

# ECONOMICS WORKING PAPER

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## **The TPP: Truths about Power Politics**

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### **Abstract**

Preferential trade agreements are negotiated by states. By definition, they are political in nature. The more powerful the state involved, the more it can shape the trajectory of trade negotiations. The three stages of the TPP – before the US joined, while the US was a TPP member, and the US withdrawal from TPP – reaffirm this political-economic truth. Political interests often trump economic ones when it comes to trade agreements. This paper analyses the three stages of the TPP using the tools of International Relations. It highlights key political truths that are reaffirmed by each TPP stage. The first phase highlights how small states interact in the hierarchical inter-state system as policy brokers and policy entrepreneurs to attract the interest of larger states. The second stage underlines how the US-China rivalry for regional leadership in East Asia shaped how the TPP with the US in it was interpreted in primarily strategic not economic terms as was the way the Obama administration tried to sell the TPP to a trade-wary Congress. The third stage, US withdrawal and the post-US TPP, is still in its early days. Yet, the nature of the US withdrawal and the reasons given by President Trump for this, reinforce the fact that strategic interests are not fixed and predictable but are contingent on leaders' beliefs. Political interests are often more important to the trajectory of trade agreements than economic ones and are less quantifiable and more variable.

Keywords: Trans-Pacific Partnership; Political Economy

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# The TPP: Truths about Power Politics

Malcolm Cook

## 1. Introduction

Preferential trade agreements are negotiated by states. By definition, they are political in nature. As they involve more than one state, by definition, they are shaped by geo-political interests as well as economic and commercial ones. The larger the preferential trade agreement, the more geo-political concerns are likely to matter in the intent of the deal and its ramifications. The more powerful the states involved in the negotiations and eventual deal, the more geo-political concerns are likely to matter in intent and ramifications.

The disastrous outcomes of World War I and World War II centred in Europe when power political considerations trumped all else were the necessary condition for the establishment of the post-war Bretton Woods System and the General Agreement on Tariffs and Trade (GATT) at the global level<sup>1</sup> and the European Union at the regional level.<sup>2</sup> Both were created to foster economic exchange as a Liberal means to moderate and direct power political impulses away from war. The Cold War bi-polar inter-state structure determined who was in and out of these new global and European economic bodies.

The signed but not ratified Trans-Pacific Partnership (TPP), the largest in collective GDP terms regional preferential trade agreement, reflects this overarching truth.

This paper will go deeper and analyse how the three stages of the TPP's evolution each highlight different not all mutually supporting elements about this geo-political truth and its determining effects on preferential trade agreement negotiations and how these negotiations and agreements are interpreted. The first phase is prior to the United States' decision to join the TPP negotiations. The second phase, the main focus of the chapter, is from when the US joined the TPP negotiations to the signing of the agreement in early 2016. The third phase is the US withdrawal from the TPP under President Trump.

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<sup>1</sup> "Bretton Woods-GATT, 1941-1947", Office of the Historian, U.S. State Department, <https://history.state.gov/milestones/1937-1945/bretton-woods>

<sup>2</sup> See Silva (2009).

## 2. Small State Strategy

*“It is a fact that, in international diplomacy, size matters. The bigger and more powerful a country is, the greater its clout. However, this does not mean that all small countries are doomed to irrelevance and will be forever marginalised. Much depends on how a small country projects itself and interacts with other countries. This will shape other countries’ perception of its relevance and usefulness.” (Jayakumar, 2011, p.22)*

When the TPP was signed in early 2016, it had been 14 years in the making. Negotiations among its original three negotiating parties – New Zealand, Chile and Singapore - had started in 2002. The first four negotiating parties – Brunei Darussalam joined the negotiations in 2005 – signed a partial agreement in 2005. Until 2008, when the Bush administration in the United States expressed its interest in joining the TPP (then known as the Trans-Pacific Strategic Economic Partnership) negotiations over financial services and investment, the TPP was a low-key though complex and broad-reaching preferential trade agreement little noted or commented upon. This lack of attention to the deal was hardly surprising as “the original member countries account for only 0.8 percent of world gross domestic product (GDP) and 2.2 percent of global trade” (Barfield and Levy, 2009).

This lack of attention goes much deeper than the lack of headlines or news stories about the 2005 agreement. The 2005 agreement is an anomalous case in relation to the academic literature and economic models for why states negotiate minilateral preferential trade agreements. The four members are not geographically proximate or part of a recognised economic region. Wellington is over 8,500 km away from Singapore that itself is over 16,000 km away from Santiago. The 2005 agreement was by definition not a regional trade agreement. Outside of Singapore for Brunei, none of the countries are major trading partners with each other. In 2015, Chile and Brunei were statistically insignificant trading partners for New Zealand while Singapore accounted for less than 3 per cent of total New Zealand trade.<sup>3</sup>

Moreover, in 2005, the two most important trading relationships among the original four TPP signatories were already covered by pre-existing preferential trade agreements. Singapore and Brunei were members of the ASEAN Free Trade Area while Singapore and New Zealand were

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<sup>3</sup> *New Zealand: economic and financial overview 2016* (Wellington: New Zealand Government)  
<http://www.treasury.govt.nz/economy/overview/2016/nzefo-16.pdf>

covered by a bilateral trade agreement signed in 2000. Finally, the very small size and open economy nature of all four participants meant that there would be no significant trade or investment diversion effects from the 2005 agreement that would benefit the signatories or encourage excluded parties to seek to join to reduce their trade or investment diversion losses. The original TPP should not exist according to the conventional, bounded, and deductive wisdom on preferential trade deals.

Looking at the deal in power politics terms though provides an explanation for the original TPP that is not anomalous but consistent and one that has been borne out by TPP developments since 2008. The word Strategic in the original name for the TPP underlines its power political origins. A power politics truth is that small states are a distinct group that perceive themselves as different from larger and more powerful states and conduct their international engagements in a similar manner to each other. Singapore, New Zealand, Chile and Brunei all self-identify as small states that are unable to individually shape their external environments and that are particularly reliant on strong, well-functioning regional and global inter-state agreements, rules and norms.

Taking up the second part of the above quotation from S. Jayakumar, small states often seek to enhance their interests and influence by working together as “policy entrepreneurs” and “policy brokers” to come up with agreements or cooperative proposals that major powers will later accept. In this vein, Singapore, New Zealand and Chile were all members of the De La Paix group in the World Trade Organization, a grouping of small and middle power states that brokered many of the key agreements during the Uruguay Round (VanGrasstek, 2013, p.93).

The original TPP is a good example of this form of small state behaviour. With their smallness and open economies, negotiating the Trans-Pacific Strategic Economic Partnership was comparatively quick and easy. It took only three years and five rounds to negotiate, with Brunei only joining before the final round. From the beginning the TPP initiative was “nested” within the APEC process.<sup>4</sup> The agreement to negotiate it among the original three was reached on the sidelines of the 2002 APEC Leaders meeting and it was envisaged as a way to advance APEC’s central regional economic integration goals. The TPP, reflecting its policy entrepreneur function, from its origins embraced a broader range of issues with a focus on “behind the border” issues of

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<sup>4</sup> For more information on the concept of institutional nesting, please see Aggarwal (1998).

growing importance to trade liberalization but that are not well addressed in the multilateral Uruguay Round agreements or most existing bilateral or minilateral preferential trade agreements.

Reflecting APEC's commitment to "open regionalism" and the TPP's policy entrepreneur function, from the beginning the TPP was open to other APEC members to join. The US joined in early 2008, followed later that year by Australia, Peru and Vietnam, and then by Malaysia in 2010, Mexico and Canada in 2012, and Japan in 2013. The later joining by these much larger economies created the potential for the decisions reached by these four small open economies to be taken on board by trading and investment partners of much greater importance for each of the original four TPP members. Small states need to be nimble and cooperative if they want to attract the attention of larger, more powerful states and to engage them on terms not fully set by these comparative behemoths. The TPP is a good example of this small state strategy.

### **3. TPP Transformation**

*"And so we need to begin with a very fundamental proposition in understanding this agreement: either the United States of America is an Asia Pacific power, or we are not. And the "not" carries with it serious consequences. And we can't just stand up and say to the world, "'Hey, we're a Pacific power.'" We have to show it in our actions and in our choices. We can't pick and choose where and when we want to be involved. We can't talk about the rebalance to Asia one day and then sit on the sidelines the next, and expect to possibly send a credible message to partners and to potential partners around the world."* (John Kerry, Secretary of State)<sup>5</sup>

The Bush administration's decision formally announced in September 2008 to bring the US into the TPP fundamentally changed the meaning of the agreement in geo-political terms while also greatly complicating its progress. The Bush TPP decision that the subsequent Obama administration put into practice greatly enhanced the geo-political importance of the TPP and the importance of geo-political concerns for the TPP in four mutually supporting ways.

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<sup>5</sup> John Kerry, Remarks on the Trans-Pacific Partnership, speech given at the Wilson Center, Washington DC, 28 September 2016 <https://2009-2017.state.gov/secretary/remarks/2016/09/262551.htm>

## Size Matters

First, the US decision to join instantly transformed the TPP into a preferential trade deal primarily between the US and the other TPP members (existing and future). This US predominance is first and foremost a matter of comparative size. The US economy, in 2015 market exchange rate terms, was 25 times larger than the combined GDPs of the four original TPP members. The US by itself accounted for 65 percent of the combined GDP of the twelve TPP signatories. Japan comes second at only 16 percent.

**Table 1 TPP signatories 2015 GDPs (in current \$billions)**

<b>Signatory</b>	<b>GDP</b>	<b>% of Total</b>
US	18,037	64.8
Japan	4,383	15.8
Canada	1,551	5.6
Australia	1,339	4.8
Mexico	1,144	4.1
Malaysia	296	1.1
Singapore	293	1.1
Chile	241	0.9
Vietnam	194	0.7
Peru	189	0.7
New Zealand	174	0.6
Brunei	13	0.05
<b>Total</b>	<b>27,854</b>	<b>100</b>

Source: World Bank <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

US trade diplomacy interests that shaped their earlier preferential deals also determined more than those of any other signatory the scope and focus of the TPP agreement signed in 2016. This form of US predominance over the TPP is most noticeable in the chapters on labour, electronic commerce, intellectual property, cross-border services, and state-owned enterprises and designated monopolies.

US predominance is also reflected in the fact that the most contentious disputes in the negotiation of the TPP agreement signed in 2016 were mostly between the US and other individual TPP parties or coalitions of TPP parties. These include the US-Vietnam dispute over the “yarn-forward” provisions for textile rules of origin. Vietnam even had to agree to use US-sourced cotton for cotton pants exported to the US to benefit from the lowering of textile tariffs under the TPP.<sup>6</sup> For Japan, a major point of contention was the TPP rules for automobile and automobile parts’ rules of origin. A compromise deal was struck between Japan on one side and the US, Canada and Mexico on the other.<sup>7</sup> For Australia, backed by Chile and Peru, disagreements with the US over patent protections for biologics drugs were a potential deal breaker.<sup>8</sup> The TPP is the first trade agreement to include coverage of these cutting edge medicines.

### U.S. Leadership

Second, the identification of US geo-political interests in the TPP and their prioritization in Washington DC largely occurred during the two Obama administrations from 2009 to 2017. In September 2008, when the Bush administration, in its final months, announced the decision to join the TPP, economic reasons predominated. United States Trade Representative Susan Schwab, at the formal announcement of U.S. participation, outlined the primary goal of TPP membership as

*“We need to ensure that our trade will continue to expand so that it can contribute to U.S. economic growth in the future. Strengthening our economic ties to the Trans-Pacific region is vital to achieving this goal because of the economic significance of this region now and in the future. The Trans-Pacific region accounts for nearly 60 percent of world GDP and almost half of all global trade. With its large and growing markets and robust economic growth, it is clear that further strengthening our ties to this region should be a priority.”<sup>9</sup>*

It was only during the Obama administrations that the US geo-political interests in the TPP, and how they would be marshalled to support the US participation in the deal, became clear. From the

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<sup>6</sup> <https://ustr.gov/sites/default/files/TPP-Chapter-Summary-Textiles-and-Apparel.pdf>

<sup>7</sup> “Four-way auto deal advances TPP talks”, *The Japan Times*, 2 October 2015, [http://www.japantimes.co.jp/news/2015/10/02/business/tpp-talks-extended-ministers-struggle-strike-trade-deal/#.WJwsM\\_KOwug](http://www.japantimes.co.jp/news/2015/10/02/business/tpp-talks-extended-ministers-struggle-strike-trade-deal/#.WJwsM_KOwug)

<sup>8</sup> Ruth Lopert, “Why biologics were such a big deal in the Trans Pacific Partnership”, *The Conversation*, 6 October 2015 <https://theconversation.com/why-biologics-were-such-a-big-deal-in-the-trans-pacific-partnership-48595>

<sup>9</sup> “Schwab statement on launch of the U.S. Negotiations to join the Trans-Pacific Strategic Economic Partnership Agreement”, 22 September 2008 <https://ustr.gov/schwab-statement-launch-us-negotiations-join-trans-pacific-strategic-economic-partnership-agreement>

beginning of the first Obama term, the administration wanted to change the US's global geopolitical approach from the prior Bush administration one largely defined by two costly and sapping wars in the Middle East. This shift away from the Middle East became known as the Asia pivot or rebalance policy even though the focus was always the Asia-Pacific, a broader concept that includes the U.S. as the region's leading state. The most comprehensive early description of the desired shift was Secretary of State Hillary Clinton's 2011 article entitled "*America's Pacific Century: The Future of Geopolitics Will Be Decided in Asia, not Afghanistan or Iraq, and the United States Should Be Right at The Center of the Action*" that posits at the outset that,

*"The Asia-Pacific has become a key driver of global politics. Stretching from the Indian subcontinent to the western shores of the Americas, the region spans two oceans – the Pacific and the Indian – that are increasingly linked by shipping and strategy. It boasts almost half the world's population. It includes many of the key engines of the global economy, as well as the largest emitters of greenhouse gases. It is home to several of our key allies and important emerging powers like China, India, and Indonesia.*

*At a time when the region is building a more mature security and economic architecture to promote stability and prosperity, U.S. commitment there is essential. It will help build that architecture and pay continued dividends for American leadership well into this century, just as our post-World War II commitment to building a comprehensive and lasting transatlantic network of institutions and relationships has paid off many times over – and continues to do so. The time has come for the United States to make similar investments as a Pacific power, a strategic course set by President Barack Obama from the outset of his administration and one that is already yielding benefits."*<sup>10</sup>

In this article, the TPP is only discussed near the end of the article after long sections on US alliances and security relationships in the Asia-Pacific and US engagement with ASEAN. In line with the US hosting of APEC in 2011 in Hawai'i, Clinton's article discusses the TPP as part of the

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<sup>10</sup> Hillary Clinton, "America's Pacific century: the future of geopolitics will be decided in Asia, not Afghanistan or Iraq, and the United States should be right at the center of the action", *Foreign Policy*, No. 189, November 2011, 57.



US commitment to APEC and APEC's 2010 identification of the TPP as one of the possible pathways to an eventual Free Trade Area of the Asia Pacific.<sup>11</sup>

From 2010 to early 2013, *CNN* listed 45 positive mentions of the TPP in public remarks by Hillary Clinton, including her most fulsome reference in November 2012 in Adelaide Australia that, "this TPP sets the gold standard in trade agreements to open free, transparent, fair trade, the kind of environment that has the rule of law and a level playing field." This reference is the only one among the 45 listed by *CNN* that has a distinct geo-political feel to it.<sup>12</sup> As Secretary of State, Hillary Clinton never gave a speech on the TPP.

The TPP did not feature in the early speeches by President Obama setting out his administration's Asia-Pacific rebalance strategy. In his November 2009 speech in Yokohama and his November 2011 speech in Canberra on the Asia-Pacific rebalance policy, the TPP is not mentioned. Nor is it in his opening remarks to the 2011 APEC leaders' summit in Honolulu. Greg Sheridan, the foreign editor of *The Australian*, noted caustically that President Obama never gave a major TPP or Asia-Pacific rebalance speech in the U.S.<sup>13</sup>

President Obama and Secretary of State John Kerry only began to promote the TPP and its geo-political importance strongly in their public remarks at home and abroad from early 2015 onwards. This is when the US executive branch began to push Congress to first grant the Obama administration trade promotion authority (granted in June 2015) and then to ratify the TPP once it had been signed in February 2016. This relative silence until 2015 strongly suggests that the Obama administration's focus on the TPP's geo-political dimensions was primarily a tactic to pressure the traditionally trade-shy Congress to pass the largest and most complex regional trade agreement the US had negotiated and signed.

The verbal fusillade from the Obama administration aimed at Congress about the TPP's geo-political importance for the US was impressive and did certainly contribute to the granting of trade

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<sup>11</sup> *Pathways to FTAAP*, 2010 APEC Leaders' Declaration [http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010\\_aelm/pathways-to-ftaap.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm/pathways-to-ftaap.aspx). This declaration identifies three potential pathways, the ASEAN+3 process (that never prospered), the ASEAN+6 process (that became the Regional Comprehensive Economic Partnership process) and the TPP. The US is only a member of the TPP pathway.

<sup>12</sup> Jake Tapper, "45 times Secretary Clinton pushed the trade bill she now opposes", *CNN*, 15 June 2015 <http://edition.cnn.com/2015/06/15/politics/45-times-secretary-clinton-pushed-the-trade-bill-she-now-opposes/>

<sup>13</sup> Greg Sheridan, "Death of TPP can be laid at Barack Obama's feet", *The Australian*, 14 November 2016 <http://www.theaustralian.com.au/opinion/columnists/greg-sheridan/death-of-tpp-can-be-laid-at-barack-obamas-feet/news-story/116f9b8bdb4acc8ae69e3a0ad2fb1489>

promotion authority. In April 2016, in an unprecedented intervention into trade policy, eight of the nine surviving secretaries of defense who together had held this position for twenty-nine of the last forty years sent a letter of support for ratifying the TPP to the majority and minority leaders of the House and Senate majorities.<sup>14</sup>

Echoing Clinton's 2011 *Foreign Policy* article, the letter states that,

*“The TPP presents a choice for the United States. It is a choice between leading the world toward a future that supports U.S. values and interests, or standing back and allowing others – most likely China – to write the rules of the road for Asia in the 21<sup>st</sup> century. And let us be clear: trade rules written by China would not promote a trading system consistent with American interests and values.*

*The United States cannot and should not fall behind on the world stage. Our leadership in a troubled world is dependent on our military, diplomatic, and economic power. We cannot afford to weaken any element of our strength at this critical time. With a trade agreement of this magnitude, there will be elements that some dislike, but the overall benefits to our economy and national security cannot be overstated. We urge you to support the TPP and to help the United States maintain its leadership in the 21<sup>st</sup> century.”<sup>15</sup>*

The serving Secretary of Defense Ashton Carter joined his predecessors in strongly supporting ratification of the TPP for its perceived geo-political benefits for the U.S. In a Council on Foreign Relations presentation in April 2016, Secretary Carter paraphrased the argument of his predecessors, stating that,

*“TPP should be ratified because of its economic and strategic benefits and because we must recognize that the alternative to TPP really is – a regional economy, largest in the world, with standards that don't serve American interests and one's that carved up by lopsided, coercively negotiated, lower-standard deals. That's why I've said that TPP is as strategically important*

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<sup>14</sup> Dick Cheney, a supporter of Donald Trump's presidential bid, was the only living secretary of defense to not sign the letter.

<sup>15</sup> The letter can be seen at [https://csis-prod.s3.amazonaws.com/s3fs-public/event/160428\\_Trans\\_Pacific\\_Partnership.pdf](https://csis-prod.s3.amazonaws.com/s3fs-public/event/160428_Trans_Pacific_Partnership.pdf)

*to the rebalance as an aircraft carrier. And I strongly urge Congress to approve TPP this year.”*<sup>16</sup>

President Obama and Secretary of State John Kerry also trumpeted similar geo-political arguments and the US-China rivalry for leadership in the Asia-Pacific in their statements encouraging Congress to ratify the TPP. In a May 2016 opinion piece for *The Washington Post*, the president compares the TPP positively with its possible alternative, the ASEAN-led Regional Comprehensive Economic Partnership process. This process does not include the US and China is the leading economy accounting for about half of the combined GDP of the 16 negotiating parties. President Obama ends his opinion piece by contending that,

*“The world has changed. The rules are changing with it. The United States, not countries like China, should write them. Let’s seize this opportunity, pass the Trans-Pacific Partnership, and make sure America isn’t holding the bag, but holding the pen.”*<sup>17</sup>

Secretary of State Kerry focussed more of his advocacy on reactions from other Asia-Pacific states if the U.S. did not ratify the TPP. In an impassioned speech at the Wilson Center in Washington DC in September 2016, Secretary Kerry warned that,

*“And make no mistake – if we retreat from this agreement, every government in the region, every business, every labor union, every group of environmental advocates, and the commanders of every army and navy will notice. And they will notice it in a way that does not work for the United States of America. It will be a unilateral ceding of American political influence and power with grave consequences for the long term.*

*And I got news for you. They’re going to be asking themselves, hey, if we can’t count on the United States, where else should we turn? If the principles and rules written into the TPP don’t matter to the United States, why should we accept them? If America won’t enter into*

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<sup>16</sup> Ashton Carter, The future of the U.S. rebalance to Asia, speech given at the Council on Foreign Relations, 8 April 2016 <http://www.cfr.org/defense-and-security/future-us-rebalance-asia/p37723>

<sup>17</sup> Barack Obama, “The TPP would let America, not China, lead the way on global trade”, *The Washington Post*, 2 May 2016 [https://www.washingtonpost.com/opinions/president-obama-the-tpp-would-let-america-not-china-lead-the-way-on-global-trade/2016/05/02/680540e4-0fd0-11e6-93ae-50921721165d\\_story.html?utm\\_term=.001df2ff0284](https://www.washingtonpost.com/opinions/president-obama-the-tpp-would-let-america-not-china-lead-the-way-on-global-trade/2016/05/02/680540e4-0fd0-11e6-93ae-50921721165d_story.html?utm_term=.001df2ff0284)

*partnership with us on economic matters, why should we look to Washington for guidance on political or security matters.”<sup>18</sup>*

### Supporting US leadership

Third, the decision by the US to join the TPP raised the geo-political importance of the TPP for its existing members and for those that chose to join after the US (likely predominantly because the US had chosen to join). For Singapore, Australia, Japan and Vietnam in particular, the TPP’s geo-political potential to strengthen the basis for continued US leadership in the Asia-Pacific and as a platform to enhance their respective geo-political relations with the US appear decisive. In the cases of Japan and Vietnam, this heightened geo-political importance may have been a necessary condition for these states to join a trade negotiation that promised to require significant, painful economic reforms.<sup>19</sup> For Australia and Singapore, they had already negotiated bilateral trade deals with the US prior to 2008, limiting the market access gains they would accrue from the US decision to join the TPP.

Senior politicians from Australia and Singapore in a very undiplomatic and direct manner expressed the geo-political importance of the US ratification of the TPP for them. In June 2016, Joe Hockey, the Ambassador of Australia to the United States, set out Australia’s geo-political interests and concerns,

*“So, Ladies and Gentlemen, five months after Woodrow Wilson gave his speech to Congress about his 14 point plan for the destiny of America and the world, just five months later, as I said, Australian soldiers and United States soldiers fought together, side-by-side for the first time on the Western Front in the battle of Hamel on the Fourth of July 1918.*

*We are the only nation on earth to have fought side-by-side with the United States in every major battle since 1918. Sometimes great battles are not necessarily fought by soldiers. Sometimes courage from political, community and business leaders and the leaders*

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<sup>18</sup> John Kerry, Remarks on the Trans-Pacific Partnership, speech given at the Wilson Center, Washington DC, 28 September 2016 <https://2009-2017.state.gov/secretary/remarks/2016/09/262551.htm>

<sup>19</sup> Aurelia Mulgan George, “Securitizing the TPP in Japan: policymaking structure and discourse”, *Asia Policy*, No. 22, July 2016 [http://www.nbr.org/publications/asia\\_policy/free/AP22/AsiaPolicy22\\_GeorgeMulgan\\_July2016.pdf](http://www.nbr.org/publications/asia_policy/free/AP22/AsiaPolicy22_GeorgeMulgan_July2016.pdf) ; Dien Luong, “Why Vietnam loves the Trans-Pacific Partnership”, *The Diplomat*, 16 March 2016 <http://thediplomat.com/2016/03/why-vietnam-loves-the-trans-pacific-partnership/>

*of organized labour must be equal to the most courageous of soldiers. Implementing and promoting core values, such as freedom of trade, made America great in the first place. Countries are only great if their values, ideals and ambitions are shared willingly by others. By ratifying the TPP, the United States will ensure that it continues to have a major leadership role in the Asia-Pacific Region.*

*The cost of failure may well be too great to imagine.”<sup>20</sup>*

In an October 2016 interview with *Time*, Singapore Prime Minister Lee Hsien Loong, when answering a question about the US not ratifying the TPP, argued in a similar vein that

*“Your standing goes down with many countries around the world. Your opponents as well as your friends will say, “You talked about the strategic rebalance, you talked about developing your relationships. You can move aircraft carriers around. But what are the aircraft carriers in support of”? It has to be deeper economic and broad relationships. You do not do things which the Chinese do. The Chinese go around with lollipops in their pockets. They have aid, they have friendship deals, they build you a Prime Minister’s office or President’s office, or Parliament House or Foreign Ministry. For them, trade is an extension of their foreign policy.*  
...

*It is not just on trade, even on strategic issues. The key thing in Northeast Asia is North Korea. They are unpredictable, they are developing their nuclear capabilities and their missiles. You do not want the South Koreans to do that, you do not want the Japanese to do that. What is the restraint on them? It is your credibility as an ally and as a deterrent. I do not think failing to ratify the TPP will strengthen that at all, or help Mr. Abe, who has gone out on a limb to support this and is in the process of ratifying it right now.”<sup>21</sup>*

Prime Minister Shinzo Abe of Japan in a September 21 speech in New York echoed, in more diplomatic terms, this same message of urgency,

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<sup>20</sup> Joe Hockey, Australia, the US and the Trans-Pacific Partnership, speech given at an East-West Center/Pacific CSIS event, 29 June 2016, Honolulu <http://usa.embassy.gov.au/whwh/HOMSPEECHJUN16.html>

<sup>21</sup> Interview with Lee Hsien Loong, *Time*, 26 October 2016 <http://time.com/4545407/lee-hsien-loong-singapore-globalization/>

*“And here is my request to you. Please do ratify the TPP. The Asia Pacific should be much, much, much better off with the US fully being a TPP member. We are simply waiting for you to take a leadership role. “Come along, America,” should be my own message to you.”*<sup>22</sup>

Japan, Australia and Singapore have long been strong advocates of US leadership in the Asia-Pacific and have shaped their foreign and security policies to support the US in the region. The US alliances with Japan and Australia are the two most important and interlinked in East Asia. Singapore is the most important and reliable US security partner in Southeast Asia. Security and broader strategic relations between the US and Vietnam deepened the most of all US relations in East Asia over the period of the two Obama administrations as Vietnam sought to reduce their vulnerability and dependence on China.<sup>23</sup>

### Power Transition

The fourth way the geo-political importance of the TPP has been enhanced may be the most important and the hardest to analyse. It is a matter of historical timing. As John Maynard Keynes (1936, pp.383-384.) observed, “The ideas of economists and political philosophers, both when they are right and when they are wrong are more powerful than is commonly understood. Indeed, the world is ruled by little else”. The overarching concept and broader International Relations theory that has bolstered the perception of the geo-political importance of the TPP is the power transition theory associated with Organski (1958) at the global level and Lemke (2002) at the regional level.

Echoing Realist thought, power transition theory holds that the structure of the inter-state (or regional) strategic order is fluid. Period of systemic stability are associated with the rule of a dominant power, yet non-dominant powers will seek to replace the dominant power. Periods of instability and potential conflict arise when this state of dominance is credibly challenged by a rising power or collections of powers. The prevailing understanding of the current situation in the Asia-Pacific is that the period of US dominance is coming to an end with China seeking to replace

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<sup>22</sup> Opening remarks by Prime Minister Shinzo Abe at the Dialogue with the New York based business and financial community, 21 September 2016 [http://japan.kantei.go.jp/97\\_abe/statement/201609/1219240\\_11015.html](http://japan.kantei.go.jp/97_abe/statement/201609/1219240_11015.html)

<sup>23</sup> Le Hong Hiep, “The TPP’s impact on Vietnam: a preliminary assessment”, *ISEAS Perspective* No. 63, 4 November 2015 [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2015\\_63.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2015_63.pdf)

the US as the dominant power. This particular interpretation of reality is prevalent in academia, the media, the business community and government.

The Obama administration's Asia-Pacific rebalance policy was informed by power transition theory as the US sought to address concerns of US "staying power" in East Asia in this region and at home in the US. The geo-political reasons the Obama administration marshalled to pressure Congress to pass the TPP are all very consistent with power transition theory, particularly the focus on a battle between China and the US and its partners to "write the rules." Likewise, for the arguments marshalled by the Australian, Singapore and Japanese governments. The acceptance of power transition theory and its gloomy tenets underpins these comments' sense of urgency and the view expressed above by Prime Minister Lee Hsien Loong that if the US does not ratify the TPP, this would be a significant geo-political victory for China and loss for the US.

Reflecting the depth of acceptance of power transition theory and its focus on US-China rivalry for dominance, much of the academic and media analysis of the Obama administration's Asia-Pacific rebalance policy and of the TPP's progress has been seriously over-determined and simplistic. Despite President Obama's Asia-Pacific rebalance speech in November 2011 in Canberra barely mentioning China, and when it did noting the benefit for the US and region of China's rise, Paul Keating, the former prime minister of Australia, creatively re-interpreted it as a call for the containment of China,

*"Yes, well, I think what we saw this week was the president in Australia saying that - to the American audience, really; it was a speech for the American audience, "We're getting out of the Middle East. We're renewing our interest in the Asia-Pacific and we're sticking it to China."*

*Now, I think that was the context of the speech. Where we got wrapped up in the speech is of course in it was the announcement of a modest increase in troop movements through Australia. This would have been otherwise unexceptional had it been announced, say, after the AUSMIN meeting between Australian and US ministers in San Francisco six weeks ago, but it got*

*wrapped up in the US kabuki show, and in a sense we've got brought into it, perhaps verbalised to be part of what looks like the stringing out of a containment policy.”<sup>24</sup>*

Prime Minister Gillard, Keating’s Australian Labor Party colleague, not surprisingly, had a very different, more benign view.

Another example of the power of power transition theory over the depiction of the US participation in the TPP is the very common misrepresentation of the Regional Comprehensive Economic Partnership (RCEP). China, so far, has demurred from joining the TPP, stating that it is not ready to do so. The United States is not part of the RCEP negotiations as a pre-existing trade agreement with ASEAN was a prerequisite for an ASEAN invitation to join the RCEP negotiations that started in late 2012. Many mistakenly have depicted RCEP and TPP as rivalrous trade diplomacy efforts with the US leading TPP and China RCEP.<sup>25</sup>

Rather, RCEP is an ASEAN initiative and RCEP negotiations are chaired by Indonesia, ASEAN’s largest state and economy. Moreover, RCEP, with its 16 members, is the ASEAN-led alternative to the 2001 idea promoted by China for a narrower 13 member East Asian Free Trade Area.<sup>26</sup> RCEP reflects much more the competing 2006 Japanese idea for a Comprehensive Economic Partnership for East Asia that consisted of the same 16 states now negotiating RCEP.<sup>27</sup> The origins of RCEP were a successful attempt by ASEAN to preclude a Chinese-led regional trade deal, the exact opposite of how it is regularly presented.

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<sup>24</sup> “Paul Keating welcomes the rise of China”, *ABC News*, 23 November 2011  
<http://www.abc.net.au/lateline/content/2011/s3374642.htm>

<sup>25</sup> A stark example among many of this misrepresentation is Gordon G. Chang, “TPP vs. RCEP: America and China battle for control of Pacific trade”, *The National Interest*, 6 October 2015 <http://nationalinterest.org/feature/tpp-vs-rcep-america-china-battle-control-pacific-trade-14021>

<sup>26</sup> Australia, New Zealand and India were excluded from the East Asia Free Trade Area proposal

<sup>27</sup> Jae-Kyung Park, “ASEAN centrality: the case of RCEP”, *cogitASIA*, 15 November 2012  
<https://www.cogitasia.com/asean-centrality-the-case-of-rcep/>



#### 4. TPP Terminated

*“It's a rape of our country. It's a harsh word, but that's what it is -- rape of our country”*

*(Donald Trump, 28 June 2016)*

*“I oppose it now, I'll oppose it after the election, and I'll oppose it as president,”*

*(Hillary Clinton, 11 August 2016)*

*“The Trans-Pacific Partnership is a disastrous trade agreement designed to protect the interests of the largest multi-national corporations at the expense of workers, consumers, the environment and the foundations of American democracy.”*

*(Senator Bernie Sanders, 29 December 2014)*

*“There are a number of Republicans on that (debate) stage who support TPP, who support (the Trade Promotion Authority), I voted against TPA and I intend to vote against TPP.”*

*(Senator Ted Cruz, 19 November 2015)*

On 23 January 2017, as one of his first acts as president, Donald Trump withdrew the US from the TPP, effectively terminating the agreement that was signed on 4 February 2016.<sup>28</sup> Over the next years the truthfulness of the counterfactual threats issued by the Obama administration and the governments of Australia and Singapore among many others about the detrimental geo-political consequences for US leadership in the Asia Pacific of TPP withdrawal will be tested.

The US withdrawal itself does support an enduring truth of geo-politics and one that is particularly painful for diplomats and International Relations scholars. Domestic, pocket book concerns (real or imagined) invariably trump grand strategic designs and geo-political interests, particularly in legislatures. Politics are local, not regional or global.

The US withdrawal from the TPP is just the latest reversal in US trade diplomacy history. In the immediate post-war period, the Truman administration signed the Havana Charter to establish the

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<sup>28</sup> For the TPP signed in February 2016 to come into force at least 6 of the 12 signatories accounting for at least 85% of the combined GDP of the 12 signatories must ratify the agreement. The US withdrawal means this requirement cannot be met.

International Trade Organization, then deemed as key to precluding World War III, only for a Republican-majority Congress to refuse to ratify the agreement. The first George W. Bush administration had to renegotiate key parts of the trade deal the US had signed with South Korea under the Clinton administration. The first Clinton administration could only get the North American Free Trade Agreement through Congress with the support of the Republican minority. A majority of Democrats in both the House of Representatives and the Senate voted against the Agreement and their president.

As indicated by the above 2015-16 campaign comments on the TPP from the two Republican and two Democratic Party front-runners, the TPP was particularly politically toxic. President Obama failed to get the TPP through Congress despite a strong, if late, push by his administration. It is likely that regardless who won the 2016 presidential campaign, they could not have secured enough votes in either house of Congress to ratify the TPP. It would have at the very least required, as in the case of the US-South Korea bilateral deal, some of renegotiation to satisfy Congressional concerns, a much more difficult scenario to imagine with the twelve-member TPP than with the bilateral US-South Korea deal particularly as some TPP members had already ratified the agreement signed.

It is clear though that Donald Trump's opposition to the TPP (as with that of Bernie Sanders) is not simply a case of placing vested sectoral interests above general economic or geo-political ones. Accepting geo-political costs to benefit uncompetitive farming or manufacturing interests. Rather, Trump's opposition shows that geo-political interests and the cost/benefit analysis underlying them are not fixed as suggested by both Realist and power transition theories. Rather, they are contingent on the worldview of the leader of the particular state at the particular time. Donald Trump has for decades seen that the main bases of US regional and global leadership have been detrimental to US power accumulation and long-term geo-political interests. He has posited that US allies and partners in trade agreements have taken advantage of the US, that these alliances and preferential trade deals are zero-sum games with the US as the losing side. This despite the US being in all cases the most powerful state. For the first time in US post-war history, the president himself is a barrier to the existing US trade diplomacy agenda. President Trump, not the US Congress, terminated the TPP and he terminated it for, not despite, perceived truths about power politics.

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