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Strategic Implications of TPP: Answering the Critics

BY ELLEN FROST

Ellen Frost, Adjunct Senior Fellow at the East-West Center in Washington, argues that “Far from thwarting Asian regionalism, TPP merely adds a new overlay. It gives ASEAN an additional incentive to achieve its goal of an ASEAN Economic Community by 2015. It has also set a major new pan-Asian grouping in motion.”

The Trans-Pacific Partnership (TPP) has swelled from four to 11 members, including the United States. Japanese Prime Minister Shinzo Abe announced earlier this year that Japan intends to join as well. During the 18th round of negotiations, scheduled to begin on July 15, two dozen separate negotiating groups will continue to hammer out the most comprehensive and far-reaching trade and investment agreement ever negotiated among Asia-Pacific states. Predictably, most free-trade advocates and economists in the United States and other Asia-Pacific nations support TPP as a stimulus to growth, while opponents fear the loss of jobs stemming from unfair or unethical competition. More surprising, however, is the variety and intensity of reactions to TPP based on strategic and political-military concerns. In Asia, trade agreements are inherently strategic in nature. Criticism of TPP centers overwhelmingly on the fact that China is not a member and secondarily on TPP’s real or imagined impact on Asian regionalism. Japan’s decision to join TPP colors both perspectives.

When President Barack Obama announced in November 2009 that the United States intended to join TPP, the Chinese government immediately issued a volley of criticism. Chinese commentaries claimed that the United States had invented TPP (false) as a Cold War tool of containment (false again) and that TPP was deliberately designed to exclude China (not true once again).

It did no good to explain to Chinese spokesmen that TPP was initiated by four small APEC members—Singapore, Chile, New Zealand and Brunei Darussalam—and that it took the US Government several years to decide to join, including the first ten months of the Obama administration. In addition, one of TPP’s founding principles is “open regionalism,” meaning that any Asia-Pacific government that makes a credible commitment to reach TPP’s high standards is welcome to apply to join. The Chinese narrative remained hostile from late 2009 until early 2011—around the same period when China’s behavior in the East and South China Seas was most assertive.

Since then, Chinese rhetoric has moderated, and Chinese officials appear to be trying to learn more about TPP rather than to categorically dismiss it as an anti-China plot. Nevertheless, many Chinese and non-Chinese commentators continue to view the US “pivot” or “re-balancing” strategy, of which TPP is clearly a component, as directed against China. Some warn that TPP will “provoke” China and that TPP’s high standards should therefore be drastically lowered so that China can qualify for membership. Not only do these observers misunderstand both the US strategy and TPP, but they also feed China’s self-centeredness and sense of victimhood. TPP will neither raise tensions nor cause China to back away from its regional priorities. Beijing can live with TPP, and reform-minded Chinese leaders may even be contemplating eventual membership. The truth is that America’s re-balancing strategy to Asia, which includes TPP, would make sense for the United States and its Asian partners even if China had remained poor. Asia’s extraordinary

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growth and relative stability are closely correlated with the rise of trade and investment opportunities.

For a second group of critics, those who champion Asian regionalism as a guarantor of peace and stability, TPP may seem misconstrued and even jarring. TPP’s composition sweeps away the ASEAN-centered pattern of “plus” diplomacy that has underpinned Asian regionalism to date (ASEAN+3, ASEAN+6, etc.). These critics fear that TPP could render ASEAN irrelevant.

From a geopolitical perspective, the composition of TPP seems illogical. Two of the three major economies of Northeast Asia, namely China and South Korea, are not members. Only four ASEAN members—Singapore, Malaysia, Vietnam and Brunei Darussalam—have joined to date. Indonesia, the only ASEAN member that is in the G20, is still on the sidelines. Cambodia, Laos and Myanmar are not APEC members and thus are ineligible for membership. The seemingly odd membership of TPP is a pragmatic patchwork that reflects the unevenness of trans-Pacific trade and investment prospects. Globally active companies from advanced economies want to knock down “behind the border” obstacles to market access. Middle-income countries are likely to find new niches as production networks expand. The poorest countries are simply not ready for such a heavy dose of free-market competition, but at least they will have a model to aim for as they develop.

Far from thwarting Asian regionalism, TPP merely adds a new overlay. It gives ASEAN an additional incentive to achieve its goal of an ASEAN Economic Community by 2015. It has also set a major new pan-Asian grouping in motion. Last November, the leaders of all ten ASEAN members and their “+ 6” associates—China, Japan, South Korea, Australia, New Zealand and India—launched a Regional Comprehensive Economic Partnership (RCEP). This less ambitious initiative combines two previous proposals for a free-trade agreement: one involving ASEAN+3—where China’s influence is strong relative to Japan’s—and the other involving ASEAN+6, where Japan, Australia, and India play an implicit but non-threatening balancing role vis-à-vis China.

Prime Minister Abe’s surprise announcement last March that Japan would join TPP adds three new strategic dimensions. First, joining TPP will stimulate the sluggish Japanese economy and thereby boost Japan’s security and diplomatic influence in the region and beyond. It will accelerate Abe’s “third arrow” for economic growth—structural reform. The first two arrows, quantitative easing and stimulus spending, are temporary by definition; TPP will bring the *gaiatsu* (foreign pressure) that Japan needs to implement domestic reform.

Second, TPP membership bolsters the Abe administration’s diplomatic outreach. Once back in office, Abe’s first trip was to Indonesia and Vietnam. Japan’s three territorial disputes—with Korea, China and Russia—are unlikely to be resolved very soon. Inept and crude remarks by Japanese politicians about wartime history have only made matters worse. Strengthening economic ties with both the United States and selected Southeast Asian nations opens the door to a more robust diplomatic presence in the region.

Third, the Japanese do not want to be isolated. South Korea already qualifies for most if not all of TPP’s stringent requirements and may soon join. Without TPP, Japan would find itself alone on the outside, alongside China.

In short, TPP presents strategic and political opportunities for both Asians and Americans. It has the potential to boost the US recovery, expand Asia’s economic growth, raise incomes and promote market-oriented norms, thereby strengthening the foundation of regional stability. There is at least one key caveat, however. If US negotiators insist on protecting some of their own industries while demanding that others expose all of theirs to competition, the advantages of TPP will be diminished. Conversely, a bold and consistent embrace of TPP requirements will benefit the entire Asia-Pacific region.

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APB Series Editor: Dr. Satu Limaye
APB Series Coordinator: Damien Tomkins

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Ellen Frost is Adjunct Senior Fellow at the East-West Center in Washington and an Adjunct Research Fellow at the National Defense University in Washington, D.C. She can be contacted via email at ellefrost@earthlink.net.