskilled labor as compared to the US. Another safe assumption is that high-tech goods are more capital abundant (note that you can think of capital here as human capital, i.e. skilled workers). Use the H-O framework to describe the effects of TPP on US if the agreement happened and US started trading (more easily) with Vietnam.
4. In addition to a possible impact of trade on economic outcomes, TPP is viewed as an important geopolitical agreement. Why?
5. Why is the US withdrawal from TPP seen as a win for China?

## POLITICS

# Trump Abandons Trans-Pacific Partnership, Obama's Signature Trade Deal

By PETER BAKER JAN. 23, 2017

WASHINGTON — President Trump upended America's traditional, bipartisan trade policy on Monday as he formally abandoned the ambitious, 12-nation Trans-Pacific Partnership brokered by his predecessor and declared an end to the era of multinational trade agreements that defined global economics for decades.

With the stroke of a pen on his first full weekday in office, Mr. Trump signaled that he plans to follow through on promises to take a more aggressive stance against foreign competitors as part of his "America First" approach. In doing so, he demonstrated that he would not follow old rules, effectively discarding longstanding Republican orthodoxy that expanding global trade was good for the world and America — and that the United States should help write the rules of international commerce.

Although the Trans-Pacific Partnership had not been approved by Congress, Mr. Trump's decision to withdraw not only doomed former President Barack Obama's signature trade achievement, but also carried broad geopolitical

implications in a fast-growing region. The deal, which was to link a dozen nations from Canada and Chile to Australia and Japan in a complex web of trade rules, was sold as a way to permanently tie the United States to East Asia and create an economic bulwark against a rising China.

Instead, Mr. Trump said American workers would be protected against competition from low-wage countries like Vietnam and Malaysia, also parties to the deal.

But some in both parties worry that China will move to fill the economic vacuum as America looks inward, and will expand its sway over Asia and beyond.

Monday was a busy day for the new president. In addition to abandoning the trade deal, he ordered a freeze on federal government hiring, except for the military and other security agencies. He reinstated a ban on federal funding for overseas family planning groups that assist or counsel women seeking abortions. He met with congressional, labor and business leaders. And he promised to cut up to 75 percent of federal regulations.

Mr. Trump's decision to scrap the Trans-Pacific Partnership, or T.P.P., reversed a free-trade strategy adopted by presidents of both parties dating back to the Cold War, and aligned him more with the political left. When he told a meeting of union leaders at the White House on Monday that he had just terminated the pact, they broke into applause.

"We're going to stop the ridiculous trade deals that have taken everybody out of our country and taken companies out of our country, and it's going to be reversed," Mr. Trump told them, saying that from now on, the United States would sign trade deals only with individual allies. "I think you're going to have a lot of companies come back to our country."

Mr. Trump may also move quickly to renegotiate the North American Free Trade Agreement. He is scheduling meetings with the leaders of Canada and Mexico, the two main partners in that pact, which was negotiated by President George Bush and pushed through Congress by President Bill Clinton. While Nafta

has been a major driver of American trade for nearly two decades, it has long been divisive, with critics blaming it for lost jobs and lower wages.

But free-trade advocates said that in canceling the Pacific pact, Mr. Trump lost an agreement that had already renegotiated Nafta under more modern rules governing intellectual property, internet access and agriculture, since both Mexico and Canada were signatories. He also undercut Mr. Obama's so-called pivot to Asia and, critics said, essentially ceded the field to China, which was not part of the agreement.

"There's no doubt that this action will be seen as a huge, huge win for China," Michael B. Froman, the trade representative who negotiated the pact for Mr. Obama, said in an interview. "For the Trump administration, after all this talk about being tough on China, for their first action to basically hand the keys to China and say we're withdrawing from our leadership position in this region is geostrategically damaging."

Some Republicans agreed, but only a few would publicly challenge the president. Senator John McCain of Arizona called the decision "a serious mistake" that would hurt America. "It will send a troubling signal of American disengagement in the Asia-Pacific region at a time we can least afford it," he said in a statement.

The Obama administration negotiated the trade pact for nearly eight years. Speaker Paul D. Ryan and other congressional Republicans worked with Mr. Obama to pass legislation granting so-called fast-track authority to negotiate it over Democratic objections. But Mr. Obama never submitted the final agreement for approval amid vocal opposition.

The agreement, the largest regional trade accord ever, brought together the United States and 11 other nations in a free-trade zone for about 40 percent of the world's economy. It was intended to lower tariffs while establishing rules for resolving trade disputes, setting patents and protecting intellectual property.

Obama officials argued that it benefited the United States by opening markets

while giving up very little in return. In particular, it finally brought the United States and Japan, the world's largest and third-largest economies, together in a free-trade pact.

Mr. Trump's decision was crushing for Japan, where Prime Minister Shinzo Abe spent considerable political capital to get the agreement through Parliament, which ratified it Friday. Just hours before Mr. Trump dispensed with it, Mr. Abe told Parliament that Tokyo would lobby the new administration on the merits of the deal.

Japan was the last to join the pact, which would give its manufacturers tariff-free access to export markets in the United States and other Asian countries, but would bring its automakers into competition with lower-wage countries like Mexico. Mr. Abe became a strong enthusiast after making politically painful concessions on agricultural imports that the United States had sought.

China, by contrast, welcomed Mr. Trump's move, although its leaders will probably relish the moment quietly. Given Mr. Trump's harsh attacks on China and his appointment of a leading China critic, Peter Navarro, to the new post of trade council director, Beijing is bracing for a potentially combative relationship.

Victor Shih, an expert on China's political economy at the University of California, San Diego, said withdrawing from the T.P.P. would alter America's image in the region. "The U.S. will be seen as an unreliable partner both economically and perhaps even in the security arena," he said. "While some countries in Asia have no choice but to be close to the U.S., others may begin to look to China."

China has already sought to capitalize by making a push to complete an alternative pact, the Regional Comprehensive Economic Partnership, which aims to unite 10 members of the Association of Southeast Asian Nations with Japan, South Korea, Australia, New Zealand and India.

Australia's trade minister, Steven Ciobo, said on Monday that other members of the trade pact were exploring whether to create a "T.P.P. minus one," without

the United States.

“The T.P.P. offers very material benefits for all parties that signed up for the agreement,” he said in an interview. “It would be a great shame to lose those benefits. Notwithstanding President Trump’s decision, there’s still a lot of merits to capturing those gains.”

If Mr. Trump scrambled coalitions overseas, he did so at home, too. Democrats and labor groups praised his move. James P. Hoffa, general president of the Teamsters union, said Mr. Trump had “taken the first step toward fixing 30 years of bad trade policies.” Lori Wallach, director of Public Citizen’s Global Trade Watch, said it would “bury the moldering corpse” of the Pacific deal, though she expressed concern about how Nafta would be renegotiated.

Some people emerging from the union meeting with Mr. Trump, who won surprising victories in Midwestern labor strongholds, expressed enthusiasm for both his trade action and his promise to build new roads, bridges and other infrastructure.

“We just had probably the most incredible meeting of our careers,” Sean McGarvey, president of North America’s Building Trades Unions, said. “We will work with him and his administration to help him implement his plans on infrastructure, trade and energy policy, so we really do put America back to work.”

Reporting was contributed by Michael D. Shear in Washington, Edward Wong in Los Angeles, Daniel J. Wakin in New York, Peter S. Goodman in London and Motoko Rich in Tokyo.

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