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# The TPP Is Just Half a Loaf

The trade agreement is historic, but it alone is not enough. It should be linked to additional legislation that ensures America's workforce is much better prepared to compete in an increasingly open and hypercompetitive world economy.

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BY **JEFFREY E. GARTEN**

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Even before the **Trans-Pacific Partnership** was concluded on Oct. 5, U.S. President Barack Obama **proclaimed** the gigantic trade agreement as “the highest-standard, most progressive trade deal in history.” That may well be, but by itself the agreement falls far short of the breakthrough we need in a world where trade patterns are shifting fast, technology is transforming both industries and the very definition of work, and another major **trade accord** — the Transatlantic Trade and Investment Partnership — waits in the wings.

No, a true 21st-century trade policy for America would include more than just lowering trade barriers and harmonizing regulatory policy across borders. It would also be complemented by new domestic laws that would deal more comprehensively than anything that exists now with the challenges facing the American workforce.

There are two key points. First, “trade” must be interpreted more broadly to include technology. After all, advanced technology is embedded in everything from cars to toys, and industries such as software and big data are spawning products that are extraordinarily technology-intensive. Second, programs to help labor compete in the global market should no longer be reactive, providing assistance for damage that is already done from imports or outsourcing. Instead, they should be designed to help workers get well ahead of the curve.

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## **The big elephant in the room**

Before explaining how these connections should be made, however, it's necessary to address what we all know to be true: That is, the current dysfunction and paralysis in Washington makes any proposal extending into the future look hopelessly naive.

Indeed, it is almost impossible to envision how Washington could advance *anything* that is broad and long term before a new administration takes hold. Even then, given the deep-seated trends — including strong currents of populism in both parties, short-termism across the political and economic spectrum, and the blocking power of well-financed special interests — it may be Pollyannaish to assume that a new president and Congress could make real headway on big issues. It is tempting to think that the best that can be done is to focus only on questions of immediate tactics such as how to avert a U.S. debt default in the next few weeks, how to avoid a government shutdown this December, or how to fund critical repairs to the nation's infrastructure into early 2016 — and leave anything bigger and more futuristic aside.

I'm not that cynical, however. I prefer to envision a more positive future in which it is worthwhile to ask what *could* be and what *should* be. After all, a few exceptional leaders could emerge in key places. Ideas that fail at the national level could have echoes in the states. A deep-seated crisis could bring the political establishment to its senses. Other surprises may emerge, as they so often do. So I still feel it's worthwhile to ask, in the event the United States does recover its momentum, what's the right thing to be doing?

### **An impressive half-loaf**

The Trans-Pacific Partnership (TPP) involves 12 countries, including Japan, Australia, Mexico, Canada, Singapore, and Vietnam, and by **one account** — that of the White House Council of Economic Advisers — comprises 37 percent of global GDP and 23 percent of global trade. (By the way, there are so many ways to calculate trade statistics that none can be relied on exclusively.) While the agreement's full text has yet to be released to the public, an **official summary** of its provisions shows that the agreement contains high standards for labor, the environment, and intellectual property. It pressures governments not to favor their own state-controlled companies in commercial deals. It focuses more than past agreements have on services relating to industries like software and financial advice, as well as on traditional manufacturing and agriculture. It promotes unimpeded cross-border flows of data. These are just some of the many impressive provisions that constitute significant advances over past accords.

Like all trade treaties, Congress must ratify the deal. In this case, because of special provisions that Congress agreed to called **trade promotion authority**, the vote has to be yes or no with no amendments. Before then, many legislative procedures, including congressional hearings and economic and environmental impact statements, have to be completed. At a minimum, a vote is unlikely to occur until well into 2016 and maybe not even until a new administration is in office. It is certain, however, that we can expect a raucous, bitterly divisive debate with business-friendly Republicans supporting it and many Democratic legislators more skeptical on the grounds that past trade deals have hurt U.S. workers. The outcome is highly unpredictable, all the more so because the presidential campaign will add fuel to the fire with populist rhetoric divorced from facts on both the left and the right.

For its part, the Obama administration has placed a high priority on securing passage, for it would constitute the first major new trade agreement in a generation and it would allow the president to say that the United States and not China (which is not party to the agreement) is writing the rules that will govern trade for many years to come. Moreover, it would further the administration's often stated goal of deepening America's engagement with Asia. Given the chaos surrounding America's policy in the Middle East, Obama's international legacy may rest more on passage of the TPP than anyone would have calculated just a year or so ago.

### **Need for new programs linking trade and the workforce**

I have worked on international trade in the Nixon, Ford, Carter, and Clinton administrations — including on the Tokyo Round of global negotiations, the Uruguay Round, the preparation of China's entrance to the World Trade Organization (WTO), and a number of high-profile efforts to help U.S. firms win big deals abroad — and I have always supported vigorous global commercial engagement and competition. I believe that on balance the United States has been well served by previous agreements, including the mistakenly maligned NAFTA deal, though I am also convinced that these accords have taken an enormous human toll on the U.S. labor force. Now, however, the time has come to acknowledge that we shouldn't compartmentalize what happens in global commerce from the impact on workers at home as we have in the past.

We have to see trade, technology, and jobs as one continuum. We cannot parse either the causes or the impact of deep-seated change in industry and in the workplace into rigid silos. That's what greater integration of the U.S. economy into the global economy means on the ground; you can't tell precisely what was the result of imports or what should be attributable to changing technology. When a product is produced in several countries by a complex supply chain that reaches deep into the American economy, it is almost impossible to keep track of what's an export and what's an import, let alone the geographical origin of the product or service crisscrossing national jurisdictions. Let academic economists try to sort all this out, but from a real-world policy perspective change is sweeping over the entire global economy without reference to borders and we shouldn't pass any trade legislation without linking it to programs helping American workers face global competition. If we develop programs that are designed just to help workers after they are displaced or after their wages are significantly reduced, it's too late, for they will forever be behind the curve of acquiring cutting-edge skills.

The administration is of course saying that the TPP already contains provisions that compel foreign countries to elevate their labor and environmental standards and that this is protection for American workers. "This agreement has the strongest labor standards of any trade agreement in history, including setting fair hours, prohibiting child labor, prohibiting forced labor," **Obama said** immediately after the TPP negotiations were concluded. Let's stipulate that that's true, but it is hard to believe that foreign compliance will be thorough enough or that enforcement will be airtight enough since neither condition has ever been the case before. And in any event, the massive changes occurring in the work environment in the United States go well beyond the impact of labor conditions in the poorer countries.

Proponents of the TPP will also say that the program to help U.S. workers affected by trade — called Trade Adjustment Assistance (TAA) — is an additional insurance program to help U.S. labor. But TAA has been around since the mid-1960s, and though improvements have been made over the years, it is too small, too bureaucratic, and too mired in the old manufacturing economy, and it is part of a fragmented system of other small programs, the totality of which is not remotely proportionate to contemporary and future labor challenges.

The same could be said of another law that was passed in 2014, the [Workforce Innovation and Opportunity Act](#), which among other things focused importantly on consolidating and improving a lot of existing programs. But like the TAA, it is too small and it fails to be ambitious enough and forward-looking enough for what is required.

What about the notion that free markets and not government programs should facilitate the necessary labor adjustments? The United States, after all, is an economy that has benefited beyond calculation from its market dynamism. But markets divorced from government support and direction have not led to the kinds of breakthrough programs in education and training that we desperately need, nor have they produced modern, soundly constructed highways, bridges, airports, and communications systems on which so much of American competitiveness depends. We also live in a perverse environment in which financial markets often reward companies that reduce their workforce by then driving up stock prices.

We can see the overall massive challenge that the country faces at the lower end of the wage scale, including the number of men and women who are out of the workforce altogether, who are underemployed, or who are wracked by anxiety about the uncertainty of their next paycheck. Of particular concern is the huge number of men and women who have been scarred from the long recession emanating from the 2008 financial crisis and who have now lost the skills and experience to be on the cutting edge for future work. All this comes on top of the challenge the country faces from robots and other computers of all kinds, and other advanced technology that will displace tens of millions in the labor force who do work that is even slightly routine.

Washington will tout the number of new jobs that the TPP will create, but we must take its assertions with many grains of salt. When I was undersecretary of commerce for international trade in Bill Clinton's administration, I saw the tenuous assumptions underlying such trade-related statistics, which are often based on economic growth (which is really unpredictable), on how other countries will implement their commitments (which is fraught with political uncertainties), and on past labor trends (which don't bear much relationship to the coming technological disruptions of the future). Nevertheless, we felt compelled to make the maximum case about jobs that would be created in order to persuade Congress to vote in favor of an agreement, and that will surely be the case with the Obama administration and the TPP. **Analysis** by independent groups, such as the highly respected Peterson Institute for International Economics, are likely to be more credible, but they too are based on a variety of assumptions that are difficult to make in a global market that is shifting so rapidly and fundamentally.

The one thing we can be sure of, however, is that the impact of more imports or more outsourcing will add to new excruciating pressures on American workers. This is all the more true because so many countries are lowering their exchange rates in the face of ever increasing difficulties in exporting in a slow-growing global economy. In the past, many influential economists have explained away trade's impact on U.S. unemployment, saying that imports or outsourcing weren't anywhere as much to blame as was technological change. Recently, however, a slew of **highly reputable research** casts serious doubt on that thesis. Trade, it turns out, is a much bigger culprit when it comes to job displacement and income inequality than conventional wisdom among researchers would have led you to believe. Even those of us who have supported globalization must recognize this fact and support policies that deal vigorously with it.

The conclusion is, we are woefully unprepared for the disruptions in the workplace that are coming down the pike, constituting a powerful tsunami crashing against the entire ecosystem of laws and institutions still left over from the industrial era.

**What companion legislation to the TPP should look like**

All these factors argue for using the occasion of the TPP not just to expand trade but to deepen efforts to prepare American workers and many U.S. institutions for the third industrial revolution, which is well underway already. What we need is omnibus legislation called something like “The 21st-Century Workforce Preparedness Act.” Here’s what it might include:

**Part I** would outline the context and the goals, beginning with a description of a world in which global trade — meaning goods, services, ideas, data, etc. — has reached deep into the domestic fabric, affecting virtually every American life. The goal would be to create the world’s most competitive workforce, to include the entire U.S. working population in that effort, and to build a labor pool that is better educated, endowed with the highest level of skills the market is demanding, and characterized by men and women whose capabilities are flexible and resilient to changing circumstances. This section would identify other national policies that this act is designed to complement, such as fiscal policy, monetary policy, and health care. It would also contain a 10-year sunset provision.

**Part II** of such legislation could focus on ways to enhance workforce education and training, including a stronger emphasis on streamlining delivery systems for learning, vigorously promoting science and technology throughout the entire school system, and new platforms to match skills and opportunities for new jobs. This section should focus on encouraging and rewarding innovative, future-oriented experiments at every level of the education system.

**Part III** could include funding for infrastructure of all kinds — from roads to electrical grids, from environmental retrofitting to ubiquitous broadband — to enhance the economy’s resilience, including the establishment of an infrastructure bank financed primarily by private markets. It should commission a national study on the infrastructure that the United States will need for 2025 to give a sense of proportion to the awesome challenge we are dealing with and are so far from being able to handle now.

**Part IV** could address a stronger social safety net for workers, including unemployment insurance and limited compensation for wage loss, all tied to a worker's enrollment in preapproved education and training programs that themselves are subject to more rigorous standards than is currently the case. It should mandate a White House conference early in the next administration to envision how the entire American social safety net, which derives from the mid-1900s, needs to be fundamentally rethought for the digital age.

**Part V** could provide grants to states and localities that are experimenting with innovative programs relating to job creation. Special attention would be paid to programs that are mounted on the part of educational institutions, corporations, municipalities, and states all working *together* as a team. The use of new technology to educate and train workers and monitor and evaluate results should be emphasized as well. Attention should also be paid to something the United States usually ignores: programs that work abroad.

**Part VI** would focus on grants to researchers who are looking into the changing nature of work in America and its implications for U.S. citizens aiming for well-paying jobs in the global economy. Although no one can have a reliable crystal ball for the future, the attempt to better understand the workforce implications of certain industries of the future, from carbon capture to personalized health care, with all the benefits of big data and more cross-disciplinary work, is crucial.

### **How to create new legislation**

The preparation for such legislation can proceed quickly. There is no lack of ideas for upgrading the workforce, backed by thoughtful, credible studies. Examples include the [Hamilton Project](#) at the Brookings Institution, where research has focused on public investment, income inequality, social mobility, and education; or work done at the [American Enterprise Institute](#) that focuses on the earned income tax credit, relocation assistance, and work sharing. In addition, there may be programs at the state or municipal level that could be examined for effectiveness and scalability and should be ingredients in this new legislation.

One way to proceed is to create a bipartisan commission headed by leaders with credentials from both sides of the aisle to put together the principles and ideas on which the legislation would be based. The model could be the [9/11 Commission](#), which was chaired by former Republican Gov. Thomas Kean of New Jersey, with former Rep. Lee Hamilton (D-Ind.) as vice chair. Congress could agree beforehand to take or reject the commission's recommendations, but not to amend them, along the lines of the [National Commission on Social Security Reform](#), which was created in 1981 to deal with a crisis in Social Security funding at the time and was chaired by Alan Greenspan (before he was the Federal Reserve chairman.)

Critics of my approach will say that it will be a herculean task just to pass the TPP, with all the interest groups that need to be appeased, let alone two pieces of legislation that cut across the entire economy. But in an era of small-bore politics, it just might be that something grander — something more sweeping — could capture the public's imagination. And we would, after all, have just two up-or-down votes.

### **The stakes are sky high**

Besides, each successive trade agreement that various administrations have concluded over the past several decades has become more contentious in Congress because of stagnant middle-class wages and rising income inequality, fears about permanent unemployment, and the specter of an unending supply of cheap labor abroad. It is no wonder that the national consensus for an open American economy has become more precarious. In addition to the increasingly fierce congressional battles over granting the president authority to negotiate trade agreements, America's waning enthusiasm for proactive international policies includes the war over the continuation of the Export-Import Bank, the failure of Congress to ratify essential reforms of the IMF, and the isolationist stance toward the monumental challenge of immigration.

Indeed, the forces of economic nationalism, protectionism, and xenophobia have become a real threat. Ignoring them or using yesterday's arguments about the unambiguous benefits of trade or the importance to foreign policy of demonstrating U.S. leadership in the world won't work any longer. And if we go down the route of trying to close rather than open the U.S. economy, so much that has made the United States great over the centuries will go into reverse gear. We must change the negative momentum, and part of that means directly linking openness to trade with a robust strategy for ensuring that job creation is enhanced, not reduced. If it could effectively make this connection, Washington would build a much stronger political and social foundation for open trade, and doing so would vastly improve U.S. competitiveness. Nothing is more likely to restore America's willingness to be outward looking, and just as importantly, nothing would be more consistent with the country's true values of giving everyone a fair chance.

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*Editor's Note: Jeffrey E. Garten is chairman of Garten Rothkopf, a Washington, D.C.-based international consultancy. David Rothkopf, editor and CEO of Foreign Policy, is also a partner in that firm.*

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