

The Trans-Pacific Partnership and America's Future in China's Neighbourhood

Written by Christopher Wood



Protestors in Canada opposing the Trans Pacific Partnership agreement (TPP)

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When the Trans-Pacific Strategic Economic Partnership, or P4, was signed in 2005, the free trade area's member countries comprised less than 1% of global GDP. The combined area of three of the four member countries would have easily fitted into Oman, with room to spare. And yet six years later, the tiny free trade area between Brunei Darussalam, Chile, New Zealand and Singapore is on the verge of becoming one of the most geopolitically important trade blocs in the world.

Under the new title of the Trans-Pacific Partnership, or TPP, it is currently undertaking formal negotiations on the entry of the United States, Australia, Vietnam, Malaysia and Peru; with informal discussions ongoing with Japan and Canada. Together these countries account for more than a third of the world's GDP.

The original P4 was lauded as the liberal ideal of a free trade agreement. It eliminated almost all tariffs on trade in goods, required foreign service traders to be treated the same as domestic suppliers, and moved to harmonize domestic regulation in areas such as health and environmental policy, intellectual property rights, and competition regulation. Despite the radical liberalization evident in almost all aspects of the accord, the original agreement still offered relatively little to its participants. While the agreement offered expanded access to markets, the markets themselves were tiny, with very low levels of interregional trade between the four countries. Singapore already held bilateral free trade agreements with Chile and New Zealand, and all of these countries were already amongst the most open to trade.

The entry of the United States and a range of larger economies changes this dynamic. But while it is perhaps easy to understand why countries want to gain access to the US market, the economic gains for the US are not as clear. It already holds free trade agreements with Singapore, Chile, Peru and Australia; has snubbed previous offers of a bilateral agreement with New Zealand; and seems unconvinced about the benefits of agreements with Vietnam and Malaysia. Brunei is about the size of Delaware, and hardly much of a draw. It appears then that the US's real incentive to join the TPP is strategic, and grounded in American attempts to maintain a strong economic and political role in the region.

The Asia-Pacific region has long been torn between two contrasting visions of regional integration. One is of an Asia-centric regional group, manifested largely in the 10-member Association of East Asian Nations (ASEAN) and its expanded forms,

ASEAN+3 (including China, Japan and South Korea) and ASEAN+6 (including India, Australia and New Zealand). The other is of an Asia-Pacific grouping, including Pacific-American countries and, crucially, the United States. This vision is best articulated by the 21-member Asia Pacific Economic Cooperation (APEC).

However, while ASEAN is now substantially economically integrated, APEC has made almost no progress towards economic integration in the past fifteen years. The original TPP agreement was in large part born out of frustration over the failure of APEC economic integration, and the new agreement has largely taken on APEC's role as the representative of the ideal of Asia-Pacific trade liberalization, in its attempts to regain legitimacy in the face of growing Asia-centric sentiment.

The efforts to reestablish the centrality of an Asia-Pacific definition of the region have two major strategic implications for the United States. The first is the fear of being left out of regional integration efforts. Over a quarter of US exports are sold to Asia, but it has faced growing competition from inter-Asian trade. If it is left out of a regional trade agreement, the advantages developed by Asian trade competitors could be significantly compounded, hurting US exports. Even the creation of the smaller East Asian Free Trade Area, which excludes the United States, is estimated to immediately cut US exports by \$25 billion. ASEAN, APEC and the TPP all bill themselves as forerunners to the much vaunted FTAAP, or Free Trade Area of Asia Pacific, a potential future trade bloc that could make up more than half of world trade. If an FTAAP were to grow out of an Asia-centric ASEAN, it could mean America is left out of the biggest trade bloc in the world, with the same being true for China if it were to be left out of an expanded TPP framework. With the dawning of the Asian century, competition for an economic role in the region will be fierce, and the waning superpower cannot afford to fall behind its rising rivals.

The second major strategic consideration is one Asian trade rival in particular. The rise of China heralds the largest challenge to American dominance of Asia-Pacific trade and diplomatic influence for over half a century. Aside from America's own desire to play a strong role in the region, this shift has broad balance of power considerations, with many viewing the United States as the only viable counterweight to the growing influence of China. Some, such as New Zealand and Australia, see American influence as a way to give voice to their shared ideals; while others, such as Japan, see it more simply as a way to complicate the spread of Chinese influence. Either way, a vision of a strong American role requires building close relations with the region, and the establishment of an inclusive economic group like the TPP, with the interdependence and diplomatic connectivity that requires, is a powerful way to help accomplish this.

The Asia-Pacific region offers a unique glance into our geopolitical future, in which emerging powers such as China stand on more equal footing with established powers such as the United States. The lesson of the TPP is that in such a multi-polar world, established superpowers must move beyond narrow self-interest and into the type of strategic compromises that assure their place in a changing world.

This offers the prospect of a stronger voice for developing countries, and to gauge how influential these considerations can be, we need only look at the TPP and how far America is willing to go to be part of the future of the Asia-Pacific region.

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