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## POLITICS

# Donald Trump Withdraws U.S. From Trans-Pacific Partnership

TPP agreement was aimed at curbing China's advantages

By **WILLIAM MAULDIN**

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WASHINGTON—President Donald Trump's formal withdrawal from the 12-nation Pacific trade agreement, announced Monday, creates an American policy vacuum in a fast-growing region that includes China and longtime U.S. allies.

Mr. Trump's move fulfilled a promise to end U.S. participation in the proposed TPP deal, which was intended in part to show Japan, Australia, New Zealand, Vietnam and other Pacific countries that the U.S. was doubling down on a region strained by China's increasing economic and military assertiveness.

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The official order he signed Monday effectively buries an agreement that was backed by the Obama administration and many congressional Republicans, but died in the 2016 election season.

In one respect, Mr. Trump's action was symbolic, because congressional leaders and the Obama administration had signaled after the November election that there was no path forward for the TPP.

Still, that symbolism was large for an administration that wants to show it is serious about jettisoning decades of mostly steady trade liberalization in favor of more confrontation with China and other trading partners, with the potential for big tariffs if those countries don't come to the table ready to make concessions. Mr. Trump and his advisers have eschewed multilateral trade blocs.

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“This abrupt action so early in the Trump administration puts the world on notice that all of America's traditional economic and political alliances are now open to reassessment, renegotiation and possibly even reversal,” said Eswar Prasad, a Cornell University economist and former top China official at the International Monetary Fund.

China was not part of the TPP agreement, signed last February, and the TPP would have provided more trade competition for Beijing by establishing a regional bloc where most goods and many services could cross borders duty-free. Rules curbing state-owned enterprises and standards on labor and the environment would also put pressure

on Beijing's policies over time, according to the Obama administration.

But during the campaign, TPP countries watched helplessly as U.S. politicians and voters grew increasingly skeptical of any benefits of free-trade pacts for workers, making trade a front-and-center negative issue for the first time in years and helping propel Mr. Trump to the White House.

Sen. John McCain (R., Ariz.) called Mr. Trump's move a serious mistake. "It will send a troubling signal of American disengagement in the Asia-Pacific region at a time we can least afford it," he said.

But Mr. Trump dismissed U.S. alliances in the campaign, and in his inaugural address Friday he made "America first" the theme, vowing to buttress U.S. borders because "protection will lead to great prosperity and strength."

Right up to Monday's action, foreign governments were still hoping the U.S. might delay pulling out of the pact or even take it back up in the future.

Japan, the second-biggest economy in the bloc, formally ratified the TPP on the eve of Mr. Trump's inauguration. The TPP can't enter into force without ratification by both the U.S. and Japan.

Australian Trade Minister Steve Ciobo said the other 11 countries may try to keep the trade bloc alive. "If we're able to reformulate an agreement and have all 11 countries involved, a good form of common rules that apply across those 11 countries, we'd see a situation where we'd have enhanced Australian exporters into key markets like Canada and Mexico," he said.

Burying the TPP doesn't mean U.S. exporters can't access markets in the other countries. Washington already has bilateral trade agreements with Australia, Chile, Peru and Singapore, plus preferred access to Canada and Mexico through the North American Free Trade Agreement, or Nafta. The others are members of the World Trade Organization, which mandates specific tariffs and quotas for all members.

Mr. Trump has embraced the idea of bilateral trade agreements with the U.K. and other countries, and former Republican officials have suggested the administration could seek to use the TPP as a basis for a bilateral deal with Japan or the other countries in the pact—Brunei, Malaysia, New Zealand and Vietnam.

Many economists prefer regional or broad multilateral trade agreements, since adding more countries can boost the gains from far-

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flung supply chains and generate economies of scale from corporate rules on intellectual property and other issues that span the entire bloc.

Business and farm groups also wanted to see the bloc succeed, with some recently pushing for the Trump administration to salvage the TPP in some form.

But union officials, including those who campaigned heavily against Mr. Trump last year, praised him on Monday for withdrawing from TPP. “Today’s action draws a line in the sand that hopefully is just the start of President Trump’s promised pro-worker, pro-income-growth agenda that prioritizes revitalizing manufacturing,” said Leo Gerard, president of the United Steelworkers.

The Obama administration and many congressional Republicans saw a strong strategic benefit to a group of like-minded countries trading in China’s backyard. Some TPP countries are U.S. treaty allies while others are claimants to disputed islands in the seas near China.

Mr. Trump has signaled he will consider strategic issues ranging from the “One China” policy of Taiwanese reunification to aid to North Korea when he confronts China on trade “cheating.”

But he will have a harder time getting the TPP countries on board with new economic initiatives in the region, analysts say.

Meanwhile, China is helping lead negotiations on an alternative trade bloc called the Regional Comprehensive Economic Partnership, or RCEP, that would lower tariffs but include fewer Western-style commercial rules than the TPP.

To confront China and address the \$483 billion trade deficit with the country, Mr. Trump and his advisers have signaled they will step up U.S. and WTO cases that seek to punish China’s alleged dumping and subsidies with punitive tariffs. He has even threatened broader tariffs in an effort to curb Chinese imports or wring concessions out of Beijing.

But to boost imports in the fast-growing region, he will need to strike deals of some sort with governments caught between the world’s two biggest economies.

“I urge the Trump administration to build on the work that has been done, identify what should be improved, and quickly act on a strategy that creates more economic opportunities for America in that region,” said Rep. Kevin Brady (R., Texas), chairman of the House committee that oversees trade.

—*Carol E. Lee*  
and *Siobhan Hughes* contributed to this article.

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