

The Politics of the TPP Are Plain: Target China

By Wang Yong

The Debate: Wang

THE US-LED TRANS-PACIFIC Partnership (TPP), which aims to lay the foundations for a liberalized Asia-Pacific trade arrangement, is clearly targeted at a rising China, but US intentions and the likely outcomes are more complicated than traditional realists might imagine.

With the TPP, US strategists aim to check or reduce the rapidly increasing influence and power of China in the Asia-Pacific region, and check the possibility that a China-centered trading bloc will emerge that excludes the US. At the same time, the US also has a broader objective — namely, to have a decisive say in the trade rules of the 21st century in the face of large emerging economies such as China, Brazil and India. In this respect, I argue, the TPP is targeted at China on two levels, both regionally and multilaterally.

Although the TPP is currently concerned mainly with trade issues, its comprehensive impact won't be limited to economics. It makes sense, therefore, to examine the issue not only from a geopolitical perspective but also from a geo-economic one. To argue that the TPP only has either a trade impact or a political and security impact is to fail to grasp the TPP's full nature.

As a global power, the US recognizes that its primacy must translate into a dominant position of power and influence in every region of the world. Without a doubt, a substantial portion of America's dominance in Asia lies in its full control of the regional security structure, but in the long run that dominance must rest on a foundation of economic strength. In the eyes of many Washington strategists, the economic foundation of the US-led security order in East Asia is in danger of erod-

ing. Over the last 20 years, East Asia has emerged as the most dynamic region in the global economy, and China's rise stands at the center of this remarkable growth story. China has surpassed the US and Japan to become the largest trading partner of most economies in East Asia. The growing influence of China has triggered concerns in the US about the decline of its own regional influence.

Beginning in the late years of the George W. Bush administration, US policymakers began seriously considering a "return to Asia," a policy that was rechristened and formalized under US President Barack Obama as a "pivot" to Asia. That policy contains two core elements — an economic one, centered on the TPP, and a military one, focused on "rebalancing" US forces toward Asia. It is worth noting that the redeployment of US forces to the Asia-Pacific was planned in the late years of the Bush administration. In this respect, Democrats and Republicans in the US differ only in the emphasis they place on the two core elements of the American pivot. Democrats tend to focus on the TPP, with its implications for economic interdependence as the basis of international relations, while Republicans tend to emphasize military power. Both agree on the importance of Asia.

US proponents of the TPP see it as a way of thwarting the emergence of a China-centered East Asian economic bloc. As the last two decades have clearly shown, the US government has been highly skeptical about the formation of any regional groupings in East Asia, no matter which country is taking the lead. It believes such blocs would inevitably conflict with US interests as the

region's leading nation. The US shot down a proposal in 1990 by then Malaysian Prime Minister Mahathir Mohamad to form an East Asia Economic Group, a proposal in 1998 by former Japanese Minister of Finance Kiichi Miyazawa to create an Asian Monetary Fund, and more recently a proposal by former Japanese Prime Minister Yukio Hatoyama to build an East Asia Community. None of these ideas originated in China, but US politicians tend to think that China would ultimately benefit greatly from such initiatives, and the emergence of a China-centered trading bloc would diminish US influence in the region.

The US also sees the TPP as a useful way of constraining the centrifugal tendencies of allies Japan, South Korea and Australia, which are attracted by China's growing economic power. With China now their largest trading partner, the future prosperity of all three will depend more and more on the Chinese market. Closer economic interdependence has also encouraged US allies and friends in East Asia to pursue more ambitious blueprints for regional co-operation that exclude the US, such as the ASEAN+3 framework, the East Asia Summit (to which the US was invited only in 2011) or the proposed China-Japan-South Korea free trade agreement (FTA). To American strategic thinkers, the US preoccupation with the wars in Iraq and Afghanistan enabled Asia to drift away from US leadership. The Obama administration's pivot to Asia is aimed at counteracting this centrifugal movement, and the TPP is clearly the main tool to tie together old allies in the region once again.

In this light, it is understandable that the US eagerly sought the full participation of Japan in the TPP talks, an effort which has apparently succeeded with Japan announcing on March 15 that it would join the talks with a view to membership. From America's point of view, Japanese membership is a key to the success of the TPP, because together the US and Japan would account for about 90 percent of the total GDP of all TPP members. Also, Japanese involvement would help tighten the security alliance between the US and Japan. Finally, if Japan does join, it might not be

long before South Korea does as well, given the existence of the US-South Korea FTA.

The US also sees the TPP as a strategy for having a decisive say over the direction of the multilateral trading system, and dealing with the challenges from China and other emerging economies. For years, the US, as the most important player within the multilateral trading system, exercised the final influence in negotiations over trade rules. A whole raft of trade rules that emerged from the Uruguay Round of trade talks — culminating in the creation of the World Trade Organization in 1995 — mainly reflected the interests of the US and other developed nations. When the WTO

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Doha Round was launched in 2001, however, developing nations pointed out that developed countries had not yet fully implemented their existing WTO obligations to open their markets, particularly in textiles and garments, and therefore they insisted that the Doha Round focus on development issues. Since then, the deadline for concluding the Doha Round has been postponed several times, and the US has accused emerging economies such as China, India and Brazil of creating a deadlock in the negotiations, because they won't make more market-opening concessions.

Learning from its experience of using the Asia-Pacific Economic Co-operation (APEC) forum to

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pressure the European Union for concessions during the Uruguay Round, the US has deliberately adopted a radical approach to trade negotiations in Asia, entering into FTA agreements or talks to create a regional trade arrangement like the TPP. At the risk of being accused by the rest of the world of protectionism and betraying WTO multilateralism, the US government is aiming to shape future trade rules by focusing the TPP talks on topics such as the environment, protection of labor rights and the role of state-owned companies. Not surprisingly, this time the US and the EU have found more common ground on these issues and on dealing with competition from emerging economies, which are challenging their domination of trade rule-making authority.

It is within this broader context that Obama announced in his State of the Union address in February the start of negotiations with the EU over a proposed Transatlantic Trade and Investment Partnership, or TTIP, an initiative that has been warmly received by the EU. Undoubtedly, both the TPP and TTIP follow the same logic: they provide a way for the US to have a decisive say over the trade rules of the 21st century. For both the US and the EU, China, as the world's the second-largest economy, is clearly the target.

In another respect, the TPP also represents something of an ideological or soft-power contest between the US and China. In the aftermath of

the global financial crisis, some observers hailed the "China model" as a guide to finding a post-crisis development model for the world, especially for developing countries. The US, for its part, has been critical of China's so-called state capitalism, where state-owned enterprises play a large role in the economy. The US claims that the TPP will set a high standard for trade in the 21st century, and limit the role of state-owned enterprises in trade.

It remains to be seen how the TPP negotiations will progress and how many additional countries will participate. The process is not without risks, particularly since China is currently excluded. It could trigger fierce competition among different trading blocs and damage the reputation and authority of the multilateral trading system that the US has supported for decades. More seriously, if the US implements the TPP in tandem with a significant redeployment of US military forces in the Asia-Pacific, it could create tensions reminiscent of the Cold War in Asia. Only this time, because so many Asian countries are benefiting from their economic ties with China, they will be reluctant to take sides between the US and China.

The TPP provides a vivid example of the complexity of relations among major powers in the 21st century. As a result of globalization, all major powers are locked in a network of economic interdependence: they compete for influence and power inevitably, but they share many common interests arising from the emergence of a single global market and the responsibility to sustain the globalized world order. The established superpower, the US, and the largest emerging power, China, should understand this new reality and work together to find a new type of great-power relationship based on mutual strategic trust. Otherwise they and the rest of the world will suffer greatly from their confrontation.

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