

Trump & World geopolitics: China will be the winner if US backs out of the TPP

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If the United States backs out of the Trans-Pacific Partnership (TPP), a 12 member mega regional trade agreement, it could leave a gap for China to emerge the dominant trading power in the Asia Pacific.

The TPP has been the centrepiece of Obama's external trade policy in his 2nd term [1]. However, with the agreement all but ratified, serious doubts are arising as to its future as both presidential candidates, Hilary Clinton and Donald Trump, have explicitly stated that they would renege the agreement if elected [2].

The TPP is one of a number of mega regional free trade agreements currently in negotiation - the two others of note being the Transatlantic Trade and Investment Partnership (TTIP) [3] and the Regional Comprehensive Economic Partnership (RCEP) [4].

These agreements have emerged mostly because the international political system is currently undergoing a seismic shift from one strong power to many strong powers. As the United States' position as the unquestioned top-dog begins to fade [5], the system is becoming far more contentious and competitive [6].

This is all occurring at a time of unprecedented global economic interdependence [7]. In this system, having economic power is arguably more useful than out-and-out military power, a harsh lesson Russia is learning at the moment [8].

For the great powers at the helm of these agreements, there is also a clear foreign policy use, particularly as they circumvent the arguably fairer, yet crippled, World Trade Organisation system [9].

No region is currently more competitive than Asia-Pacific. Indeed, Asia-Pacific is where the two largest international powers, the United States and China, have overlapping spheres of influence. Something of a trade contest has emerged between the United States' TPP initiative versus China's countervailing RCEP initiative [10].

The TPP represents an important component of America's 'Asian pivot' [11] as it aims to tie up key economic partners under rules which are favourable to the United States. Certainly, the United States' hijacking of the TPP process, from initially being outside the negotiations to taking on a leadership role, suggests that there is a sense for the United States to use its power advantage [12] before it is rivalled by China and others (possibly India, for example).

China's motivation for the RCEP is similarly about maximising its power. However, whereas the United States appears motivated because of its declining power, China's motivation clearly stems from its rising power. The RCEP seems designed to help anoint China as the regional leader of Asia at the expense of the United States [13].

The RCEP is arguably even more ambitious, in geographic scope at least, than the TPP as it not only encompasses more countries (including India) but also has a higher projected total GDP and percentage of global trade than the TPP [14].

It has long appeared that the TPP would win out over the RCEP, or at least be implemented first. However, despite America's clear power advantage right now, China has had some factors in its favour.

For starters, the RCEP is not as demanding as the TPP and rather aims to harmonise agreements already in place under one framework [15]. This makes it domestically more palatable to potential members.

While democracies like America have had a hard time selling the benefits of regional trade agreements at a time when popular demand for protectionism is high [16], China's greater centralisation of its external trade policy (its state capitalist design) produces fewer internal hurdles to pursuing its strategic aims [17].

Ultimately, if Clinton or Trump make good on their pledge to torpedo the TPP if elected, the United States will not only miss an opportunity to consolidate its position in Asia-Pacific, it will also allow China to emerge as the uncontested trade power there.

Such a potential outcome has surely not gone unnoticed in Washington and may precipitate Obama to try and push through the agreement before the new commander-in-chief assumes office later this year [18]. Otherwise, in the absence of the TPP, the United States' inevitable decline might start earlier than anticipated [19].

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P.S.

* The Conversation. August 1, 2016 9.13pm BST:

<https://theconversation.com/china-will-be-the-winner-if-us-backs-out-of-the-tpp-63328>

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Footnotes

[1] <http://www.washingtontimes.com/news/2016/jun/20/obama-touts-tpp-trade-deal-bucks-opposition-hillar/>

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[5] <https://www.foreignaffairs.com/articles/united-states/2008-05-03/future-american-power>

[6] <http://acme.highpoint.edu/%7Emsetzler/IntlSec/IntlSecReads/multipolarismHowItWillWork.CH1109.6.pdf>

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[8] <https://www.foreignaffairs.com/articles/russian-federation/2016-01-27/lights-out-putin-regime>

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[11] <http://www.economist.com/news/21631836-despite-troubles-elsewhere-opportunity-beckons-america-asia-argues-ian-bremmer-president>

[12] <http://foreignpolicy.com/2013/09/30/the-trans-pacific-partnership-and-the-decline-of-american-hegemony/>

[13] ESSF (article 40108), [TPP, RCEP... China's Free Trade Agreements Strategy](#).

[14] <http://qz.com/519790/thought-the-tpp-was-a-big-deal-chinas-rival-free-trade-pact-covers-half-the-worlds-population/>

[15] <http://www.eastasiaforum.org/2012/08/27/asias-regional-comprehensive-economic-partnership/>

[16] <http://www.economist.com/news/united-states/21695855-americas-economy-benefits-hugely-trade-its-costs-have-been-amplified-policy>

[17] <http://www.worldpoliticsreview.com/articles/19334/state-capitalism-and-the-return-of-economic-interventionism>

[18] <http://www.rollcall.com/news/politics/despite-convention-jeers-obama-to-continue-trade-push>

[19] <http://www.bbc.com/news/world-us-canada-33440287>