

Reconsidering Trade Agreements

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Abstract

The significance of global trade for the United States economy is widely known, yet the net gain or loss from that activity is vigorously debated. When news of the Trans-Pacific Partnership (TPP) agreement between the U.S. and eleven other countries was announced, the National Association of Manufacturers (NAM) and the National Retail Federation (NRF) approved, citing the potential to boost international trade to the benefit of both trade organizations' members; on the other hand, the United Steelworkers (USW) union, the United States Business and Industry Council (USBIC), and the Alliance for American Manufacturing (AAM) were highly critical, saying it was a bad deal for U.S. workers (Moore 2015). Members of Congress on both sides of the political spectrum have expressed concerns about the TPP, and campaign rhetoric surrounding its passage has been fierce so far during the 2016 U.S. Presidential election cycle.

Environmentalists (Bennet 2014), animal welfare advocates (Lurié & Kalinina 2015), and labor unions (Kay 2015) are among certain groups predisposed to mistrust and criticize trade agreements. The first group worries about shifting production to counties that have a poor track record of protecting the environment; the second group has the same concern about mistreatment of animals in animal-based products industries due to a lack of regulatory control mechanisms, and the final group laments the loss of high-wage manufacturing jobs for American workers. In addition to these and other advocacy groups, firms in specific industries might consider various trade agreements to be detrimental. For example, Lybecker (2016, p.42) states:

“Biopharmaceutical research and development is overwhelmingly focused in the U.S. because here it is incentivized and encouraged through a robust intellectual property rights protection environment... With an acknowledgement of the importance of intellectual property rights as well as the wider benefits of biopharmaceutical research and development, it's tremendously disappointing that the recently negotiated Trans-Pacific Partnership (TPP) Trade Agreement fails to deliver sufficient IP protection for biologics.”

Conversely, there are many advocates for trade agreements in the United States. Support for the TPP in the United States has come from the insurance industry (Munro 2015), fashion apparel industry (Ellis 2015), the National Pork

Producers Council (Schultz 2016), and even from the California walnut industry (Western Farm Press 2016). Many observers note that the loss of manufacturing jobs in the United States is mostly due to technology advances and not global free trade. Passing along comments made by Nick Giordano, VP and Counsel of Global Government Affairs for the National Pork Producers Council, Shultz (2016, p.26) provides the following quote:

“Every day that TPP does not pass, we’re going to lose market share, because the world is not going to stand still while we sit and wait... We will lose market share in the Asia-Pacific region, we will not sell as many food and agricultural products, and we will not sell as many manufactured products, because we will lose out to competitors who are moving forward and who are negotiating trade deals [e.g., the European Union].”

According to Irwin (2016, p. 95): “The United States should proceed with passage of the TPP and continue to negotiate other deals with its trading partners.” One reason cited by Schuman (2015) is that the Trans-Pacific Partnership (TPP) will strengthen the United States’ economic position in Asia and help control China’s attempt to heavily influence (or dominate) global trade through the newly formed Asian Infrastructure Investment Bank (AIIB). The U.S. International Trade Commission (USITC) recently published a report discussing the historical impact of trade agreements on the United States economy (Investigation No. 332-555, USITC Publication 4614, June 2016). According to this report, trade agreements have increased exports, imports, real Gross Domestic Product (GDP), total employment, and real wages. However, Liu (2015) found that economic growth achieved through Regional Trade Agreements (RTA) during the 1960 to 2007 period of time was stronger for countries that are not members of the World Trade Organization (WTO) than for those that are. According to Liu (2016, p. 1374), “the regression results show that RTAs promote growth for non-WTO members, while their growth effect is weaker and often insignificantly different from zero for WTO members.”

Should the United States reconsider its trade agreements?

The *marketing concept* is based on the notion that a relationship between two parties is unlikely to survive if there is a lack of mutual benefit in the exchange. According to Allee and Lugg (2016), U.S. representatives ensured that national interests were safeguarded during the negotiation process for the TPP. They conducted a language analysis using plagiarism software, and found that verbiage found in prior U.S. trade agreements is more prevalent in the TPP than language from other countries’ existing trade agreements. Based on the assumption that existing trade agreements are beneficial to the U.S., Allee and Lugg conclude the TPP will be as well given its verbal content. As previously noted, this contention has been challenged by a host of U.S. trade agreement critics.

The possible need to renegotiate certain provisions of trade agreements such as NAFTA has long been an item for debate (see for example, Field 2008). While on the 2015-2016 Presidential campaign trail, all four “finalists” (i.e., Donald Trump, Hillary Clinton, Ted Cruz, and Bernie Sanders) criticized trade agreements (Wolff 2016). Davenport (2016) points out the fact that President Obama, Hillary Clinton, and Ted Cruz have periodically both been a supporter of and an opponent against trade agreements such as NAFTA and the TPP. “If waffling is the mainstream political view, Trump and Sanders at the extreme are openly opposed to free trade agreements, albeit for somewhat different reasons (Davenport 2016).” Both Sanders and Trump have called for the United States to withdraw from or renegotiate current trade agreements like NAFTA, and to not ratify the TPP.

In a *Knowledge@Wharton* radio broadcast (SiriusXM Channel 111), Wharton Professor of Legal Studies and Business Ethics, Philip Nichols, said there is merit in revisiting some trade agreements, but the “notion that we can rip them all up and create something better is a fanciful notion.” According to Nichols, NAFTA members can withdraw from the trade agreement after submitting a six-month notice, and despite the many benefits of the deal (e.g., a reduction in legal and illegal immigrants from Mexico into the United States), NAFTA has failed to fulfill its promise to provide assistance to individuals who have been adversely affected by it. “But despite all the high-profile promises about changing NAFTA, the road toward reforming the agreement would be much longer, more winding, and pitted with more potholes than most people suspect (Field 2008, p.18).”

Conclusion

Donald Trump is not opposed to global trade agreements. He *is* concerned about so-called “blanket” trade deals the United States negotiates with several countries at once (e.g., NAFTA and the TPP), preferring instead to negotiate bilateral trade agreements between the U.S. and a single partner (Johnson 2016). According to Mr. Trump, multilateral trade agreements are too complicated to monitor and too difficult to withdraw from if one country takes advantage of the United States. To paraphrase from his book *The Art of the Deal*, negotiation for Donald Trump starts with a lofty goal, which he then keeps pushing and pushing until it is attained. Given problems current trade agreements like NAFTA have caused for segments of the U.S. economy (e.g., loss of sewing jobs in apparel), the rationale behind Mr. Trump’s negative view of these “deals” becomes apparent. He believes the U.S. gave too many concessions for too few benefits, and that resulted in a bad contract.

Given the possible negative impact stemming from a U.S. withdrawal from trade agreements such as NAFTA due to perceived problems with Mexico (e.g., disruption of established supply chains, unintended harm to the U.S.-Canada relationship, etc.), will a Trump Administration seek to renegotiate U.S. trade agreements? That remains to be seen, but it is certainly a possibility.

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Relevance to Marketing Educators, Researchers and Practitioners: Trade agreements are normally discussed in every Principles of Marketing textbook. Given the strong anti-trade agreement rhetoric that has occurred during the 2016 U.S. Presidential campaign, marketers should be aware of potential changes to current trade agreements depending on the outcome of this election. This abstract provides a brief overview.

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