



Protectionism and Containment in the Twenty-First Century: Trans-Pacific Partnership (TPP)

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ABSTRACT

This paper has been argued on two premises: The first is that protectionism, rather than absent to reflect the free-trade rhetoric attendant globalization has been an evolving process over the decades since the 1944 Bretton Woods Agreement. The most recent manifestation and arguably the most forceful in terms of motivation to avoid domestic adjustment is the TPP agreement. Hence, TPP is presented as a trade-policy imperative of the US in its bid to “rebalance global growth” within the existing international institutional frameworks that support its competitive advantage. However, given the geo-economic implications for the wider world, TPP is not likely in its present form and content to be embraced by other TPP members, BRICS (Brazil, Russia, India, China, and South Africa), and the European Union (EU) which has a proposal of its own in the form of the Trans-Atlantic Trade and Investment Partnership (T-TIP).

The second premise, and resulting from the first, is that containment of China, either by accident or by design, is a significant aspect of the TPP agreement; it is in keeping with the desire of the US to remain the sole superpower and the dominant force in Asia. But, to the extent that containment is predicated on the US’s ability to maintain an American-centric world economic order in an era of much uncertainty and an assertive China, containment is equally unlikely to be successful.

Keywords: Trans-Pacific Partnership (TPP), Protectionism, Vietnam, Containment, ment, Rebalance global growth, Free Trade Agreements; APT

1. Background

This paper advances two premises in regard to the Trans-Pacific Partnership (TPP): The first is that TPP represents the latest initiative on the protectionism continuum, thus the latest substitute for domestic adjustment. It is therefore unlikely to succeed in an era of increasing uncertainty surrounding the world economic and political order, as discussed by Parag Khanna (2008) and by Immanuel Wallerstein (2005). The second premise is that, as a two-pronged initiative TPP further represents the latest attempt to contain China in its sphere of influence in the region and the wider world, hence it is equally likely to fail in this objective.

In regard to the first premise, TPP’s primary focus is to facilitate the perceived need to “rebalance global growth” within the existing institutional framework of global capitalism with minimal disruption to the US economy.¹ It reflects the prevailing American mind-set that “there has got to be some advantage to being a superpower,”² and, as Robert Keohane (2005) observed, an approach to adjustment that is situated

¹ According to Dominique Strauss-Kahn, then Managing Director of the IMF: “When countries want to have a bigger quota and have more say, more voice, more influence in the IMF, then they must also share the problems...” “IMF/World Bank Annual Meeting,” *C-SPAN2*, October 9, 2010

² Articulated by Richard Pearle, “The Case for War: in defense of freedom” in America at the Crossroads, *Frontline*, April 17, 2007.

in hegemony (see also, Gardner 1972: 30): The reinterpretation of Article 6-1 of the Charter by the IMF in 1969 and the creation of the General Agreement to Borrow (GAB) in 1972 stand in evidence; according to Eric Helleiner (1994: 97-98), both were criticized by France, Belgium, and the Netherlands as “a trick of the Anglo-American nations” and “a substitute for necessary adjustment.” Also, in response to its “overhang of overseas liability to private and official foreigners” arising from excess demand and the Vietnam War (Cohen 1977: 99), the US suspended convertibility of dollars into gold in August 1971. West Germany and Japan, surplus countries, were forced thereby to make concessions and to accept floating exchange rates (Table 1); conversion to monetarism premised on the notion that “capitalism is essentially a financial system” with “banks as key institutions” (Minsky, 1967: 171-187) was thus complete: no longer was it necessary that “the sum of the debits had to equal the sum of the credits” (Rasminsky 1972:35; Bernstein, 1972). However, financing of speculative capital flows and overleveraging of financial assets that accompanied liberalization resulted in unwelcomed consequences.³

That the US appears reluctant to make the necessary domestic adjustments now, despite the growing national debt—now over USD 17.0 trillion—and perennial balance of trade deficits, is clearly rooted in its perceived hegemony. On this occasion, however, despite repeated visits by US Treasury Secretaries and by FED Chairman Ben Bernanke the US was unable to persuade China of the benefits to be derived from financial liberalization and foreign ownership of their banks (Chang 2008: 115-116). As a result, externalizing imbalances gave way to unprecedented and unconventional central bank intervention—quantitative easing (QE) and purchase of Commercial Paper—as the next best choice in treating with the 2007-2008 financial crisis. But even as QE was vigorously pursued, its effect was largely limited as India, China, and Brazil were mindful of the destabilizing implications of what Brazil’s Finance Minister, Guido Mantega, termed “throwing dollars from a helicopter.”⁴

1.1. The Protectionism Continuum

As shown in Tables 1 and 2, despite a commitment to tariff reduction and seven rounds of negotiations under the General Agreement on Tariffs and Trade (GATT) both the US and Europe continued to protect their uncompetitive and sensitive domestic industries (Bhagwati, 1988; Strange, 1987; Tussie, 1987). To be sure, creative forms of trade restrictions were devised and employed concurrently (see Krueger, 1993; Kelly, et al 1992; Bhagwati and Patrick, 1990; Goto, 1989). Also, as shown in Tables 1 and 2, agriculture was excluded from any negotiation on tariff reduction under the GATT (Borrell and Duncan, 1992; Page, et al. 1991; Trela and Whally, 1990). Furthermore, in the case of textile and clothing, the US textile and clothing industry continued to seek protection, calling for a return to a quota system on imports from China.⁵

Table-1. Selected Actions/Events with Protectionist Implications Post-GATT: US – Europe

Year	Events/Actions	Protectionist Implications
1957	Treaty of Rome	Custom Union formed by Germany, France, Italy, Netherlands, Luxemburg, and Belgium (trade creation and trade diversion).
1962	Common Agricultural Policy (CAP)	Agricultural subsidies and other forms of protection for European Community members. Former European colonies received preferential treatment.
1969	Reinterpretation of Article 6-1 of the Charter by the IMF	Facilitated financing of speculative capital flows within member countries. Increased international trade among the advanced countries.
1971	US suspended convertibility of Dollar into gold	Germany and Japan (surplus countries) forced to support floating exchange rates
1972	Floating exchange rates	Removed requirement for deficit countries to make domestic adjustment. Changed basis for international settlement.
1972	General Agreement to Borrow	Forerunner to BoP support from the IMF. Deficit countries could borrow to finance trade imbalance.

³ According to the Governor of the Bank of England, “We all did see the unsustainable circumstances we were in. The imbalances were discussed in every IMF meetings for about ten years”, Central Bankers and the Global Economy, *C-SPAN2*, 10/11/2010

⁴ Nicolaci da Costa, A. and Chance, D. “Emerging market policymakers slam Federal Reserve move,” *Reuters*, November 4, 2010

⁵ Crutsinger, M., Textile industry seeking job protection, *Associated Press*, http://biz.yahoo.com/ap/050403/textile_battle.html?.v=3 April 3, 2005.

Table-2. Selected Actions/Events with Protectionist Implications Post-GATT: US and Europe – Developing Countries

Year	Events/Actions	Protectionist Implications/Effects
1950s	Short-term Arrangement & Long-term Arrangement (LTA) governing importation of Textile from Japan.	US reintroduced subsidies to textile industry. Limit Japanese export of textile and clothing into the US and Europe. LTA became a condition for Japan being admitted to the WTO in 1960; loss of export picked up by Hong Kong.
1974 – 2004	Multi-fibre Agreements (MFA-1—MFA-IV)	Restricted exports of textile and clothing from successive developing countries (Japan, Hong Kong, China, Bangladesh, and others) to US and EU. Quotas removed in 2004.
1974	Trade and Tariff Act	Introduced voluntary export restraints (VERs); limits Japanese export of automobiles and electronics into the US. Authorized unilateral trade sanctions.
1978	Super 301 (introduced as an extension of the Trade and Tariff Act, 1974)	Strengthen unilateral trade sanctions against exports from developing countries. Introduced countervailing duties (CVDs).
1980-84	US introduced tight monetary policy.	Increased external interest rates. Led to massive trade and budget deficits by developing countries and to the Debt Crisis.
1982	Sweetener Act, 1982	Quantitative restrictions imposed by US on imports of sugar from the Caribbean Initiative Countries.

1.2. Purpose, Scope, and Framework

With the above as background, the purpose of this paper is to examine in the first place the potential implications of TPP for its members and for other FTAs within the broad framework of the economics of protectionism that has been an evolving process since the 1944 Bretton Woods Agreement. In the second place, since many of the issues identified in TPP appear to go beyond trade issues, they are further examined for their containment implications, especially in connection with China's bid to reestablish itself as a regional power and its growing geopolitical influence in other parts of the world with which the US is decidedly uneasy: The interconnectedness of exchange resulting from globalization—supported by international institutions in a hierarchical structure—and control over space—supported by military power—that informs the geopolitical (Khanna, 2008), provides the framework.

In regard to the latter, it is noteworthy that the current hierarchical structure of international institutions and the use of military power, as demonstrated by the invasion of Iraq (see Chang, 2008; Suskind, 2006), have become concerns for some members of TPP.⁶

Hence, to counter the potential negative implications of TPP, the Regional Comprehensive Economic Partnership (RCEP)⁷ has been proposed as a safeguard to joining TPP by those countries who would like to preserve their existing relationships with China.⁸

In addition to RCEP, the goals and objectives of the Association of South East Asian Nations (ASEAN) Plus Three (APT) have been revised in 2013. Since many of the revisions addressed the discontent attendant the globalizing process as discussed by Joseph Stiglitz (2002; 1998), they are likely to influence the direction of TPP and are examined in context. Similarly, across the Atlantic the T-TIP has been proposed by the EU as a countermeasure to some of the negative implications of TPP; however, although important to the larger discourse on protectionism, space does not permit an examination of its implications in this paper.

This paper also draws on other trade agreements that are in existence, including World Trade Organization (WTO), IMF, and World Bank (WB) agreements.

⁶ Many of the members of TPP are members of FTAs that have one or more BRICS as members or have bilateral trading relationships that have been beneficial to them and, therefore, need to be preserved. Geopolitically, the Malaysian Prime Minister's reproving advice to President George W. Bush regarding not being forced to choose between China and the US is instructive.

⁷ 2014-15: Australia and Turkey Collaborating in the G20 Troika, December, 2013
<http://www.google.com/url?sa=t&rct=j&q=ttip%20rcep%20world%20bank%20imf&source=web&cd=1&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.turkey.embassy.gov.au%2Fanka%2FHOMSPeechG20GRF1st20Dec.html&ei=lvrjU4b8Foz4yQSxuYDQAg&usg=AFQjCNEjy1KqluGhe10ZEtS61LTZMLQKWQ&bvm=bv.72676100,d.aWw>

⁸ Darson Chiu, "Join RCEP first to sustain growth", http://www.google.com/url?sa=t&rct=j&q=ttip%20rcep%20world%20bank%20imf&source=web&cd=5&ved=0CCYQFjAA&url=http%3A%2F%2Fwww.taipetimes.com%2FNews%2Feditorials%2Farchives%2F2014%2F07%2F13%2F2003594968&ei=lvrjU4b8Foz4yQSxuYDQAg&usg=AFQjCNHcLDqvYAWns6P2N_FhkXxBN RAqJg&bvm=bv.72676100,d.aWw

1.3. The TPP Agreement: Theory-Practice Problematic

In 2006, New Zealand, Singapore, Brunei Darussalam, and Chile started what was then known as the Pacific 4 (P-4). This has since morphed to the TPP Agreement and includes twelve countries (see Table 3) with the US as the *de facto* lead country, ergo the US-centric approach to the analysis.

Table-3. TPP Members

New Zealand Singapore** Brunei Darussalam Chile	Pacific 4 (P-4) Formed in 2006
Australia Vietnam** Malaysia** Mexico* Japan Canada* Peru USA*	Together with Pacific-4 Comprise TPP *NAFTA **APT

According to the U.S. Trade Representative (USTR), the objective of the Agreement is to “unlock opportunities for American manufacturers, workers, service providers, farmers, and ranchers – to support job creation and wage growth.”⁹ Specifically, then, from a US perspective a “comprehensive deal” that provides *inter alia*:

- a. Strong and enforceable labor standards and environmental commitments.
- b. New rules designed to ensure fair competition between state-owned enterprises (SOEs) and private companies.
- c. Transparency and consistency in the regulatory environment.
- d. A robust intellectual property (IP) rights framework to promote innovation, while supporting access to innovative and generic medicines and an open Internet.
- e. Obligations that will promote a thriving digital economy, including new rules to ensure the free flow of data.
- f. Harnessing trade as a tool for economic growth and supporting jobs, and building opportunity for Americans.
- g. Comprehensive and preferential access across an expansive duty-free trading region for the industrial goods, food and agriculture products, and textiles, in the value chains of the fastest-growing economies in the world.

1.4. Implicit Determinants

As illustrated above, there has always been recognition that the international trading system predicated on free trade is fraught for those who pursue competitive advantage and dominance. Hence, in support of the underlying premises of this paper some of the more important determinants of the US initiative on TPP are:

1. Existence of regional FTAs and political associations such as APT present asymmetries, which have become a threat to the capitalist world economy led the US.
2. Collapse of the US-conceived global financial system in 2007-08, termed “the worst financial crisis in global history, including the Great Depression,”¹⁰ and the consequence of “financial engineering” and overleveraging of “sixty to one.”¹¹
3. Inability to achieve acceptable levels of growth since coming out of the Great Recession.¹² (Graph 1)¹³

⁹ U.S. Trade Representative, Summary-of-US-objectives, <http://www.ustr.gov/tpp>

¹⁰ <http://www.forbes.com/sites/timworstall/2014/08/27/ben-bernanke-the-2008-financial-crisis-was-worse-than-the-great-depression/>

¹¹ Central Bankers and the Global Economy, *C-SPAN2*, 10/11/2010

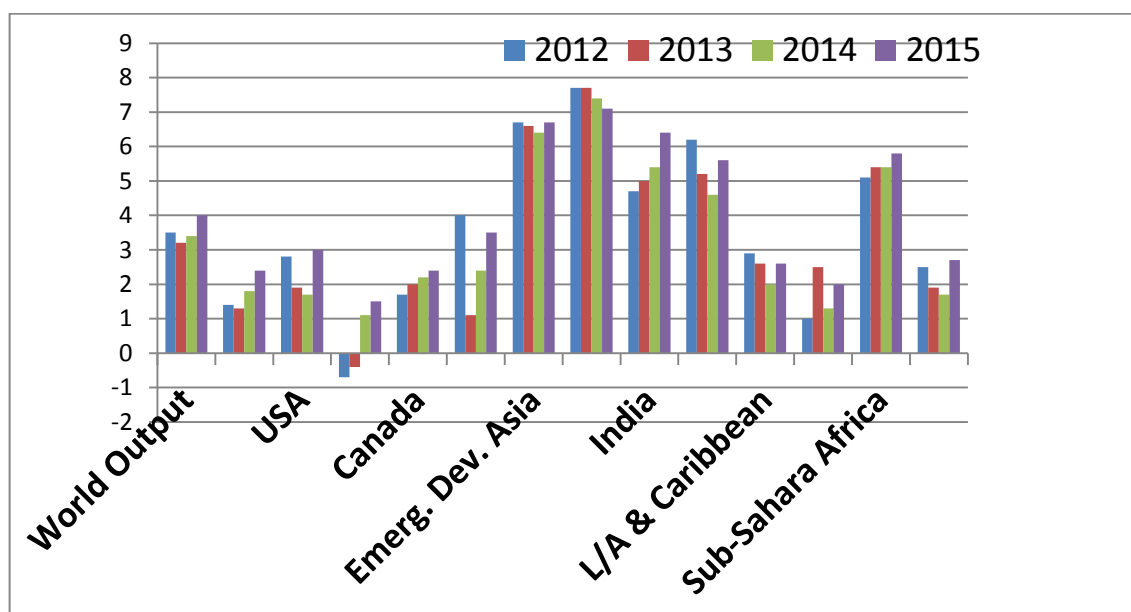
¹² Aziz, J., “Europe is in an epic depression - and it’s getting worse”, <http://theweek.com/article/index/266423/europe-is-in-an-epic-depression--and-its-getting-worse>, August 15, 2014;

<http://finance.yahoo.com/news/why-long-term-prospects-brics-170027266.html>; See also, Bruce, A., “Rich world economy prospects darken” *Reuters*, June 15, 2011; Johnson, S., “A Second Great Depression, or Worse?”, *The New York Times*, August, 18, 2011

¹³ World Economic Outlook Update July 2014, “An Uneven Global Recovery Continues” IMF, <http://www.imf.org/external/pubs/ft/weo/2014/update/02/>

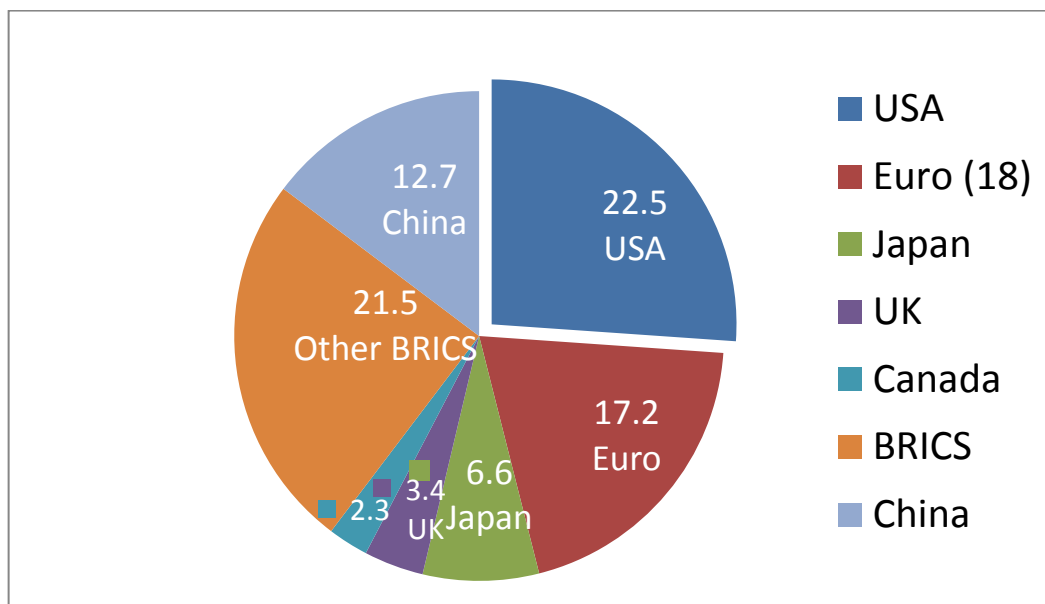
4. Declining share of world GDP relative to BRICS. (Graph 2)
5. Decline in exports in 2013; declining share of world trade. (Graph 3)
6. Prospective geo-economics and geopolitical influence of BRICS, in particular China, as challenges to the US dominance.
7. Recognition that “The economic disruption of the last five years has left millions of workers sidelined, discouraged, or stuck in part time jobs - facts that are not captured in the unemployment rate alone.”¹⁴
8. 46 million Americans are accessing food banks in 2014.

However, while the Organization for Economic Cooperation and Development (OECD) appears to support rebalancing global growth, Australia sees the Group of 20 (G20) as “the world’s best chance of stabilizing the global economy and forestalling another generalized failure.”¹⁵



Graph-1. GDP Growth 2012 – 2015 (Percent change year on year)

Source: Chang/Kluegel (2014) based on data from WEO July 2014

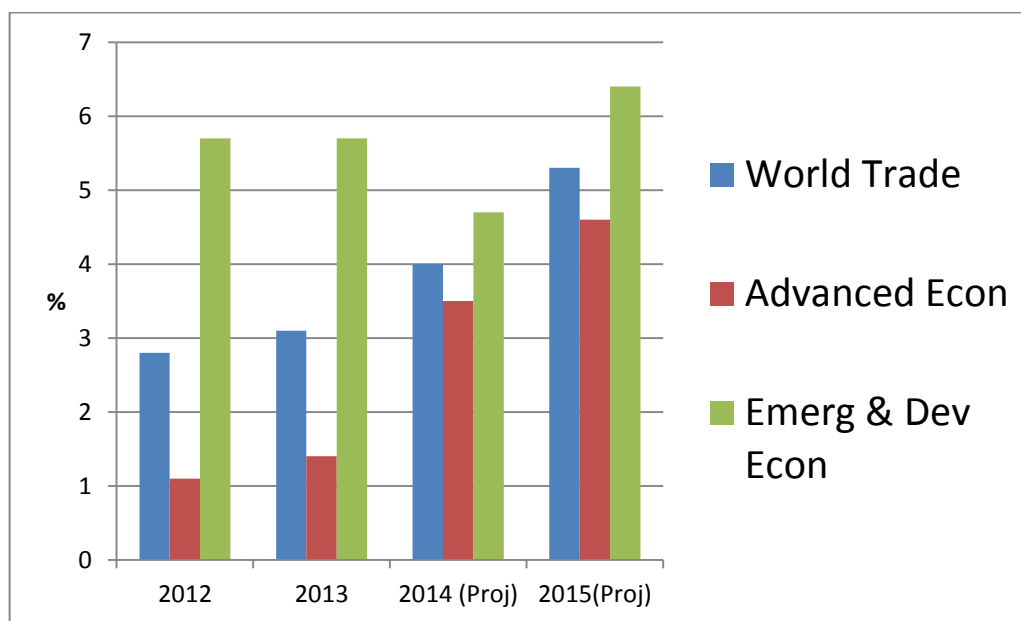


Graph-2. Share of World GDP 2013

Source: Chang/Kluegel (2014) based on data from WEO July 2014

¹⁴ Yellen, J. “Yellen says U.S. job market still hampered, calls for pragmatic policy,” <http://finance.yahoo.com/news/yellen-says-u-job-market-141202972.html>, 08/22/2014

¹⁵ <http://www.google.com/url?sa=t&rc=t=j&q=ttip%20rcep%20world%20bank%20imf&source=web&cd=1&ved=0CB4QFjAA&url=http%3A%2F%2Fwww.turkey.embassy.gov.au%2Fanka%2FHOMSPeechG20GRF1st20Dec.html&ei=lvrjU4b8Foz4yQSxuYDQAg&usg=AFQjCNEjy1KqlluGhe10ZEtS61LTZMLQKWQ&bvm=bv.72676100,d.aWw>



Graph-3. World Trade (% change year on year)

Source: Chang/Kluegel (2014) based on data from WEO July 2014

The underlying objective of TPP from a US perspective, therefore, is to create another FTA whereby “U.S. products will compete on a more level playing field with goods from TPP countries’ other free trade agreement (FTA) partners – including China, India, and the EU.”¹⁶ But, a level playing field means different things to different people: From a US perspective it goes beyond the removal of tariff and non-tariff barriers on imports of US products. It implies “preferential” treatment within the TPP, harmonization of environmental and labor regulations, production and packaging standards, and social regulations derived from reaching a certain level of development. To lower-income countries, however, while such regulations and standards are deemed desirable, many would argue that to impose them on lesser-developed countries as means to level the playing field in trade would be Pareto-inefficient. Furthermore, given that one of the accepted criteria of economic development is the availability and use of advanced technology, to which higher levels of productivity are attributed and thus distinguishes the advanced economies from the lesser-developed countries, the counter-argument could be for the imposition of tariffs or quotas on products that benefit from such technology. Levelling the playing field could also require addressing issues of equal access to education and training, and to resources, income equality, and equitable distribution of world GDP among others. Hence, the “level playing field” notion as introduced by the US is a *non sequitur* from the perspective of developing countries.

1.5. Geo-Economic Implications

Like other FTAs that have been created before it—the EEC, now the EU that served European integration well (Winters 1992), and the North American Free Trade Association (NAFTA) that effectively replaced CUSTA at some cost to Canada, for example—TPP clearly has geo-economics and geopolitical implications.

In terms of geo-economics, objectives f. and g. draw on Jacob Viner’s (1950) conception of a custom union (CU) and thus by imputation of trade creation and trade diversion protectionist in effect. Clearly, as expressed, the US seeks to expand on its exports of more than USD 622.5 billion of manufactured products to TPP countries in 2013 by the elimination of TPP countries’ tariff and non-tariff barriers on US exports to them. But whether or not the US benefits from this exercise depends crucially upon relative costs of production vis-à-vis non-TPP countries—China, India, EU and others—and, of course, whether or not the removal of tariffs by TPP other members is enough to raise its share of world trade to at least equal the estimated increase in world trade volume (Graph 3). Of relevance must be the actual amount of the \$622.0 billion that is with the poorer members of TPP who are trading with China, or

¹⁶ U.S. Trade Representative, <http://www.ustr.gov/tpp>; “Outlines of the Trans-Pacific Partnership Agreement,” <http://www.ustr.gov/about-us/press-office/factsheets/2011/november/outlines-trans-pacific-partnership-agreement>, 03. November 2014

the EU. It thus invites the question: how can this process of trade creation and trade diversion achieve the US objectives, and exactly which countries are being targeted?

If one considers that three of the other more important members of TPP, Australia, Canada, and Japan have substantial trade with China and the EU, the incentive for TPP is not one of trade creation but rather of trade diversion. Therefore, in targeting China's exports to these countries, TPP is seen as a politically motivated initiative. But, since Australia's number one trading partner is China, whose growth and development provides the basis of its export sector, Australia is unlikely to risk its trading relationship with China. The same could be said of Canada and Japan, despite the latter's dispute with China.

1.5.1. Excursus: Trade Creation, Trade Diversion, and Pareto Optimality

For this excursus, see diagram 1. According to Viner, trade creation occurs when the high-cost producing member (country A) of a CU or FTA imports the product from the lower-cost producing member (country B). The importing member A, benefits from lower cost to consumers and a release of productive resources whilst the producing member-country B benefits from increase in trade, taking advantage of economies of scale until production reaches the point where marginal revenue equals marginal cost: the trade-creation effect. Economics theory tells us resources will be used more efficiently which should reflect in an increase in economic welfare of the CU. But, there could be losers in the previously-protected sector in county A, especially where the factors of production are non-transferable. There are also losers from the loss of tax revenues to country A arising from the removal of the protective tariff. Therefore, while trade creation provides the economic justification for TPP, it also provides the basis for internal political resistance to it.

With respect to trade diversion, the implications go beyond consumer and producer surpluses, see diagram. Where the lower-cost producer (country C) is outside of the FTA, trade creation within the FTA comes at the expense of both the importing FTA member A and the lower-cost producer C since B's supply curve is to the left of C's. However, under the terms of the FTA, country A must either maintain its tariff on country C whilst removing it on country B, or impose a common external tariff at least equal to the production-cost differential between B and C, or impose NTBs on the lower-cost product from C. But, by giving up its imports from C in favor of imports from member-country B, country A loses consumer surplus as long as B's supply curve remains to the left of C's.¹⁷ By this process, whilst country B benefits from the trade diversion, there are negative implications for A and C: In the case of country A, there is a loss of consumer surplus equal to the production-cost differential between B and C; in the case of C, there is a loss of exports and the consequential loss of income. If country A imposes a tariff on the product from country C, it will benefit in the form of tax revenues which could be used to compensate losers in A; if A eliminates the tariff on imports from B, it will lose the associated tax revenue.

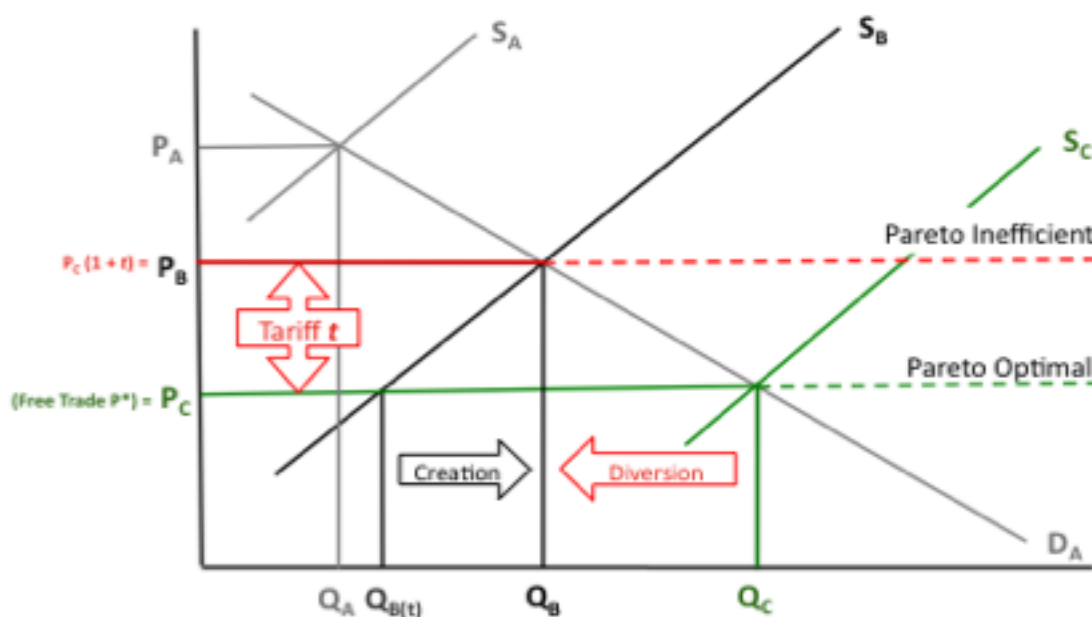


Diagram: Trade Creation, Diversion, and Pareto Optimality

¹⁷ Hence, the inclusion of harmonization of laws and regulations as significant objectives of TPP.

As applied to TPP, the US expectations are for member-countries to extend preferential treatment to US exports at least equal to that given to non-TPP members: a case in point being auto parts which Vietnam imports duty-free from China and Indonesia, APT members. The intention, arguably, is one of trade diversion from China and Indonesia to the US. To do so, however, in addition to creating losers in Vietnam as discussed above, such action could serve to abrogate agreements under APT with consequences to the region arising from the trade diversion. The same could be expected of TPP members who trade with other non-TPP members. Hence, the trade-diversion effect could be exacerbated which, whilst theoretically beneficial to the US, results in a reduction in the exports from non-TPP countries and thus their growth rates: the rebalance global growth effect.

In regard to the welfare implications, marginal analysis suggests that the increase in welfare derived from the increase in trade by the high-income country—the US in this case—is less than the welfare that is lost by the low-income countries—China, India, Indonesia, and others—as a result from the reduction in their exports. From a world-welfare perspective, then, trade diversion from a low-income country to a high-income country would be Pareto inefficient (Bhagwati, 1992) as shown in the above diagram. It should be noted that, in the situation where the country from which trade is diverted is experiencing rapid growth, such as BRICS, the negative welfare effects of trade diversion could be masked in the global, regional, or other economic grouping of trade data.

In seeking to justify FTAs, some trade theorists have argued that the increase in per-capita income from the increase in trade within the FTA potentially promotes product differentiation and, therefore, greater scope for intra-industry specialization that likely would lead to greater allocative efficiency of productive resources within it. It therefore becomes a question of which agreement takes precedence, and whether or not those countries that are experiencing relatively higher growth rates (see Graphs 1 and 3 above) are prepared to slow their growth and development in the interest of maintaining the existing hierarchal economic and political structure.

2. Geopolitical Implications

Given the expansive nature of the US-stated objectives, TPP, arguably, could be looked upon as being the thin edge of the wedge in regards to China's membership in other FTAs and its relationship with its trading partners. Such relationships to the extent they served to propel China on the world stage are perceived by the US as threats to its dominance in the region and therefore should be made ineffective (Chang 2010; 109-135). In this connection, APT, of which China is a member, is clearly targeted as are other trade agreements China has with other TPP members.

As discussed above, US expectation is for trade diversion to occur in respect to China's exports to TPP members, with geopolitical implications for China. The thinking is that as China's exports are reduced it would incur a current account deficit in the short-run as its imports are unlikely to adjust proportionately. This condition, according to the rationale, would result in a reduction in China's foreign exchange reserves by the amount of the deficit, leaving it with less foreign exchange reserves to pursue its geopolitical activities; it would also import less from its trading partners thereby forcing them to seek alternative markets for their products. But this reasoning is fundamentally flawed.

First, in seeking to reduce China's exports to TPP members, there must be *quid pro quo*: the US must agree to fill the breach that is likely to be created as China reduces its imports from TPP members. Second, China's foreign exchange reserves are enough to withstand any short-term current account deficit. Third, it should be remembered that the US bid to have China's currency revalued in 2011 was rejected by the G-20.¹⁸ Fourth, in response to TPP, BRICS announced the launching of a USD 100.0 billion Asian Infrastructural Investment Bank (AIIB) and currency reserve pool for developing countries as an alternative to the US-controlled World Bank,¹⁹ and China and India are deepening their trade relations bilaterally.²⁰ Furthermore, APT revised its *APT Cooperation Work Plan 2007-2017* with the objective of "strengthening and deepening cooperation" among its members.²¹ Some of the more important provisions of this revision are:

1. Establishing of the ASEAN Community by 2015.
2. Deepening political and security cooperation.

¹⁸ Kurtenbach, E., "G-20 Meeting highlights conflict over currency," *Associated Press*, March 31, 2011; "Joshi, Vijay, "G-20 refuses to back U.S. push on China's currency," *Associated Press*, November 12, 2010

¹⁹ <http://finance.yahoo.com/news/brics-set-bank-counter-western-032919343.html>, July 16, 2014

²⁰ <http://www.voanews.com/content/china-president-xi-jinping-state-visit-india-prime-minister-narendra-modi/2452791.html>, September 17, 2014

²¹ <http://www.asean.org/asean/external-relations/asean-3/item/asean-plus-three-cooperation>

3. Strengthening peace and stability in the region.
4. Combatting transnational crimes and other non-traditional security issues.
5. Enhancing maritime cooperation.
6. Promoting trade and investment.
7. Supporting Regional Comprehensive Economic Partnership (RCEP), to facilitate economic activities among ASEAN and its Free Trade Agreement partners including the Plus Three countries.
8. Strengthening financial cooperation.
9. Promoting standards and conformance.
10. Enhancing cooperation in intellectual property rights.
11. Supporting the Initiative for ASEAN Integration (IAI) and other sub-regional endeavors.
12. Strengthening cooperation in environment and sustainable development.
13. Developing cooperative activities towards realizing the UN Millennium Development Goals (MDGs).

Emphasized in the revisions are issues of regional integration, with a focus on socioeconomic development, investment, and the environment that are regional-specific and therefore likely to appeal to APT members. Indeed, they intuitively reflect Chinese President Hu Jintao's perception of a "Harmonious world" and thus signal a challenge to TPP to the extent it seeks to contain or isolate China.²²

China's activities in the South China Sea, deemed disruptive and provocative by the US,²³ come at a time when TPP negotiations are underway. Many observers see China's actions as testing US's resolve to remain the dominant force in the region; they are seen also as reifying Nicholas Spykman's (1944:41) observation: "geography is the most important factor in foreign policy because it is the most permanent." Having made its point via the demonstration effect, China has since taken a conciliatory approach to the issue with Vietnam.²⁴ Concurrently, China has been careful to appease its neighbors regarding its alleged expansionist activities.²⁵ Furthermore, China, as observed by Khanna (2008: 339), "will not exercise its enormous economic weight in the interests of antiquated and unrepresentative clubs like the G-8 that won't even let it in." Indeed, China is using its export-earned foreign currency reserves to bolster its influence in Latin America²⁶—much to the chagrin of US lawmakers²⁷—and more recently in Sub-Saharan Africa whose development and growth (Graph 1) arguably reflect elements of China's soft power.

3. Regulatory Cohesion

Many in America believe the US is over-regulated, especially in the areas of environmental protection and workers' rights. The mantra is that such regulations take away from US competitiveness especially vis-à-vis countries that have been slow to implement appropriate US-inspired laws and regulations. In addition, one of the concerns of US companies is the protection of intellectual property rights. TPP seeks to harmonize such laws and regulations among its members who would be expected to apply them to third parties.

With respect to environmental issues, rather than roll back some of the regulations that have proven to hamper competitiveness, as Australia has recently done in the case of carbon emissions,²⁸ the US seeks through TPP (objective a above) to get agreement on regulatory cohesion from its TPP partners. The problem with this approach is that it imposes a cost on those TPP members from whom the US seeks support. But, as has been made clear at the Bali Conference at which it was isolated,²⁹ the US gets very

²² Pilling, D, "It won't be easy to build an 'anyone but China' club," *Financial Times*, May 22, 2013

²³ <http://news.yahoo.com/china-hits-us-proposal-south-china-sea-063321948.html>, 8/11/14

²⁴ Bodeen, C., "China, Vietnam say they'll negotiate sea disputes," <http://news.yahoo.com/china-vietnam-theyll-negotiate-sea-disputes-115821479.html>, 08/27/2014

²⁵ <http://finance.yahoo.com/news/chinas-xi-reassures-mongolia-over-independence-integrity-072655249--finance.html>, 08/22/14; <http://www.voanews.com/content/china-india-border-standoff-leader-hold-summit/2453874.html>, 11/03/14; see also note 10.

²⁶ "Argentina says discusses mechanism of currency swap with China," *Reuters*, <http://finance.yahoo.com/news/argentina-says-discusses-mechanism-currency-002539399.html>, Sept 8, 2014

²⁷ "2008 State Department and Foreign Operations Spending" House Budget Committee, www.appropriations.org, *C-SPAN*, March 23, 2007

²⁸ "Australian Repeal Deals Blow to Global Carbon-Emission Plans", http://online.wsj.com/articles/australian-repeal-deals-blow-to-global-carbon-emission-plans-1406507851?ru=yahoo?mod=yahoo_it, July 27, 14

²⁹ Hardstaff, P., "An American spanner in the works", *The New Statesman*, <http://www.newstatesman.com/world-affairs/2007/12/warming-global-climate>, 14 December, 2007

little support from developing countries and must go head to head with China³⁰ and India³¹ on global emissions issues. The refrain from these countries is that social regulations are derived from the level of socio-economic and political development in a society and, therefore, will be resisted by those countries that are still middle or low income.³² For example, as pointed out by China's chief climate official Xie Zhenhua: "We are in different development stages, we have different historical responsibilities and we have different capacities."³³ Social regulations also reflect the level of social activism and necessarily vary from country to country, with the US being unequalled in this area.³⁴

In regard to labor laws, US Child Labor Laws do not apply to the employment of children in the agricultural sector. It is a contradiction that needs to be addressed before TPP members could be persuaded to implement labor laws or regulations deemed appropriate to the "level playing field" rhetoric.

Protection of intellectual property rights (IPRs), governed by treaties, has occupied US negotiators for decades, but given that there are no international copyright laws such protection must necessarily be negotiated bilaterally or be included in FTAs. In this connection, it should be noted that the protection of IPRs has its basis in individual rights, a Western conception. On the other hand, Asian culture premised on diffusion by learning, approaches inventions and the like as a benefit that should be freely shared and not subject to protection. It is thus a clash of cultures when negotiating IPRs. It could be argued, however, that in the context of capitalism this is a false dichotomy, especially since China and others benefit from sale of pirated IPRs. Therefore, assuming that the US does get agreement on intellectual property rights in TPP, would such agreement be applicable to third party transactions? That is, would Vietnam, for example, be able to ban the importation of products from China that are deemed unauthorized copies?

4. Conclusion

As shown above, the implications of TPP go beyond the elimination of tariffs among members. Indeed, given the commitment to tariff elimination under WTO and the desire of most members to successfully complete the Doha Round, one must necessarily look to other motivations. The first of two motivations with which this paper concerned itself is the apparent desire of the US, supported by the IMF, to rebalance global growth without incurring the cost of domestic economic adjustment in keeping with its notion of hegemony, hence the protectionist properties of TPP. However, as argued above this is likely to prove problematic for the US as most members of the G-20 now require a greater say in the decision-making process at the international institutional level, specifically at the WTO, IMF, and World Bank and would expect a *quid pro quo* approach.³⁵ More than that, given the creation of the AIIB, despite attempts to derail its launching, and a currency pool by BRICS, rebalancing global growth must be conducted in consultation with the major developing countries as equals and not, as has been the case, as a top-down approach led by the IMF or the WTO.³⁶

The second motivation argued in this paper is the desire of the US to contain China. As argued above, TPP as a geopolitical instrument is a double-edged sword: its geo-economic outcomes are uncertain in the light of existing FTAs and countermeasures that have been either adopted or proposed. Moreover, the US has not been able to garner any meaningful support from the G-20 with respect to labeling China a currency manipulator or on global emission issues or indeed on harmonization of regulations. From a geopolitical perspective, then, TPP leaves many relational questions unanswered not least of which are: How does the US switch from a foreign policy derived from the ideology of *Realism*: as an independent actor not subordinated to a world-wide government hierarchy or institution (Keohane, 2005)? How does it convince developing countries that their economic interests are now more important today than they were in the 1980s and 1990s, when creating investment opportunities for Western investors—and the promotion of democracy—were the focus of the US, IMF, and WB policies? As observed by Parag Khanna (2008: 339): "the West can expect no allegiance to a Western order masquerading as representative of global values decreed without global input."

³⁰ Watt, L., "China, US differ on global plan to cut emissions," *Associated Press*, http://finance.yahoo.com/news/china-us-differ-global-plan-071657366.html;_ylt=AwrBJR.tjdZTgG4A4kSTmYIQ, July 28, 2014

³¹ Majumder, S., "India, China under pressure at G8", *BBC NEWS*, http://bbc.co.uk/go/pr/fr/-/2/hi/south_asia/6725453.stm, June 6, 2007

³² Sen, A., "Environmentalists must stop ignoring the needs of poor nations when combating global warming", *New Statesman*, <http://www.newstatesman.com/sci-tech/2014/08/environmentalists-must-stop-ignoring-needs-poor-nations-when-combating-global>, 25 August, 2014

³³ http://finance.yahoo.com/news/china-us-differ-global-plan-071657366.html;_ylt=AwrBJR.tjdZTgG4A4kSTmYIQ

³⁴ http://www.queensu.ca/sps/events/conferencesandworkshops/tradepolicy/tradepolicy2013/readings/Meltzer_TPP_Environment.pdf

³⁵ Kennedy, S., and Miller, R., "Christine Lagarde cements IMF Support," *Bloomberg*, May 25, 2011

³⁶ <http://www.bloomberg.com/news/2014-09-20/global-finance-chiefs-said-to-warn-of-mounting-economic-risks.html>, 20 September 2014; http://ccgi.fgv.br/sites/ccgi.fgv.br/files/u5/IPEA-FGV-BM-%20Brazil%20Roundtable%2014-15%2004%202014_Ebook.pdf, 25 September 14

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