Two-Level Game Analysis on the United States Withdrawal from the Trans-Pacific Partnership (TPP) in 2017

Yusril Ihza Mahendra
International Relations, Gadjah Mada University
E-mail: yusrilihzamahendra1234@gmail.com

Radina Safira
International Relations Department, Muhammadiyah University of Malang
E-mail: radinaasafiraa@gmail.com

Sitti Navisah Muhidin
International Relations Department, Muhammadiyah University of Malang
E-mail: Sittinavisah30@gmail.com

Abstract
This study analyzes the reasons behind the U.S. withdrawal from the Trans-Pacific Partnership (TPP) in 2017. Using descriptive methods and Two-level Game theory as an analytical tool supported by secondary data, we found some domestic factors driving this policy. First, different preferences existed between the government as the "chief negotiator" and interest groups and public opinion representing domestic interests. Two-level game theory explains that international agreement can only be ratified if the win-set negotiations are in overlapping conditions or where international and domestic preferences find a meeting point. However, no common ground between international and domestic preferences resulted in a deadlock. Second, the U.S. public strongly resisted the agreement. Public opinion and hearings are factors that, to some extent, can become obstacles for national governments in international negotiations. Ratification is not only carried out through a formal process (legislative approval) but also through an informal process (public opinion and approval). In addition, the election of Donald Trump, who carried protectionist values with his “America First” slogan, strengthened the position of the opposing groups and those who embraced protectionist values. Therefore, the election of Trump as the president marked the end of the TPP debate because both the executive as the “chief negotiator” and the dominant domestic group rejected the ratification.

Keywords: Trans-Pacific Partnership, Two-Level Game Theory, United States

melalui proses formal (persetujuan legislatif), namun juga melalui proses informal (jajak pendapat dan persetujuan publik). Oleh karena itu, kuatnya penolakan publik yang tergambarkan melalui beberapa survey yang dilakukan juga menjadi salah satu faktor berpengaruh dalam keputusan AS menarik diri dari TPP. Selain itu, terpilihnya Donald Trump yang membawa nilai proteksionisme dengan slogan “America First” nya semakin memperkuat posisi kelompok kontra, dan mereka yang menganut nilai proteksionisme. Terpilihnya Trump sebagai presiden menjadi akhir dari perdebatan TPP, sebab baik eksekutif sebagai “chief negotiator” maupun dominan kelompok domestik sama-sama menolak ratifikasi tersebut.

Kata kunci: Amerika Serikat, Teori Two-Level Game, Trans-Pacific Partnership

INTRODUCTION

Asia-Pacific is one of the preeminent regions that has driven world economic growth in recent years. It is driven by the regional GDP growth rate, accounting for approximately 60% of global GDP and 50% of international trade. It also experiences massive and dynamic development, averaging 5.1% each year. In addition, in the last ten years, this region’s total global trade and investment has experienced a significant increase that exceeds the global average growth. (Spicer & Hamel, 2008).

Seeing those vast potentials, the Asia-Pacific countries formed a free trade agreement, which was later manifested in the Trans-Pacific Partnership (TPP). This agreement aims to liberalize trade and the global economy and accelerate regional economic integration. Many experts predicted the great potential of TPP to create profitable trade flows because TPP was the first free trade agreement connecting the Asia Pacific and Latin America regions (Spicer & Hamel, 2008). Due to its broad scope involving several global and regional economic powers, TPP was deemed a mega Free Trade Agreement (Gloria & Arugay, 2021).

One of the main reasons for establishing TPP was dissatisfaction with the performance of the Asia Pacific Economic Cooperation (APEC), which was deemed unable to contribute to liberalizing trade in the region. TPP is expected to create a more extensive regional trade agreement as a form of trade liberalization between its member countries (Lewis, 2011). As seen from its potential, TPP can be the first non-customs union trade agreement as a plurilateral free trade agreement. Some critical sectors considered in TPP are agriculture, textiles, and intellectual property rights (IPR). TPP also regulates dispute settlement between countries, controlling capital, State-owned Enterprises, and employment affairs (Schott, Kotschwar, & Muir, 2013).

Among global powers interested in joining TPP was the United States (U.S.). Driven by the 2007 financial crisis that hindered national economic growth, the U.S. perceived TPP as one of the institution agreements that could help revive or even accelerate its economy to the next level. Furthermore, the U.S. considered its presence in the TPP as an opportunity to strengthen the U.S. position in the Pacific Region to resist China’s hegemony, which has grown into a prominent competitor to the U.S. over the past decades (Fergusson, McMinimy, & Williams, 2015). This maneuver was also an embodiment of the strategic policy pivot to Asia introduced by the U.S. to create an Asian region that is peaceful, stable, and prosperous (Campbell & Andrews, 2013)
In 2008, under the administration of President Bush, the U.S. officially expressed the desire to join the TPP (then TPSEP or Trans-Pacific Strategic Economic Partnership Commission). As one of the global economic powers, the U.S. membership in TPP was expected to be a catalyst that attracted Asia-Pacific countries to join the TPP. This cooperation was later proven by other countries like Australia, Peru, and Vietnam, which joined TPP two years after the U.S. expressed its intention (Ramadhani & Muryantini, 2019). The U.S. decision to join the TPP was a crucial step in maintaining U.S. global influence, especially in the Asia-Pacific region. The U.S. State Secretary, Hillary Clinton, even described the TPP as the center of the U.S. strategic axis in the Asia-Pacific Region (Lewis, 2011). The formation of TPP would undoubtedly expand U.S. trade abroad, encourage economic growth, and push forward U.S. interests in the region.

However, the U.S. involvement in TPP was only counted for nine years until the end of Barack Obama's administration. In 2017, the elected president, Donald Trump, released an Executive Order to withdraw the U.S. from TPP. Trump rejected TPP during the campaign period because he believed TPP could potentially harm the country through several mechanisms, including the decline of the manufacturing sector, decreased labor wages, and rising societal inequality (Triana, 2019).

Multiple studies have analyzed U.S. involvement in the TPP related to U.S. policy rationale for joining TPP, the integration process of U.S. to TPP, or U.S. policy to withdraw from the negotiations. Ferrantino, Maliszewska, and Taran (2019) analyzed the potential benefits of U.S. affiliation with TPP, such as an increase in annual real income by 0.23% (USD 57.3 billion), an increase in real GDP by 0.15% (USD 42.7 billion), and an increase in total exports to TPP countries by 18.7% (USD 34.6 billion). Another study by Cook (2017) discussed the trajectory of U.S. involvement in TPP from before they joined, during their membership, and after they left. The first phase showed how small countries in PTA acted as policy brokers and policy entrepreneurs trying to attract big countries. The second phase examined the U.S. engagement and how its competition with China affected the TPP. The last phase highlighted the U.S. exit from the agreement, indicating that strategic and economic interests are often unpredictable because they depend heavily on their leaders' beliefs.

Another study was conducted by Fergusson, McMinimy, and Williams (2015), analyzing the TPP discussion under the Obama Administration. While Obama strongly supported TPP as a U.S. strategic engagement in the Asia Pacific region, Congress held it highly debatable. The Congress members had different views on which countries should be included in TPP, what agreement standard should be agreed upon, and what issue must be the negotiation priority. Janusch and Mucha (2017) analyzed the U.S. trade policy under Donald Trump's administration using the power and geopolitics approach. The research found that the new U.S. trade vision under President Trump was based on the zero-sum principle and an argument that trade deficits resulted in the loss of jobs and production. Moreover, Trump's economic policies based on "America First" may impose a
negative impact, such as the risk of trade wars with U.S. trading partners, excessive use of hard power, and neglect of geopolitical and security considerations in U.S. trade policy.

In contrast, Triana (2019) focused on analyzing the U.S. exit from the TPP during the administration of Donald Trump. The study, implementing the decision-making concept as an analytical tool, found that Trump’s decision was an alternative policy to obtain maximum benefits. Meanwhile, Narine (2018) focused on domestic analysis to investigate Trump’s decision to withdraw the U.S. from the TPP and found that TPP was perceived as a symbol of economic and social divisions from generation to generation. For such a long time, the U.S. government maintained this condition by ignoring domestic policies based on fair social, racial, and ideological divisions. The implication was that FTAs became political targets from both the left and right wings. Many parties felt that the government neglected domestic interests in pursuit of international trade policies.

Reviewing past literature, we conclude that previous studies have focused more on the implications of the U.S. involvement in TPP, the dynamics of discussion under the Obama administration, and the reasons for the U.S.’s leaving the negotiation (either due to Trump’s decision to avoid losses for the U.S. or domestic factors, particularly economic and social issues). The present study utilized the two-level game theory approach, expecting a holistic picture that goes beyond the rationale of the U.S. decision to withdraw from TPP and highlights why and how domestic dynamics can influence international negotiations. Investigating the decision-making process allows us to understand the context around the U.S. withdrawal from TPP. Two level-game theories enable the analysis of linking domestic politics and international agenda as solid indicators to induce a major change in the position of negotiating parties.

The U.S. decision to step away from TPP sparked questions from many parties because partaking in TPP seemingly offered enormous profit potential. TPP members include the largest export destination countries for U.S. goods and services sectors. Nevertheless, the U.S. put all these potentials aside and chose to leave the TPP. This study will analyze the process of U.S. withdrawal from the TPP using the two-level game as an analytical tool to paint an inclusive picture of the U.S. policy-making process.

**Two-Level Game Theory**

The intercourse between foreign policy and domestic dynamics has long been a debate in the study of international relations. Analysts have been investigating how and to what extent domestic interests can influence a country’s policy output. Ernst Haas was one of the early scholars who raised this issue in the context of forming the European Union. He emphasized the influence of interest groups on national policy-making that encouraged the formation of regional institutions involving European countries (Moravcsik, 2005). In his study, Haas sparked the idea of “spillover” to describe how domestic dynamics become a catalyst in encouraging and accelerating cooperation at the international level.
Joseph Nye and Robert Keohane are other scientists pursuing domestic and international interactions. Their ideas in the book *Power and Interdependence* on the concept of political interdependence are the conditions in which domestic interests and foreign policy are mutually binding and affecting (Keohane & Nye, 2012). However, neither Haas nor Nye and Keohane’s ideas specifically describe how and to what extent domestic factors influence foreign policy. While Haas made supranational institutions’ evolution a central variable in his study, Nye and Keohane focused on transnationalism and interdependence. Consequently, the domestic variables were eliminated, and their role faded in foreign policy analysis.

Robert D. Putnam then developed the two-level game theory, placing the interaction between domestic and international politics at the core of its analysis. According to Putnam, international politics can be understood as a two-level game. At the international level (level I), the national government seeks to minimize the adverse consequences of foreign developments while maximizing its ability to meet domestic pressures. At the domestic level (level II), politicians seek power by forming coalitions with interest groups, which pressure the government to adopt policies deemed beneficial for them (Putnam, 1988). Putnam’s framework allows analysts to comprehensively analyze foreign policy by considering multiple factors. This theory can also provide an extensive understanding because the state is regarded not as an autonomous actor but rather an institution consisting of various entities with their interests.

In the two-level game theory, negotiators must be presented at two negotiating tables (international and domestic), and winning at both tables should be sought for the best outcome. It means that the ratification decision must ultimately consider both the process and results of the dialogue at both levels. One of the unique complexities of the two-level game approach is that rational decisions at one level may not be acceptable at another (Putnam, 1988); therefore, political dynamics in the negotiation process at both levels are crucial. Unsatisfactory decisions for opposing negotiators at the international level can lead to disappointment, even stagnation in the negotiating process. On the other hand, unfavorable decisions for domestic actors can affect the legitimacy of negotiators at the national level.

**Source:** Adapted from Robert D. Putnam (1988)

**Figure I.**
Illustration of Two-level Game Theory

Domestic political dynamics can influence national government preferences through the presence of culturally different political institutions, economic structures, and leadership goals that can hinder international cooperation. The political institutions include domestic interest groups that can influence veto holders, government representation, and the mechanisms of power separation between legislative
and executive. The other domestic factors are public opinion and hearings, which, to a certain extent, can become a political obstacle for the national government when involved in international negotiations (Fearon, 1994). Therefore, agreements in international negotiations can be understood only as tentative, and the final decision on whether or not to ratify the agreement must also consider the domestic-level negotiations.

Both sides’ negotiators must arrive at the middle ground between international and domestic preferences because ratification can only be carried out if the constituents on both sides have agreed on the negotiating points. A preliminary Level I agreement cannot be amended at Level II without reopening the Level I negotiations, so any modification to the Level I agreement is considered a rejection unless the modification is approved by all other parties involved in the negotiation. Putnam utilizes the scheme of “win-set” to measure the success of the negotiation by describing preference matches between level I and level II. A win-set can be defined as a series of possible points of agreement at level 1 to be accepted or voted by the majority at level 2 (Putnam, 1988). An agreement can only be ratified in the win-set overlap or in conditions where international and domestic preferences find a meeting point. The greater a win-set, the greater the chance of ratification. Conversely, if no meeting point is achieved between international and domestic preferences, there is a high possibility that negotiations will fail (Putnam, 1988).

The image above explains how the win-set influences the process and outcome of negotiations at the international level. (X.M.) Furthermore, (Y.M.) represents the optimal results that can be achieved by the win set parties (X) and (Y). (Y1) and (Y2) are the ranges between parties agreeing to ratify. For example, if (Y) gives firm support to the international negotiation party, the win-set resides in the range (Y1), then ratification is likely to occur. If (Y) provides less domestic support but still possible win-set is in the range (Y2), a ratification agreement is still possible for both parties, although the size to accommodate the parties’ interests (Y) may shrink. This condition encourages (Y) to prioritize their interests so that the win-set resides in (Y3). In this case, ratification will likely suffer a deadlock because it does not overlap between win-set parties (Y) and (X). Therefore, the bigger the win-set, the more likely a tentative agreement can be ratified.

Three main contributing factors can affect the amount of win-set. The first are coalitions and preferences at level II. Some constituents may encounter conditions where the cost of a decision not to ratify is more diminutive than that to ratify, while others may find the opposite. Nevertheless, in both cases, the first constituent will be more skeptical of reaching an agreement at Level I because there is less pressure on the domestic level to ratify. The second factor is the


Figure II.
Win-Set in Two-Level Game Theory
institutions at level II. Ratification procedures that pass through domestic institutions affect the amount of win-set. For example, if a two-thirds vote is needed to ratify at the domestic level, this will be more difficult than a simple procedure requiring only a majority or 50+1 votes. The third factor is the negotiator’s strategy at level I. Every negotiator has a way of using his or her win-set in the negotiation process. If a negotiator has a bigger win-set, it will be easier to propose an agreement at level I. Nevertheless, it may reduce the negotiator’s bargaining power because he needs to find a reason to push the deal to be more profitable for them (e.g., I could agree on these points of agreement, but it is not the case because I have some constituents back in my country who cannot accept the whole points).

Based on the explanation above, it can be understood that the two-level game theory provides an inclusive explanation of the factors that cause the failure of international negotiations—not only focusing on systemic factors such as the distribution of power and international dynamics but also considering factors of influence at the domestic level. Therefore, we will use the two-level game theory as an analytical tool to answer the research question in this study.

RESULTS AND DISCUSSION

The Strategic Vision of TPP and U.S. Interests in the Pacific Region

Asia-Pacific is one of the regions in the world that have drawn up many international limited-membership agreements, commonly referred to as the Preferential Trade Agreement (PTA), aiming to secure or increase market access of its member countries (Grossman & Helpman, 1995). From the late 1980s to the early 1990s, other PTAs were established in more regions, especially Europe and Latin America. The driving factors of this growth include European integration, which made significant progress in many sectors, thus encouraging countries to form PTAs to secure their export markets (Baldwin, 2011). The increasing number of PTAs and their potential benefits gave birth to the idea of creating mega PTAs to facilitate the growth of global economic interests. This idea was manifested in the formation of the Trans-Pacific Partnership (TPP), which is projected to be the most prominent trade agreement in the world. TPP was established based on a more comprehensive and high-quality concept. TPP is expected to solve economic problems in the region and through document-based research by collecting relevant sources in books, journals, thesis, reports, and other documented sources. The data were then classified and elaborated to gather relevant information to describe the process of the U.S. leaving the TPP. Multiple influencing factors, both international dynamics and domestic upheavals, were highlighted in the analysis as emphasized in the framework of the two-level game theory.

RESEARCH METHODS

In this research, we used a descriptive qualitative method to answer the problem by objectively describing or portraying the research objects in their natural setting (Nawawi & Martini, 1996). As a qualitative research, we leaned towards an inductive approach (Fadli, 2021). Data were collected through document-based research by collecting relevant sources in books, journals, thesis, reports, and other documented sources. The data were then classified and elaborated to gather relevant information to describe the process of the U.S. leaving the TPP. Multiple influencing factors, both international dynamics and domestic upheavals, were highlighted in the analysis as emphasized in the framework of the two-level game theory.
eventually boost the long-term goals of the Asia Pacific Economic Cooperation (APEC) (Capling & Ravenhill, 2011).

The idea of TPP stems from the cooperation known as the P4 Agreement between four countries: Singapore, Chile, Brunei Darussalam, and New Zealand. P4 is a comprehensive PTA framework covering various issues such as trade in goods and services, rules of origin, trade standards, sanitary and phytosanitary measures, trade technical barriers, competition policy, intellectual property, and dispute resolution (Urata, 2018). P4 was established to form the basis for more extensive trade agreements with more members. Therefore, in 2008, the member countries began expanding cooperation in trade, financial services, and investment sectors. As the cooperation scope and membership grew, the name of P4 was changed to TPP.

The first round of negotiations was held in Melbourne in 2010, attended by eight member countries: Australia, Brunei, Chile, New Zealand, Peru, Singapore, the U.S., and Vietnam (Elms & Lim, 2012). Several countries joined later, such as Malaysia in 2010, Canada and Mexico in 2012, and Japan in 2013. Negotiations continued with discussions around various sectors of cooperation and the interests of participating countries. Negotiation rounds took a long time due to the wide variety of interests and membership scope (Petri et al., 2017), but they finally reached an agreement in 2015 and signed in February 2016.

As the most prominent PTA in the Asia-Pacific region, TPP offers many added values to major powers, including the U.S., TPP, which encapsulates a trans-regional network connecting the countries of four regions with broad potential for cooperation and allows each member to maximize their respective comparative advantages. Besides being driven by economic factors, the United States reckons its participation in TPP to maintain engagement on the western Pacific rim and demonstrate its return to the Asia Pacific region. Moreover, the TPP agreement goes beyond conventional market access negotiations in addressing domestic regulatory policies that can provide significant advantages for the U.S. (Capling & Ravenhill, 2011).

The U.S. decision to join TPP was officially announced in 2008 at the end of President Bush's administration. This decision was fully supported by the United States Trade Representative (USTR), arguing that the regional agreement could increase the competitiveness of member countries, help promote and facilitate trade and investment, and increase the economic growth and development of the countries involved (Barfield, 2011). After Obama took office in 2009, U.S. participation in TPP became increasingly urgent after the U.S. officially shifted the focus of “rebalancing” policy from the Middle East to the Asian region. It was attributed to the changed perceptions about Asia and the Pacific as a region with significant developments, especially in the economic and military fields, that could impact political and security dynamics in the future (Planifolia, 2017).

The growing attention of the U.S. towards Asia-Pacific was also reflected in Obama's speech, "Here, we see the future. As the world’s fastest-growing region and home to more than half the global economy, the Asia-Pacific is critical to
achieving my highest priority: creating jobs and opportunity for the American people” (Manyin, et al., 2012). The U.S. also introduced the term “Pivot to Asia,” the slogan of U.S. foreign policy strategies to extend national interests in Asia-Pacific, namely developing economic cooperation, strengthening alliance countries, and securing joint security through regional institutions to help peacefully resolve disputes related to territorial boundaries.

Following Pivot to Asia, it is unsurprising that the U.S. put high hopes in TPP as an ideal instrument to extend U.S. interests in the region. However, their intention to join TPP had to go through a congressional agreement heavily influenced by domestic political dynamics, which then raised several obstacles and ultimately made them withdraw from the agreement.

Understanding the Dynamics of U.S. Domestic Politics

The U.S. form of state is a federal republic with a presidential system of government based on the 1787 constitution that regulates the relationship between the Federal Government and 50 states. The Federal Government, consisting of the executive, legislative, and judicial branches, has authority over foreign policy, national defense, and the regulation of interstate commerce. Although foreign policy decisions involve the Department of Foreign Affairs, the National Security Council, and the Security Department, the final approval must still go through the U.S. Congress, which is heavily influenced by public opinion, congressional interests, interest groups, and the media.

As the world’s first modern democracy, U.S. domestic politics is inseparable from the principles of freedom, openness, and universal participation. The representative democracy system allows the public to elect political officials to represent their interests and ideas in the parliament. Communities are entitled to hold hearings with the government regarding laws or policies related to their lives. In this context, the community, through various provided channels, can give direction or influence to a policy that will be or has been made by the government.

One of the main corridors for the public to channel their aspirations is through collective movements that form interest groups. Historically, the interaction between interest groups has been essential in shaping the U.S. political system. James Madison explains the phenomenon of the U.S. pluralism group in its constitutional theory, which is an alternative to Marxist class theory and individualist democracy. Madison explained that individuals have little or no influence over policy-making; therefore, people with shared interests must form a collective movement to gather strength in voicing their opinions or aspirations to influence a policy (Vile, 2007).

The interest groups in the U.S. can be classified into two. The first is affiliation-based groups that take advantage of the masses’ voices to influence the political process, and the second is an institution-based group that uses business lobbying and financial power to influence policy without having a large mass of people. Some groups can bear both characteristics (Koçak, 2016). Even some affiliation-based groups
would use several prominent individuals to bring their interests to political lobbying (Paul & Paul, 2009). The activities of these interest groups include the efforts to influence and mobilize the masses, sponsor campaigns, lobby legislative and judicial bodies, and influence international actors to pressure other countries. Additionally, they can play other roles to obtain important information related to their respective areas of interest (Milner, 1997).

One of the most notable examples of the power these groups hold is the discussion around the normalization of US-Cuba relations. At that time, two groups actively voiced issues related to Cuba. The first was a hard-line group that encouraged imposing sanctions against Cuba and limiting diplomatic relations, which was expected to weaken the Cuban government. The second is a moderate group pushing for lifting sanctions and establishing normal diplomatic relations with Cuba without a rush to dethrone Fidel Castro. Many domestic actors come from journalists and epistemic groups, and the Congress members supported this non-provocative approach. These groups took an essential position in the efforts to normalize US-Cuba relations, especially towards the end of George W. Bush’s leadership, which gave more flexibility to moderate groups to voice their opinions. The United States Farm Bureau Federation and many related groups also began to organize lobbying with Cuban humanitarian and religious groups to accelerate peace talks (Koçak, 2016).

Another example is how domestic groups influence the U.S. sanctions policy against Iran. Through their presence in Congress, either the pro or the con groups have succeeded in influencing policy through resource support for legislators. When comparing the organizational power of interest groups, their financial contributions to legislators, and their ability to lobby expenditures and salary levels, it appears that the pro-sanctions group has power that far outweighs the cons. Based on interviews conducted with the members of Congress and representatives of interest groups, including Senator Harry Reid and former President Bill Clinton, The American Israel Public Affairs (AIPAC) is believed to be the pro-sanctions group that has the most potent influence in the process of making and determining policies. Even some AIPAC staff and former members admit that the group has drafted the sanctions laws. Douglas Bloomfield, the representative of AIPAC, later approved this statement by saying, “It is common for members of Congress and their staffs to turn to AIPAC first when they need information, before calling the Library of Congress, the Congressional Research Service, committee staff or administration experts” (Koch, 2023).

Based on these two examples, we can understand that interest groups strongly influence making and determining U.S. foreign policy. Having a large number of masses, extensive financial resources, and the existence of individuals who have a strong influence, it is unsurprising that interest groups have become an essential part of the U.S. political dynamics. In the next chapter, we will discuss how these groups influenced the U.S. decision to withdraw from TPP.
U.S. Domestic Response to the TPP Ratification Talks

A few days after his inauguration as the 45th President of the United States of America, Trump instantly implemented the protectionist policies he had been campaigning thus far. One of the steps was by signing an executive order to withdraw the U.S. from TPP, which, during the campaign period, he called “the deal pushed by special interests who want to rape our country” (Delreal & Sullivan, 2018). Although this agreement had been negotiated since the Obama administration, where the U.S. was one of the pioneers, Congress did not conclude to ratify or decline.

One of the reasons for delaying the ratification was differences in the domestic view towards this agreement. Based on a poll conducted by Pew Research Center in 2015, 49% of the people of the U.S. said that the TPP would benefit the country, while 29% thought that the U.S. would only get negative impacts (Poushter, 2015). Another poll was conducted by Morning Consult (MC) 2016, reporting that 35% supported the ratification of TPP, 22% opposed it, and 43% were undecided or abstained (Ballot Pedia, 2017).

A survey conducted by Caddell & Associates in March 2016 showed results that leaned towards TPP rejection rather than ratification (22% vs. 15% in the preliminary opinion polls). Then, after the voters were given information about the TPP along with the basic arguments from the pros and cons perspectives, the number of voters who rejected remained higher (45%) than their support counterparts (32%). The remaining 23% were undecided (Caddell & Associates, 2016). This poll showed that the majority of American people rejected the ratification of TPP. The issue of U.S. trade policy is now perceived as a central issue that is not only related to trade but also economic concerns, especially sectors that can bring direct harm to society.

Source: Office of the USTR (n.d)

Figure III.
The perception of Americans before and after receiving information about TPP

A mixed response to TPP also came from U.S. business sectors. Big companies like Apple Inc., Dow Jones Industrial, Caterpillar Inc., Abbot, and John Deere strongly support ratifying the TPP (Triana, 2019). Federal Election Commission reports mentioned a large flow of funds from big U.S. companies to Congress in order to push forward the ratification process. It calculates the amount of funds coming from the members of the U.S. Business Coalition for TPP to the Senate campaign in 2015. Based on the report, the average Republican member received USD 19,875.28 from TPP supporters, while the average Democrat received USD 9,689.23 from the same source (Gibson & Channing, 2015). As a result, when the TPP Law Fast-Tracking was debated in
parliament on May 14th, 2015, a total of 65 members supported and only 33 members opposed it.

These big companies are mainly in the technology and agriculture sectors, which economically have the most potential to benefit significantly from TPP Ratification. The U.S. technology manufacturers can produce data and software that are far more qualified than those of other TPP countries, thus providing them a comparative advantage. TPP also protects intellectual property that can prevent illegal cross-border data flows via the internet. In the agricultural sector, according to the analysis by the American Farm Bureau Federation, cooperation through TPP can increase the U.S. agricultural income by USD 4 billion per year. U.S. food imports can increase by USD 427 million or around 1.1% if they join TPP (Haggard, 2020). Therefore, it is not surprising that agricultural interest groups and food producers like the American Farm Bureau Federation, the American Feed Industry Association, the American Peanut Council, the American Seed Trade Association, the American Soybean Association, the International Dairy Foods Association, and several other groups were rooting for the ratification.

Some U.S. companies that showed a rejection attitude were particularly those engaged in manufacturing. They argued that TPP would create more worker competition and potentially job losses for less-skilled domestic workers due to competition with cheaper unskilled labor from other TPP member countries like Malaysia, Vietnam, and Peru (Haggard, 2020). Moreover, TPP did not establish rules regarding currency manipulation, thus allowing other TPP countries like China to sell their goods much cheaper than U.S. domestic products. Some analysts also argue that the absence of this regulation could make it difficult for the U.S. to control its currency and interest rates (Semuels, 2015).

Rejection also came from environmental groups. While TPP set forth rules for environmental protection, it allowed companies to sue countries and groups, including environmental and health groups, that hindered trade. Another reason was the increased trade activities and volume of goods transported by land, sea, and air that would harm the environment due to excessive use of fossil fuels and the resulting air pollution (Ho, 2016). One of the environmental groups that profusely went against the TPP is a non-profit organization called Sierra Club, which collaborated with various organizations like Greenpeace, Green America, and Friends of the Earth to collect petitions against TPP and managed to obtain half a million petitions (Carr, 2016).

The wave of rejection from the U.S. domestic intensified during the 2016 election campaign. TPP agenda was targeted across the U.S. political spectrum, particularly in Trump’s campaign, claiming that the agreement would only increase the country’s trade deficit and could not address currency manipulation by U.S. trading partners. The labor movement rejected U.S. membership in TPP because they believed it would erode wages and lower environmental and labor standards. Joining TPP was also considered only to repeat U.S. mistakes in the NAFTA agreement, which was considered to cause job losses in the manufacturing sector. Trump later backed up the
criticism by claiming that the TPP agreement would ultimately encourage more manufacturing jobs from abroad (Scott & Glass, 2016).

The Dynamics of Domestic and International Negotiations: The U.S. Decision to Withdraw from TPP

State behavior, policies, and decisions are a consequence of national interests. Some scholars even view national interest as the state's foreign policy goal. Holsti describes the relationship between national interests and foreign policy by classifying them into three categories: short-range objectives (urgent interests such as security, economy, and human rights), middle-range objectives (conflict management and prevention), and long-range objectives (efforts to maintain international peace and international trade) (Ota & Ecoma, 2022). Other scholars like Morgenthau stated that a country's foreign policy goals should be defined regarding national interests (Algosaibi, 1965). Meanwhile, Pearson & Rochester believe national interests determine all critical foreign policy behavior (Pearson & Rochester, 1992). The essence of these concepts is that the foreign policy process is a tool for implementing policies that could affect state interactions with other actors in the international system. However, to understand a state's interests, we must dive deeper to see the processes and political dialectics that occur in its domestic, because the state's interests are a compilation of various interests influenced by domestic and international dynamics. At least, that was Putnam's rationale in formulating the two-level level game theory.

As a global superpower, the U.S. has national interests extended globally, shown by its involvement in various regions driven by strategic, political, security, and economic interests. Europe, Africa, the Middle East, and Asia have felt the impact of U.S. presence in their regions, both in a negative and positive context. In recent years, we witnessed a phenomenon of rebalancing and the increasing attention of the U.S. towards the Asia-Pacific region. The emergence of new economic powers such as China, the success of the “Factory Asia” production model, and the formation of new regional alliances are the reasons behind this change (Oehler-Sincai, 2016). During Obama's administration, the U.S. needed an instrument to accommodate its presence in the Asia-Pacific region while at the same time strengthening its influence. Therefore, it is unsurprising that Obama strongly encourages infiltration through regional cooperation, including TPP.

The U.S. has been involved since the start of TPP negotiations in 2010. The first meeting held in Australia was attended by representatives from each member country, namely Chile, Brunei, New Zealand, Vietnam, Peru, Singapore, Australia, and the U.S., discussing some new regional concerns including e-commerce and green technology issues. The second round of talks, held in San Francisco, resulted in significant progress related to the architecture of the agreement and various specific issues that became the scope of TPP. U.S. involvement steadily increased in each round of the talks. At the ninth round in Peru, President Obama directed U.S. negotiators to seek a 21st-century agreement that could address old trade
issues in new ways, solve previously unaddressed cross-sectoral issues, and benefit from an unprecedented level of stakeholder input (Office of the United States Trade Representatives, n.d.). Under the Obama Administration, TPP was seen as a cornerstone of U.S. trade policy. This initiative could promote economic recovery and the U.S. strategic rebalancing in the Asia-Pacific region.

However, as understood in two-level game theory, a state’s interests at the international level are not the only factor influencing state decisions. The government, as chief negotiator, is required to be involved not only at the international but also at the national level to accommodate domestic interests while trying to minimize the consequences of foreign developments (Putnam, 1988). The government needs to obtain domestic approval to ratify international treaties, which can be based on formal voting (legislative approval) or informal processes such as public opinion and approvals (Conceição-Heldt & Mello, 2017). This logical model helps us understand the TPP negotiation process, which the U.S. finally left at the end.

Rationally, the decision to join TPP has much potential for the U.S., mainly from an economic perspective. The members of TPP are the U.S. largest export market for goods and services, contributing 44% of U.S. total export goods (USD 698 billion). In 2013 alone, exports of U.S. agricultural products to TPP countries reached USD 63 billion, or 42% of the total agricultural exports (USTR, 2013). From the strategic perspective, the membership of TPP, which is quite broad and strategic, can be an instrument for the U.S. to restrain China’s economic influence in the region. During the TPP talks, the U.S. deliberately excluded China from the negotiations, which was perceived as an effort to transfer Asia-Pacific economic and trade power from China to the U.S. (Chow, 2016). Despite these various potentials and advantages, TPP ratification still faced domestic opposition, which dragged the ratification process, and eventually, the U.S. decided to withdraw from the trade agreement.

![Figure IV. U.S. Goods Export to TPP Countries](source)

**Source:** Office of the USTR (n.d)

![Figure V. U.S. Agriculture Export to TPP Countries](source)

**Source:** Office of the USTR (n.d)

The power authority of U.S. trade is divided between the President and Congress. The President, as the executive represented by the United States Trade
Representative (USTR), is assigned various tasks such as setting goals and negotiating directions, leading the negotiation process, and serving as a channeling vessel between the U.S. institutions with interests at the international level. Congress, as a legislative body, has the authority to decide whether a policy is to be ratified or not as an official law (Liss, 2019). Since the late 1990s, a large part of U.S. trade policy has been heavily influenced by Multinational Corporations (MNCs) through USTR. This condition raises a new form of transnational resistance called “the fair trade coalition,” comprising several interest groups such as trade unions, environmental organizations, public health advocacy groups, and consumers. It aims to offset the strong influence of MNCs on U.S. trade policy that often only benefits the “big players,” However, the coalition movement tends to be marginalized in decision-making due to a lack of class and economic power (Evans & Kay, 2008). Marginalization continues to occur and has led to public opinion that U.S. trade policies are detrimental to workers, enriching the prosperous and harming small communities simultaneously (Clausing, 2020).

This phenomenon was also visible in the early days of TPP negotiations, when USTR accepted proposals representing the interests of U.S. multinational companies such as Apple Inc., Dow Jones Industrial, Caterpillar Inc., Abbot, and John Deere who are on the pro-ratification side, and rejected proposals from labor and manufacturing groups. In 2014, the USTR encouraged the Trade Promotion Authority (TPA) in Congress to accelerate the TPP ratification process. This procedure allows the president to file a Free Trade Agreement to Congress to vote without amendments and limited debate (only 90 days). In return, Congress can propose additional negotiations if most votes agree (Congressional Research Services, 2022). TPA procedure has a history of passing free trade agreements full of controversy and public opposition, including the North American Free Trade Agreement (NAFTA) that was successfully ratified through this process.

Voting conducted in May and June 2014 resulted in the decision to reject the TPA because the democratic representatives in parliament demanded the support of the Trade Unions. Meanwhile, the Trade Unions decided to freeze all campaign contributions to pressure MPs to oppose TPA. Voting for TPA proposed again in June 2015, where many MNCs boosted their influence by giving 8.6 times more money ($197.9 million) to MPs who voted in favor of TPA than those who opposed it ($23.1 million), resulting in TPA officially passing in Congress in 2015 (Stevens, 2015).

However, implementing fast track through the TPA procedure does not mean the TPP will be ratified soon. When USTR rejected the labor and manufacturing groups’ proposals, these groups and other interest groups lobbied hard in Congress. On the other hand, MNCs at that time were too focused on lobbying USTR, slowly losing their influence in Congress. One of the most influential representatives of counter groups is Coalition for a Prosperous America (CPA), a non-profit organization claiming to represent the interests of 4.1 million U.S. households with members
from the agricultural, manufacturing, and labor corporate sectors. CPAs also work with The Fair Trade Coalition in coordinating lobbying during the TPP negotiations. When TPA discourse was discussed in Congress, these two coalitions lobbied the legislature against it. The industrial group lobbied the republican party, while the labor group lobbied the democratic party (Drabold, 2016). Another prominent group that influenced TPP’s rejection was The Alliance for American Manufacturing (AAM), a partnership between some of America’s leading manufacturing companies and United Steelworkers. AAM advocated state policies related to steel, aluminum, iron, glass, cars, auto parts, and currency manipulation and criticized the contents of the TPP law, which they believed would only harm the U.S. manufacturing sector. Because of the powerful influence of this group, Trump adopted several AMM policies in his trade policy priorities.

Moreover, negative public opinion towards U.S. free trade policies has increased the power of the coalition of interest groups as the opposition to the TPP and weakened the strength of the hegemonic MNCs Corporation (Liss, 2019). A comparative study of U.S. congressional and presidential elections from 2002 to 2016 revealed that China’s imports to America significantly shaped the trend of political polarization in the U.S. Districts affected by Chinese imports tended to vote for conservative candidates and reject moderate liberal candidates. This condition occurred since China was accepted as a WTO member in 2001.

A public opinion survey conducted by Caddell & Associates in March 2016 showed results that were more inclined to reject TPP. Preliminary opinion polls showed that 15% of voters supported and 22% opposed ratification. Even after the voters were given information about the TPP and the basic arguments from the pros and cons perspectives, the number of voters who rejected it was still higher (45%) than their support counterparts (32%) (Caddell & Associates, 2016). It shows that the majority of American people reject the ratification of TPP because the issue of U.S. trade policy is now seen as a central issue that is not only related to trade but also economic concerns, especially those sectors that can directly harm society.

Apart from the strong resistance from the interest groups, the increasing number of Americans who voted for protectionist candidates in presidential and congressional elections was another reason the U.S. did not ratify TPP. Over the years, being marginalized, feeling aggrieved, and resisting China’s domination has forced people to develop a sense of protectionism. This results from the failure of political policies to carry out force retribution, which is detrimental for many Americans. Donald Trump, who later emerged as a presidential candidate with his primary campaign “America First,” is seen as a strong candidate representing U.S. protectionism (Autor et al., 2017).
Based on the explanation above, we can understand that there are differences in preference between the government as chief negotiator and domestic interests represented by interest group advocacy and public opinion. An agreement can only be ratified if the win-set overlaps or in conditions where international and domestic preferences find a meeting point (Putnam, 1988). However, in the case of TPP negotiations, there was no common ground between international and domestic preferences, leading to negotiation deadlock. Strong public rejection was another factor behind the U.S. withdrawal from TPP. According to Fearon (1994), public opinion and audiences at some level can become a political obstacle for the national government when involved in international negotiations. Ratification is carried out through formal processes, such as legislative approval, and informal processes, such as public opinion and approval, which are often crucial in affecting policymakers (Conceição-Heldt & Mello, 2017). Therefore, public solid rejection shown through several surveys also became one of the most influential factors in the U.S. withdrawal from the TPP negotiation.

We cannot ignore the election of Donald Trump as another crucial factor. Reflecting on the policies of former U.S. presidents, both Bush and Obama had shown strong support for the TPP. The Bush administration considered joining the TPP as significant for the U.S. economy. Susan Schwab, the representative of the USTR at that time, described the TPP as 'a vital instrument' for U.S. economic interests in the region for now and the future (Cook, 2017). To carry out this goal, the Bush administration notified Congress about the plan to start negotiations with Australia, Peru, and Vietnam in December 2008.

The first negotiation planned for 2009 was postponed because Obama, who had just taken office, needed time to review the Free Trade Agreement (FTA) before engaging in negotiations. Shortly after, in November 2009, Obama announced that the U.S. would join the TPP, and in March 2010, negotiations among Australia, Peru, Vietnam, and the U.S. took place in Melbourne (Hamanaka, 2014). Like George Bush, the Obama administration also strongly supported the TPP, which was believed to strengthen U.S. leadership and alliances in Asia (McBride et al., 2021).

However, the election of Donald Trump with the slogan of “America First” became an extreme turning point for U.S. global economic policy. This transition could also be understood as one of the reasons behind the U.S. withdrawal from TPP. In two-level game theory, Putnam describes executives as “chief negotiators” involved in international negotiations and requiring domestic ratification (Conceição-Heldt & Mello, 2017).
As a party directly involved in negotiations at two levels, the government plays a vital role in determining the outcome of the negotiations. Trump’s election as president in 2017 strengthened the opposition to TPP and those who embraced protectionist values. Therefore, Trump’s election in 2017 ended the TPP debate because not only did it get a firm rejection from the domestic group, but now the executive as chief negotiator also came from the group of those who rejected the agreement.

**CONCLUSION**

The Trans-Pacific Partnership (TPP) offers many potential benefits for the U.S. from an economic standpoint and the strategic aspects of the Asia-Pacific region. After going through a long process at the domestic level, the U.S. finally put all these potentials aside and decided to withdraw from TPP.

Using the logic of Two-level Game Theory, we found that U.S. decisions were driven by two main domestic factors. The first was different preferences between the government as the chief negotiator and the interest group advocacy and public opinion as the representative of domestic interests. An agreement can only be ratified in the win-set overlap or a meeting point between international and domestic preferences. However, no common ground was established between international and domestic preferences in TPP, leading to negotiation deadlock. The second was a strong rejection from American people towards TPP. Public opinion and audience hearing are informal processes that, together with formal process (legislative approval), influence policymakers’ decision and ratification process. Therefore, at some level, public opinion and public hearing can become a political obstacle for the national government when involved in international negotiations. As shown from several surveys, strong public rejection partly drove the U.S. withdrawal from the TPP negotiation.

Also, the election of Donald Trump – who carried the value of protectionism – was another crucial factor. In the two-level game theory, Putnam describes executives as the “chief negotiators” involved in international negotiations and it takes domestic approval to ratify an agreement. Trump’s election as president in 2017 strengthened the opposition towards TPP and those who embrace protectionist values. All these factors put an end to the TPP debate, as it faced strong rejection from domestic groups, as well as from the executive as the chief negotiator.
REFERENCES


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