

DISCUSSION GUIDE FOR “THE TRANS-PACIFIC PARTNERSHIP”

A DISCUSSION WITH DR. TAKEO HOSHI

Note to teacher: Dr. Takeo Hoshi gave this lecture in early 2016. As of January 23, 2017, the TPP cannot be ratified due to U.S. withdrawal from the agreement.

Organizing Questions

- What is free trade?
- What is the Trans-Pacific Partnership?
- What are the potential costs and benefits of the Trans-Pacific Partnership?

Introduction

The Trans-Pacific Partnership (TPP) is a free trade agreement that has been signed (but not yet ratified) by 12 countries along the Pacific Rim, including Japan and the United States. The leaders of the 12 member countries spent more than five years negotiating the terms of the TPP. In the United States, Japan, and other countries, the TPP has generated a great deal of controversy. In this lesson, students learn about international trade and the rationale and purpose behind trade agreements. They then learn specifically about the TPP and its potential outcomes, particularly for Japan. The lesson begins with a pre-assessment to determine students' current knowledge on international trade. Students become familiar with trade-related terms and engage in a discussion on how international trade impacts their lives. Then they read about free trade and the TPP. Students also read and think critically about the Preamble to the TPP agreement. Then they watch and discuss a video lecture by Stanford professor Takeo Hoshi about the potential impact of the TPP on Japan. As a culminating activity, students write an opinion piece stating and defending their position on the TPP.

Objectives

- In this lesson, students will
- become familiar with terms and concepts related to international trade and economic interdependence;
 - understand the purpose of the TPP and other free trade agreements;
 - consider the complexities of the TPP;
 - examine the impact the TPP would have on Japan's economy; and
 - appreciate different perspectives on the TPP.

Materials

Video Lecture, “*The Trans-Pacific Partnership*,” online at <http://spice.fsi.stanford.edu/multimedia/trans-pacific-partnership>

Projection 1, *Pre-Assessment*

Projection 2, *Pre-Assessment Answer Key*

Projection 3, *Preamble to the TPP*
Handout 1, *Terms and Concepts*, 31 copies (including one for teacher)
Handout 2, *Terms and Concepts Quiz*, 30 copies
Handout 3, *Free Trade and the Trans-Pacific Partnership*, 30 copies
Handout 4, *Video Lecture Prompts*, 30 copies
Handout 5, *Op-Ed Writing Assignment*, 30 copies
Answer Key 1, *Terms and Concepts Quiz*
Answer Key 2, *Free Trade and the Trans-Pacific Partnership*
Answer Key 3, *Video Lecture Prompts*
Assessment, *Op-Ed Writing Assignment Rubric*, 30 copies
Teacher Information, *Video Lecture Transcript*

Equipment Computer with Internet access and a Flash-enabled or HTML5-supported web browser
Computer projector and screen
Computer speakers

Teacher Preparation Instructions and materials are based on a class size of 30 students. Adjust accordingly for different class sizes.

1. Make the appropriate number of copies of handouts.
2. Cut out the terms and corresponding definitions on one copy of Handout 1, *Terms and Concepts*.
3. View Video Lecture, "*The Trans-Pacific Partnership*," by Takeo Hoshi.
4. Become familiar with the content of the projections, handouts, answer keys, assessment, and teacher information.
5. Become familiar with the main imports and exports in your region and country.
6. Read several recent news articles related to the Trans-Pacific Partnership.
7. Set up and test computer, projector, speakers, and streaming video lecture. Confirm that you are able to play the video lecture and project sound audibly to students.

Time Three 50-minute class periods

Procedures **Day One**

1. Introduce the topic of international trade and economic interdependence by asking students to consider their personal belongings, specifically the ones they have with them at school (clothing, shoes, bags, electronics, etc.). Ask them to search for labels that identify the country in which each item was made or assembled. Ask each student to write down at least two examples.

2. Ask student volunteers to share their examples. Then facilitate a class discussion using the following questions as a guide.
 - Do you notice patterns (for instance, that certain countries produce more of a certain product than others)?
 - What other goods or products are important to you? Are the items made in your country, or are they imported? If imported, from where?
 - What are the main exports and imports of your region? Your country?
3. Inform the class that they will take an informal pre-assessment to determine their current knowledge of basic information about trade.
4. Instruct students to take out a piece of scratch paper and record their answers to the questions you are about to display. Then display Projection 1, *Pre-Assessment*, and allow students time to respond to the prompts to the best of their ability. When students have finished, display Projection 2, *Pre-Assessment Answer Key*, and review the answers with the class.
5. Inform students that trade between countries also includes the exchange of information, technology, people, finance, and culture. Engage students in a discussion, using the following questions as a guide.
 - How does international trade impact your life? Consider factors such as the products your family buys, cultural experiences you are exposed to, food you eat, games you play, music you listen to, your parents' employment opportunities, your future employment opportunities, etc.
 - What are some advantages of international trade?
 - What are some disadvantages of international trade?
 - Is trade between countries always equal? Provide examples.
6. Explain that students will now learn some terms and concepts related to international trade. Distribute Handout 1, *Terms and Concepts*, and review the contents with the class and instruct students to study the definitions.
7. Inform students that in the next activity they will be assigned to one term or one definition. They will walk around the classroom and find the student with the definition or term that corresponds with theirs.
8. Distribute one term or definition to each student (previously cut out from your copy of Handout 1). If you have fewer or more than 30 students, choose the terms that you think are most relevant for your class. Explain that student pairs must come up with an example to illustrate their term or concept. Allow students 5 to 10 minutes to find the student with the term or definition that corresponds with their own, and come up with an example to share with the class.
9. Ask pairs to share their terms, definitions, and examples with the

class. Inform students that they will be quizzed on these terms in the next activity. Collect Handout 1.

10. Distribute one copy of Handout 2, *Terms and Concepts Quiz*, to each student. Instruct students to complete the quiz silently. Collect Handout 2 for assessment.
11. Now that students have learned some key terms and concepts related to international trade, they are ready to learn more about free trade and the Trans-Pacific Partnership. Explain that the Trans-Pacific Partnership is a free trade agreement currently under consideration in 12 Pacific Rim countries and that if ratified, it would be the largest free trade agreement in the world since the establishment of the World Trade Organization (WTO).
12. Ask students the following questions in preparation for the reading. Record their responses to revisit at the end of the lesson.
 - Are you familiar with any free trade agreements?
 - What do you know about free trade agreements?
 - Is free trade important to the global economy?
 - What questions do you have about free trade or trade agreements?
13. Distribute one copy of Handout 3, *Free Trade and the Trans-Pacific Partnership*, to each student. Instruct students to read the handout and respond to the questions. Collect student responses for assessment, and review the answers as a class, using Answer Key 2, *Free Trade and the Trans-Pacific Partnership*, as a guide.
14. For homework, instruct each student to locate a recent news article about the Trans-Pacific Partnership, read the article, and be prepared to summarize it during the next class period.

Day Two

1. Display Projection 3, *Preamble to the TPP*, and explain that it is an introduction to the Trans-Pacific Partnership that states its purpose and objectives. Ask student volunteers to read sections of the document and encourage students to raise any questions or observations they have about the text.
2. Instruct students to get out the news stories about the TPP that they read for homework. Ask several volunteers to share their stories, and discuss the issues as a class.
3. Inform students that they will view a video lecture by Stanford professor Takeo Hoshi on the Trans-Pacific Partnership and its potential impact on Japan's economy. Distribute one copy of Handout 4, *Video Lecture Prompts*, to each student. Instruct them to respond to the prompts while viewing the lecture.
4. Begin viewing Video Lecture, "*The Trans-Pacific Partnership*."
5. Facilitate a class discussion about the lecture, using Answer Key 3, *Video Lecture Prompts*, as a guide. Students can make corrections or additions as needed. Collect Handout 4 for informal assessment.

- Distribute one copy of Handout 5, *Op-Ed Writing Assignment*, to each student and review the criteria with the class. Students should complete the assignment as homework and bring to the next class period. Remind students of the importance of using reputable sources for their research.

Day Three

- Instruct students to get out their homework assignment. Ask for a show of hands for 1) supporters of the TPP and 2) opponents.
- Divide the class into two groups based on their position on the agreement, with supporters on one side of the room and opponents on the other. Facilitate an informal debate on the issues, encouraging students to express their opinions and offer justifications based on what they learned during this lesson as well as their research completed for the writing assignment.
- Collect Op-Ed Writing Assignments for assessment.
- To conclude the lesson, revisit the following questions from Day One and compare student responses to those at the beginning of the lesson.
 - Are you familiar with any free trade agreements?
 - What do you know about free trade agreements?
 - Is free trade important to the global economy?
 - What questions do you have about free trade or trade agreements?

Assessment The following are suggestions for assessing student work in this lesson:

- Evaluate student responses to questions on Handout 2, *Terms and Concepts Quiz*, using Answer Key 1, *Terms and Concepts Quiz*, as a guide.
- Assess student responses to questions on Handout 3, *Free Trade and the Trans-Pacific Partnership*, using Answer Key 2, *Free Trade and the Trans-Pacific Partnership*, as a guide.
- Informally evaluate student responses to Handout 4, *Video Lecture Prompts*, using Answer Key 3, *Video Lecture Prompts*, as a guide.
- Informally assess class debate and justifications for their positions for or against the TPP.
- Evaluate students' persuasive writing pieces, based on the criteria provided on Assessment, *Op-Ed Writing Assignment Rubric*.
- Assess student participation in group and class discussions, evaluating students' ability to
 - clearly state their opinions, questions, and/or answers;
 - provide thoughtful answers;
 - exhibit sensitivity toward different cultures and ideas;
 - respect and acknowledge other students' comments; and
 - ask relevant and insightful questions.

PRE-ASSESSMENT

Indicate whether the following statements are true or false.

1. The United States is the world's second largest exporter.
2. Japan is the world's fourth largest exporter.
3. Japan is the second largest exporter of automobiles, with \$93 billion in automobile exports annually.
4. The United States is the top importer of automobiles.
5. Japan gets most of its imports from China.
6. Trade barriers serve to protect a country's industries by limiting outside competition.
7. Free trade agreements reduce or remove trade barriers to encourage trade between countries.
8. U.S. President Donald Trump opposes the North American Free Trade Agreement (NAFTA) and the Trans-Pacific Partnership (TPP).
9. Japanese Prime Minister Shinzo Abe supports free trade agreements for Japan.
10. Competition, foreign investment, and exchange of ideas can increase a country's economic growth.

PRE-ASSESSMENT ANSWER KEY

1. The United States is the world's second largest exporter.
True.
2. Japan is the world's fourth largest exporter.
True.
3. Japan is the second largest exporter of automobiles, with \$93 billion in automobile exports annually.
True. Germany is the largest exporter of automobiles.
4. The United States is the top importer of automobiles.
True.
5. Japan gets most of its imports from China.
True. Japan imports most from China (\$166 billion), then the United States (\$67.5 billion), followed by Australia (\$43 billion).
6. Trade barriers serve to protect a country's industries by limiting outside competition.
True.
7. Free trade agreements reduce or remove trade barriers to encourage trade between countries.
True.
8. U.S. President Donald Trump opposes the North American Free Trade Agreement (NAFTA) and the Trans-Pacific Partnership (TPP).
True.

9. Japanese Prime Minister Shinzo Abe supports free trade agreements for Japan.

True.

10. Competition, foreign investment, and exchange of ideas can increase a country's economic growth.

True.

PREAMBLE TO THE TPP

The Parties to this Agreement, resolve to:

- ESTABLISH a comprehensive regional agreement that promotes economic integration to liberalize trade and investment, bring economic growth and social benefits, create new opportunities for workers and businesses, contribute to raising living standards, benefit consumers, reduce poverty and promote sustainable growth;
- STRENGTHEN the bonds of friendship and cooperation between them and their peoples;
- BUILD on their respective rights and obligations under the Marrakesh Agreement Establishing the World Trade Organization;
- RECOGNISE the differences in their levels of development and diversity of economies;

- **STRENGTHEN** the competitiveness of their businesses in global markets and enhance the competitiveness of their economies by promoting opportunities for businesses, including promoting the development and strengthening of regional supply chains;
- **SUPPORT** the growth and development of micro, small and medium-sized enterprises by enhancing their ability to participate in and benefit from the opportunities created by this Agreement;
- **ESTABLISH** a predictable legal and commercial framework for trade and investment through mutually advantageous rules;
- **FACILITATE** regional trade by promoting efficient and transparent customs procedures that reduce costs and ensure predictability for their importers and exporters;
- **RECOGNISE** their inherent right to regulate and resolve to preserve the flexibility of the Parties to set legislative and regulatory priorities, safeguard public welfare, and protect legitimate public welfare objectives, such as public health, safety, the environment, the conservation of living or non-living exhaustible natural resources, the integrity and stability of the financial system and public morals;

- RECOGNISE further their inherent right to adopt, maintain or modify health care systems;
- AFFIRM that state-owned enterprises can play a legitimate role in the diverse economies of the Parties, while recognizing that the provision of unfair advantages to state-owned enterprises undermines fair and open trade and investment, and resolve to establish rules for state-owned enterprises that promote a level playing field with privately owned businesses, transparency and sound business practices;
- PROMOTE high levels of environmental protection, including through effective enforcement of environmental laws, and further the aims of sustainable development, including through mutually supportive trade and environmental policies and practices;
- PROTECT and enforce labor rights, improve working conditions and living standards, strengthen cooperation and the Parties' capacity on labor issues;
- PROMOTE transparency, good governance and the rule of law, and eliminate bribery and corruption in trade and investment;

- RECOGNISE the important work that their relevant authorities are doing to strengthen macroeconomic cooperation, including on exchange rate issues, in appropriate fora;
- RECOGNISE the importance of cultural identity and diversity among and within the Parties, and that trade and investment can expand opportunities to enrich cultural identity and diversity at home and abroad;
- CONTRIBUTE to the harmonious development and expansion of world trade and provide a catalyst to broader regional and international cooperation;
- ESTABLISH an Agreement to address future trade and investment challenges and opportunities, and contribute to advancing their respective priorities over time; and
- EXPAND their partnership by encouraging the accession of other States or separate customs territories in order to further enhance regional economic integration and create the foundation of a Free Trade Area of the Asia Pacific.

TERMS AND CONCEPTS

Comparative advantage	the ability of an individual, company, or country to produce a good or service at a lower opportunity cost than its competitor
Economic independence	The condition of two or more parties being dependent on each other for things they need. Global economic interdependence refers to the situation today in which many of the world's countries are dependent on other countries for their economic well-being.
Export	a good produced in one country that is transported to another country for sale
Import	a good sold in one country that has been produced in another country
Trade barrier	any regulation or policy that restricts international trade, especially tariffs, quotas, etc.
Globalization	the increasing interaction between countries that leads to the world functioning as a single unit instead of a collection of independent nations
Gross Domestic Product (GDP)	the monetary value of all the finished goods and services produced within a country's borders in a specific time period
Tariff	a tax that a government collects on goods coming in from another country; also referred to as a duty or custom
Free trade	policy by which a government removes barriers (such as tariffs and quotas) to international trade so that goods and services move freely
Specialization	a method of production where a business or economy focuses on the production of a limited scope of products or services to be more efficient
Division of labor	the assignment of different parts of a manufacturing process or task to different people, groups, or machines to increase efficiency
Pact	an international treaty
Protectionist policy	a policy that safeguards domestic industries against foreign competition by placing restrictions on imports of foreign competitors. The chief measure used is the tariff because it raises the price of an imported good and makes it less attractive to consumers than domestic products.
Quota	a mandated maximum or minimum amount; for example, an import quota usually specifies the maximum quantity of a particular good that a country will import
Liberalize	remove or loosen restrictions; to make less strict, more open

TERMS AND CONCEPTS QUIZ

Write the correct terms in the spaces provided next to the definitions below.

Definitions:

1. An international treaty: _____
2. A good sold in one country that has been produced in another country:

3. A tax that a government collects on goods coming in from another country; also referred to as a duty or custom: _____
4. Policy by which a government removes barriers (such as tariffs and quotas) to international trade so that goods and services move freely: _____
5. The ability of an individual, company, or country to produce a good or service at a lower opportunity cost than its competitor: _____
6. Any regulation or policy that restricts international trade, especially tariffs, quotas, etc.:

7. The monetary value of all the finished goods and services produced within a country's borders in a specific time period: _____
8. A good produced in one country that is transported to another country for sale.

9. A policy that safeguards domestic industries against foreign competition by placing restrictions on imports of foreign competitors. The chief measure used is the tariff because it raises the price of an imported good and makes it less attractive to consumers than domestic products. _____
10. The assignment of different parts of a manufacturing process or task to different people, groups, or machines to increase efficiency: _____
11. The condition of two or more parties being dependent on each other for things they need. Global economic interdependence refers to the situation today in which many of the world's countries are dependent on other countries for their economic well-being.

12. To remove or loosen restrictions; to make less strict, more open:

13. The increasing interaction between countries that leads to the world functioning as a single unit instead of a collection of independent nations: _____
14. A method of production where a business or economy focuses on the production of a limited scope of products or services to be more efficient: _____
15. A mandated maximum or minimum amount; for example, this may specify the maximum quantity of a particular good that a country will import: _____

Terms:

Comparative advantage	Globalization	Protectionist policy
Trade barrier	Liberalize	Gross Domestic Product (GDP)
Division of labor	Tariff	Free trade
Specialization	Quota	Economic independence
Export	Pact	Import

FREE TRADE AND THE TRANS-PACIFIC PARTNERSHIP

What is Free Trade?

To understand the Trans-Pacific Partnership, one must be familiar with the concept of free trade. Simply put, free trade is a policy by which a government tries to remove as many barriers as possible to encourage trade. This contrasts with protectionism, whereby governments regulate trade using barriers to manage the flow of trade and remove or limit foreign competition to protect their own countries' industries. Governments can do this by 1) charging tariffs, or taxes on imports, making imported goods more expensive than domestic goods, and/or 2) setting quotas, limiting the amount of foreign goods that can be imported. Although tariffs are more common, most countries also apply quotas on certain products and services. When countries have a free trade policy, it does not mean that all tariffs and quotas are eliminated entirely, although that can be the case. Sometimes a free trade policy might only reduce the pre-existing barriers or might even specify which goods are subject to restrictions and which are not.

The concept of free trade is based on an economic theory of the division of labor and comparative advantage. According to this theory, removing barriers to trade and investment promotes economic efficiency because countries can specialize in producing goods and services in which they have a comparative advantage relative to their trading partners. Comparative advantage can best be illustrated by the following example: If Country A is superb at producing cars but terrible at producing textiles, and Country B is superb at producing textiles but terrible at producing cars, then Country A should concentrate on car production and Country B should focus on textile production. They should then trade with each other. Country A would have the comparative advantage of car production over Country B, and Country B would have comparative advantage of textile production over Country A. If both countries tried to produce both cars and textiles, they would waste valuable resources, time, and money. However, if the countries each concentrate on what they produce best and trade with each other, they will both benefit. Free trade operates according to this theory, that removing trade barriers leads to specialization, greater efficiency, and higher production.

free trade agreement (FTA)—a trade pact between nations allowing them to trade without restrictions and to focus on their comparative advantages to produce the goods they are comparatively more efficient at making, thus increasing the efficiency and profitability of each country

In addition to increasing efficiency, international trade benefits countries by enabling involvement in a robust global economy and potentially expanding foreign direct investment (FDI)—money invested into foreign companies, boosting foreign currency and knowledge coming into a country. In theory, increased FDI raises a nation's employment and GDP levels.

The first free trade agreement (FTA), General Agreement on Tariffs and Trade (GATT), was established after World War II in 1948 to liberalize and provide ground rules for international trade. GATT was the precursor to the World Trade Organization (WTO) established in 1995. WTO is

currently the body that governs international commerce and includes membership of most of the world's nations. Along with protecting global free trade, the WTO serves as a forum for member countries to negotiate and settle disputes with one another.

Questions

Respond to the following questions on a separate sheet of paper.

1. Provide two examples illustrating the concept of division of labor.
2. What are some benefits of international trade?
3. Explain the difference between free trade and protectionism.
4. Why might countries want to discourage trade by using tariffs and quotas on imported goods?
5. Can you think of any foreign countries whose products are heavily imported by the United States? What kinds of products are imported? Is comparative advantage illustrated by these examples? Explain.

North American Free Trade Agreement

(NAFTA)—a trade pact passed in 1994 between Canada, the United States, and Mexico

intellectual property—refers to creations of the mind, such as inventions, literary and artistic works, and symbols, names, and images used in commerce. Intellectual property is divided into two categories: industrial property and copyright.

financial services—the products and services provided by financial institutions such as banks, credit unions, insurance companies, investment funds, etc.

pharmaceutical patent—a government license that gives a pharmaceutical company exclusive rights to manufacture and sell a new drug for a designated period of time. Once a patent expires, other companies are allowed to manufacture an identical drug and sell it as a generic.

What is the Trans-Pacific Partnership?

The Trans-Pacific Partnership (TPP) is a free trade agreement among 12 Pacific Rim countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The 12 countries account for 40 percent of the global economy and 26 percent of the world's trade.¹ The TPP would govern trade among an even larger area than the North American Free Trade Agreement (NAFTA). In fact, the TPP would be the largest international trade agreement since the creation of the WTO. The purpose of the TPP is to boost economic growth and exports for all member countries and strengthen economic ties among member nations by liberalizing trade and reducing or removing approximately 18,000 tariffs.

In addition to removing tariffs on goods and services and balancing trade quotas, it would also abolish non-tariff blocks to trade, making it unique among trade agreements. The pact would set common standards for the environment, intellectual property, and workers' rights and would cover a vast array of sectors from financial services to food safety regulations. Tariffs and other restrictions on agricultural products and industrial goods would be effected immediately, while other products such as pharmaceutical patents would be eliminated after a set period of time. Due to its broad reach, the TPP would impact foreign policy and even domestic laws within the member countries.

Officials from each of the 12 countries signed the agreement in February 2016 after more than five years of negotiations. The agreement then moved on to await a vote from each country's legislature. The deal will be implemented only if at least six of the countries, representing 85 percent of the combined GDP of all 12 countries, ratify the TPP by February 2018. Approval by Japan and the United States are both crucial to the

agreement, as they are the two largest countries in the pact and account for about 80 percent of the trade bloc's GDP (the United States accounts for 62 percent, while Japan makes up 17 percent).²

In 2016, U.S. President Barack Obama and Japanese Prime Minister Shinzo Abe were very committed to the TPP. It was a centerpiece of President Barack Obama's "pivot to Asia," a plan to increase focus on Asia and strengthen U.S. influence in the region. U.S. ratification of the TPP would give credibility to these efforts. The agreement would also help stabilize trade in East Asia, which is currently dominated by China and India. While the impact on the U.S. economy was expected to be relatively small, the deal would boost American exports in fast-growing markets and further U.S. interests in the Asia-Pacific region. With his presidential legacy in mind, Obama sought authority from Congress to "fast-track" the vote in legislature. Nonetheless, the bill did not go before U.S. lawmakers during Obama's presidential term.

"fast-track"—limits the ability of the U.S. legislators in a vote by allowing them to only vote to reject or ratify an entire bill, rather than voting on individual sections of it

Liberal Democratic Party (LDP)—a conservative political party and Japan's largest political party, which has held power almost continuously since its formation in 1955. The party has generally worked closely with business interests and followed a pro-U.S. foreign policy.

For Prime Minister Abe, the TPP is critical to his strategy to boost Japan's stagnant economy. On November 10, 2016, two days after the U.S. presidential election of Donald Trump, the Lower House of the Japanese Diet adopted the TPP. A coalition of the Liberal Democratic Party voted in favor of TPP, while most lawmakers opposing the deal boycotted the vote. The bill then went on to the Upper House for approval. While the TPP progressed through the Japanese legislature, the changing political landscape in the United States halted its progress there.

U.S. President Donald Trump is vehemently opposed to the TPP and withdrew from the deal immediately upon taking office as part of his seven-point plan to restore the U.S. economy. Trump and other opponents argue the TPP would not benefit the U.S. economy and would end up costing American jobs to cheaper overseas labor markets, thus hurting the working class. According to the U.S. International Trade Commission, the deal may only increase U.S. imports by 0.2 percent of the GDP by 2032.³ A World Bank report estimates that the U.S. GDP would rise by only 0.4 percent by 2030 (while it estimates Japan's GDP could gain 2.7 percent).⁴ Experts believe the Trump administration will continue to pursue more protectionist policies, impacting Japan's (and other nations') export markets. Access to the U.S. economy, with 250 million consumers, is one of the most attractive benefits of the TPP for Japan and other member countries. Without U.S. involvement, the United States stands to lose influence in the region, and the deal in its current form loses much of its appeal. However, leaders of some member countries have suggested they may pursue trade deals with countries such as China and Russia—effectively giving them (rather than the United States) power to define the rules of commerce in the Asia-Pacific region.⁵

The Trans-Pacific Partnership has faced widespread opposition on multiple levels across member countries. Concerns over access and affordability of pharmaceutical drugs, the potential for off-shoring of jobs, lower food safety standards, environmental protection, and the level of secrecy surrounding the TPP negotiations are among the many arguments

against the deal. Many opponents also fear that large corporations will reap most of the benefits of the trade pact. Critics are also concerned about a secret court system, known as investor-state dispute settlement (ISDS), embedded in the agreement. The ISDS provision gives multinational corporations the power to sue governments of member countries if laws or regulations discriminate against them. Corporations could initiate dispute settlements for compensation of expected future profit loss, and a small panel of three corporate attorneys would rule over the lawsuits. Opponents worry the system could be exploited by investors taking advantage of the provision at the expense of taxpayers. Critics are also concerned about increased income disparity, a typical outcome of free trade agreements. According to the U.S. Trade Representative, wages are expected to increase \$223 billion per year for workers across member countries. However, opponents argue that wages will mostly rise for those with high incomes, not for the working class. As a result, the TPP would increase the income gap in countries with high wages (such as the Australia, Japan, and the United States) due to the availability of less expensive goods from low-wage countries (such as Vietnam and Malaysia).

According to the Peterson Institute for International Economics, Japan's economy has the most to gain from the TPP. It is estimated that the country's exports and imports would increase by \$140 billion annually by 2025, and its GDP would rise by \$100 billion.⁶ Prime Minister Abe expects the TPP to create 800,000 jobs in Japan and sees the deal as crucial to boost Japan's key exports, its future economic growth, and greater stability in the region.⁷ Yasuyuki Todo, an economist in Japan, believes enacting the TPP would enable the country to reach Abe's economic goal for Japan's GDP to reach 600 trillion yen. According to Todo, the greatest benefit to Japan's economy would be from increased trade in services, such as retail and finance. Increased access to foreign knowledge and foreign investment in Japan would result in long-term economic gains by promoting innovation and employment. With decreased regulation, Japanese companies would also be motivated to enter overseas markets and expand their production networks in Asia. These benefits would help lift Japan out of its 20-year stagnation and present an opportunity for necessary structural changes to improve its economic outlook. Such changes have been at the forefront of Abe's economic plan. Abe told his Lower House committee, "It's a new economic zone to be created in the Asia-Pacific region, where trade will be done under proper rules. Becoming part of this is definitely necessary for Japan's future."⁸ Since the 1990s Japan has been involved in trade deals with many other countries, and Abe is hopeful that by 2018 as much as 70 percent of Japan's trade will come from FTAs. Implementation of the TPP could help Japan move forward in its current trade negotiations with the EU, China, India, and other Asia-Pacific countries.

Notwithstanding these hopeful predictions, the TPP has inspired a heated debate in Japan. The Japanese public has been roughly split down the middle between supporters and opponents. Differing views exist as to

“sensitive” product—a product that is particularly susceptible to competition from imports from other countries. In Japan the five sensitive products are rice, beef/pork, wheat, dairy products, and sugar.

how much Japan should open up its markets to outside corporations and other countries. On one side are large corporations interested in expanding exports, and on the other are small-scale farmers trying to protect their markets and livelihood. Under the TPP, Japan would remove tariffs on 81 percent of its agriculture, forestry, and fisheries imports. Of the five “sensitive” product categories, 30 percent of the import tariffs would be removed. Some say increased trade and the TPP are essential to the health of Japan’s economy, while others worry the agreement would devastate domestic agriculture.

Questions

Respond to the following questions on a separate sheet of paper.

6. What are the goals of the TPP?
7. How could the TPP help Prime Minister Abe achieve his goals for Japan?
8. Why does U.S. President Donald Trump oppose the TPP?
9. In what ways could the United States benefit from the TPP?
10. How might businesses in your community be affected by the TPP?

VIDEO LECTURE PROMPTS

1. How has Japan's trade policy changed over time?
2. According to the graph shown in the lecture, 23 percent of Japan's current trade is from trade agreements (FTAs and EPAs). What is the main reason the TPP would add 17 percent to this total?
3. According to the same graph, which country is Japan's biggest trade partner?
4. Hoshi states that there is a dynamic impact of free trade that further increases a country's growth rate. What does he mean by "dynamic" effects?

OP-ED WRITING ASSIGNMENT

As a culmination of this lesson, write a persuasive argument either in support of or in opposition to the Trans-Pacific Partnership.

Op-Ed Criteria:

- Express your opinion in a clear and concise manner in 500–600 words.
- Write appropriately for your intended audience: your classmates and teacher. Articulate your opinion and justifications effectively to convince the audience of your argument.
- Provide evidence from your research to support your opinion.
 - o Use at least three reputable sources (may be primary and/or secondary sources).
 - o Evidence can include facts, data, events, expert opinions, etc.
- Offer a recommendation based on your opinion of the TPP.

TERMS AND CONCEPTS QUIZ

1. An international treaty: Pact
2. A good sold in one country that has been produced in another country: Import
3. A tax that a government collects on goods coming in from another country; also referred to as a duty or custom: Tariff
4. Policy by which a government removes barriers (such as tariffs and quotas) to international trade so that goods and services move freely: Free trade
5. The ability of an individual, company, or country to produce a good or service at a lower opportunity cost than its competitor: Comparative advantage
6. Any regulation or policy that restricts international trade, especially tariffs, quotas, etc.: Trade barrier
7. The monetary value of all the finished goods and services produced within a country's borders in a specific time period: Gross Domestic Product (GDP)
8. A good produced in one country that is transported to another country for sale. Export
9. A policy that safeguards domestic industries against foreign competition by placing restrictions on imports of foreign competitors. The chief measure used is the tariff because it raises the price of an imported good and makes it less attractive to consumers than domestic products. Protectionist policy
10. The assignment of different parts of a manufacturing process or task to different people, groups, or machines to increase efficiency: Division of labor
11. The condition of two or more parties being dependent on each other for things they need. Global economic interdependence refers to the situation today in which many of the world's countries are dependent on other countries for their economic well-being. Economic interdependence
12. To remove or loosen restrictions; to make less strict, more open: Liberalize
13. The increasing interaction between countries that leads to the world functioning as a single unit instead of a collection of independent nations: Globalization
14. A method of production where a business or economy focuses on the production of a limited scope of products or services to be more efficient: Specialization
15. A mandated maximum or minimum amount; for example, this may specify the maximum quantity of a particular good that a country will import: Quota

FREE TRADE AND THE TRANS-PACIFIC PARTNERSHIP**Part One**

1. Provide two examples illustrating the concept of division of labor.
Student responses will vary.
2. What are some benefits of international trade?
Benefits of international trade include: increased efficiency, production, and specialization; participation in a robust global economy; potential for expanded FDI, foreign currency and expertise, employment levels, and GDP.
3. Explain the difference between free trade and protectionism.
Free trade encourages trade without (or with fewer) barriers. Protectionism discourages trade by managing and controlling it with tariffs, quotas, and/or other restrictions.
4. Why might countries want to discourage trade by using tariffs and quotas on imported goods?
A country might discourage trade in order to reduce competition and protect its industries.
5. Can you think of any foreign countries whose products are heavily imported by the United States? What kinds of products are imported? Is comparative advantage illustrated by these examples? Explain.
Student responses will vary.

Part Two

6. What are the goals of the TPP?
The goals of the TPP are to expand economic growth, increase exports, and strengthen economic ties among member nations and in the Asia-Pacific region.
7. How could the TPP help Prime Minister Abe achieve his goals for Japan?
The TPP is expected to boost Japan's exports, imports, GDP, employment, etc.; create more stability in the region; boost Japan's access to foreign direct investment; potentially expand the production networks of Japanese companies; etc.
8. Why does U.S. President Donald Trump oppose the TPP?
Trump believes the deal would not be beneficial to the U.S. economy and would cost American jobs to cheaper overseas labor markets, thus hurting the working-class population.
9. In what ways could the United States benefit from the TPP?
Inclusion in the pact would give the United States participation in the largest trade bloc and more influence in the Asia-Pacific region, strengthen U.S. ties to economies in the region, and boost U.S. exports in their fast-growing markets.
10. How might businesses in your community be affected by the TPP?
Student responses will vary.

VIDEO LECTURE PROMPTS

1. How has Japan's trade policy changed over time?
Initially Japan relied on multilateral efforts such as the WTO to achieve free trade and was not interested in free trade agreements (FTAs) or economic partnership agreements (EPAs). However, in the 1990s Japan felt the impact of exclusion from trade blocs such as the European Union (EU) and North American Free Trade Agreement (NAFTA). These agreements then started looking compelling to Japan. Therefore, beginning around 2000, Japan became involved in many bilateral trade agreements with other countries.
2. According to the graph shown in the lecture, 23 percent of Japan's current trade is from trade agreements (FTAs and EPAs). What is the main reason the TPP would add 17 percent to this total?
The TPP would allow Japan to trade more freely with the United States. Japan and the United States currently do not have a free trade agreement.
3. According to the same graph, which country is Japan's biggest trade partner?
Currently, China is Japan's biggest trade partner.
4. Hoshi states that there is a dynamic impact of free trade that further increases a country's growth rate. What does he mean by "dynamic" effects?
By "dynamic effects," Hoshi is referring to increased competition, innovation, exchange of ideas, progress, and productivity.

OP-ED WRITING ASSIGNMENT RUBRIC

Criteria	3	2	1	Score
Content	Demonstrates deep knowledge of topic; content is complete and accurate	Demonstrates some knowledge of topic; some content is incomplete and/or inaccurate	Demonstrates little knowledge of topic, or content is incomplete and/or inaccurate	
Organization of Information	Information is presented in a logical, interesting, and organized format that audience can understand	Information is presented in a somewhat logical, interesting, and organized format that audience can mostly understand	Information is presented in an illogical, uninteresting, and/or disorganized format that confuses the audience	
Opinion	Opinion is clearly stated and maintained throughout text	Opinion is either not clearly stated or is not maintained throughout text	Opinion is not clearly stated and is not maintained throughout text	
Evidence	Text includes compelling evidence from at least three reputable sources	Text includes somewhat compelling evidence from at least two reputable sources	Text lacks compelling evidence or evidence is not from reputable sources	
Mechanics	Text is free from spelling and/or grammatical errors and is between 500 and 600 words	Text includes one or two spelling and/or grammatical errors or is not between 500 and 600 words	Text includes three or more spelling and/or grammatical errors and is not between 500 and 600 words	

VIDEO LECTURE TRANSCRIPT

Dr. Takeo Hoshi

Director, Japan Program, Shorenstein Asia-Pacific Research Center

So you have probably heard the word Trans-Pacific Partnership, or TPP. And TPP is a trade agreement signed by 12 countries in the Pacific area, including U.S. and Japan, last October, or October 2015. And this is really the latest of Japan's trade policy that emphasizes the importance of free trade agreement, or sometimes called FTA, or economic partnership agreement, or EPA. And TPP is considered to be a kind of FTA, a kind of EPA.

But TPP is supposed to be more than just FTAs. It includes many countries, rather than just a bilateral trade agreement. And it covers not only trade, which is a case for free trade agreement, but covers an area of like direct investment and to some extent some labor flows as well, the flows of people as well. So today I'd like to discuss what FTAs are, what EPAs are, and what TPP is, why that is important for Japan and the U.S., and how Japan's policy towards a trade policy changed over time and got to this stage.

So TPP is the latest stage of Japan's trade policy which emphasizes the roles of FTAs and EPA, but Japan wasn't always keen on pushing FTAs and EPAs. Traditionally, Japan focused more on multilateral effort like WTO, the World Trade Organization, to achieve the free trade for the world. And Japan wasn't sympathetic to the idea of creating regional trading blocs like NAFTA or the EU, the European Union. But what happened in 1990s was the European Unions and also the North American Free Trade Agreement was created, and it looked very successful. Especially from Japan's point of view, who was left out of those trading blocs. And Japan lost some trade with those regions. So Japan switched the strategy and started to argue that FTAs and EPAs [are] actually complementary to the multilateral efforts to create a free trading world, and Japan started to sign lots of FTA with many other countries.

And this slide shows a list of FTAs Japan signed in 2000s and 2010s. And I don't go through all of them, but you can see there have been a lot starting from Singapore-Japan Economic Partnership Agreement, EPA, and followed by Japan-Mexico FTA and so on.

And Japan's list of FTAs continues. Here are some signed FTAs, but not yet effective, [such as] Japan-Mongolia EPA, and TPP is also one of them that Japan signed. Oh sorry, Japan signed TPP, but TPP is not ratified or approved by each member country. So they are in the process of ratifying TPP. And there are some important potential FTAs and EPAs that Japan is in negotiation [on].

Coming back to TPP. So TPP is, as I said, signed by 12 countries, including Japan and the U.S. But the U.S. and Japan are really a late comer to the process of TPP negotiation. TPP was originally started by four countries, New Zealand, Chile, Singapore, and Brunei back in 2005. And they added more countries who want to join the TPP. And the U.S. started negotiation in late 2000s. And Japan only joined in November of 2011. So Japan was a latecomer to the process of creating or negotiating the TPP. And the TPP, as I said, was signed in October 2015 and will come into effect if enough of the 12 countries agree on, sign on, or ratify the TPP agreement.

And this graph shows the coverage of the FTAs that Japan signed so far and how much TPP would add to that. So this is a percentage of the total trade. We just add export and import and

call that total trade. So that's a percentage of total trade. How much of Japan's trade is with countries that Japan already has an FTA with, and this graph shows 23 percent of the total trade of Japan is already covered by FTA. But what happens with TPP is TPP adds 17 percent to that. And it's mainly because the TPP includes the U.S., which is a very important trading partner of Japan. But even with TPP, the coverage of FTA and TPP, all of Japan's Free Trade Agreements, only reaches 40 percent of the total trade. More than half of the trade are not covered by these trading blocs or Free Trade Agreements, yet.

And the reason is, of course, TPP excludes the largest trading partner of Japan, which is China. And as this graph shows, China explains 21 percent of Japan's total trade. So if one day China can join TPP or if Japan can establish a free trade agreement with China, then more than half of Japan's total trade will be covered by FTAs or TPP. So for Japan and the rest of East Asia, the joining or encouraging of China to incorporating, or involving China, to join the Free Trade Agreement, will be an important step toward freer trade in the world.

The TPP will have an impact. And if you studied economics, you can understand the gains from trade: each country can gain by concentrating on the production of the goods and services that they are good at. And they can import the goods, which are very costly for them to produce or impossible for them to produce. For example, for Japan, it's impossible for Japan to have enough oil. They don't produce oil, so they have to import oil. And the trade is beneficial for that. So that type of impact, the gains from trade, is well understood.

But the recent economic research shows that increasing trade actually has a more beneficial impact. Not only there is a gain from trade, but also there is a dynamic impact, which increases the growth rate of the economy by introducing more competition to the domestic economy so that each company in Japan has to improve. They have to implement more innovation and technological progress or productivity growth, so that can increase the growth rate. And also, more flows of goods and investment and people lead to more ideas for innovation, which increases the growth rate as well. And these dynamic effects of free trade are not often discussed, but it's very important.

And here I'd like to introduce a very interesting paper by Yasuyuki Todo. He's an economist in Japan. And based on many economic papers, economic research, he does a kind of back of envelope calculation, a simple calculation, which shows how much of the impact the TPP has on Japan's growth rate. Not only the level of GDP, but the growth rate, which happens every year from now on. And there are many calculations or simulations about the impact of TPP.

And overall, the mini paper seems to imply or seems to predict if Japan moves on to TPP, the trade to GDP, the trade ratio of Japan increases by 6.8 percent. And using some other economic resource papers, that can translate into the growth rate of GDP per capita by 0.18 percent. So by increasing the trade it increases the competition of the market and exchange of ideas. And that leads to the growth rate increase of .1 percent. And more important is the impact of TPP on direct investment, foreign investment, especially into Japan. And many papers estimate the inward FDI to GDP—foreign indirect investment coming into Japan—in terms of GDP, in relation to GDP is likely to increase by about 3 percent, 3.1 percent according to Todo as a result of TPP. And that means the growth rate of real GDP per capita increases by 1.3 percent.

And Japan has been growing very slowly in the last 20 years, maybe one percent or so every year. So in total, the TPP seems, is expected to increase a growth rate by 1.48 percent or 1.5 percent, which is huge for the Japanese economy. So TPP's impact on Japan is definitely positive, and most of the positive impact comes from the so-called dynamic impacts of the TPP or the trade opening to the growth rate of the economy.

- ¹ Kimberly Amadeo, "What is the Trans-Pacific Partnership? Advantages, Disadvantages, Obstacles Overcome and Next Steps," *The Balance.com*, 22 September 2016, <https://www.thebalance.com/what-is-the-trans-pacific-partnership-3305581>.
- ² Tomoyuki Tachikawa, "Anxious Abe Eager to Strike While TPP Iron is Hot," *Japan Times*, 6 November 2016, <http://www.japantimes.co.jp/news/2016/11/06/national/politics-diplomacy/anxious-abe-eager-strike-tpp-iron-hot/#.WFMeDVyBqRh>.
- ³ Eric Johnston, "Unknown quantity: How the Outcome of the Presidential Election in November Could Affect Japan-U.S. Relations," *Japan Times*, 8 October 2016, <http://www.japantimes.co.jp/news/2016/10/08/national/politics-diplomacy/unknown-quantity-outcome-presidential-election-november-affect-japan-u-s-relations/>.
- ⁴ Ibid.
- ⁵ Patrick Gillespie, "TPP's Death Hurts America and Helps China and Russia," *CNN.com*, 23 November 2016, <http://money.cnn.com/2016/11/23/news/economy/tpp-trump-america-china-russia/index.html>.
- ⁶ C. Fred Bergsten, "The Trans-Pacific Partnership and Japan," *Nikkei Asian Review*, 27 November 2015, <http://asia.nikkei.com/Viewpoints-archive/Viewpoints/The-Trans-Pacific-Partnership-and-Japan>.
- ⁷ Tomohiro Osaki, "Japan Hoping to Pressure U.S. to Follow its Lead on TPP," *Japan Times*, 14 October 2016, <http://www.japantimes.co.jp/news/2016/10/14/national/politics-diplomacy/japan-hoping-pressure-u-s-follow-lead-tpp/>.
- ⁸ Jiji, "Abe Pitches TPP Ratification as Critical to National and Regional Growth," *Japan Times*, 17 October 2016, <http://www.japantimes.co.jp/news/2016/10/17/business/abe-pitches-tpp-ratification-critical-national-regional-growth/>.