

China will react with displeasure if America tries to weaponise trade

Michael Levi

Do not pitch TPP as the economic counterpart to a military strategy, writes Michael Levi



Selling a free-trade agreement at home is hard work, given public scepticism about their effect on American jobs. So as supporters of the Trans-Pacific Partnership try to round up backers, they increasingly emphasise the geopolitical case for concluding a deal.

They are correct that a good trade and investment agreement would be geopolitically beneficial, and that a collapse in the talks would be deeply damaging. But too often they overstate the case — and, in doing so, generate real geopolitical risks of their own, while also jeopardising the agreement they seek.

The geopolitical case for TPP is straightforward. It could help US allies in Asia, most notably Japan, reform and thus strengthen their economies, making them more capable geopolitical partners. Asian participants could diversify their economic relationships, becoming less dependent on an unpredictable China. A deal that genuinely offers China the option of eventually joining could also help draw Beijing in a more liberal direction.

Conversely, if the talks collapse because of domestic squabbling, it will compound the narrative of US dysfunction, making it far harder for the US to lead. It would also make it easier for China to push its own trade arrangements in ways that exclude the US.

But selling the TPP by screaming “geopolitics” comes with serious risks. Unless the US is careful, China may come to see the deal as an attempt at economic containment. It is one thing to have a pact that reinforces America’s economic relations with friends and allies; one that encourages China to join after making a set of plausible economic reforms, much as it joined the World Trade Organisation. It is another to present the deal in a confrontational manner as a counterweight to China — the economic counterpart to a military strategy that would seek to keep the country pinned in.

Beijing, faced with such a prospect, may well conclude that their stake in sustaining an open, peaceful and rules-based international economic order — something from which they have benefited greatly — is considerably less than they previously believed. Historically, leading powers faced with such a realisation have often sought economic security through special diplomatic or military arrangements instead, with disastrous consequences for international security. (Japanese aggression in the 1930s, while driven by a host of forces, was doubtless influenced by fears of being cut out of the global economic system.)

Nor are US allies in Asia (not to mention Canada and Latin America) eager to be part of a bluntly confrontational approach to China. If America’s partners chafe at the unwelcome association, that will undermine Washington’s alliances in the region and the US geopolitical position. On top of that, the more the US tells its Asian partners that the TPP is about geopolitics, the greater the geopolitical damage will be if the deal fails.

Talking up geopolitics too much also incurs risks at home. TPP advocates have turned to this tactic in part because of the difficulty of selling an agreement on its economic merits alone.

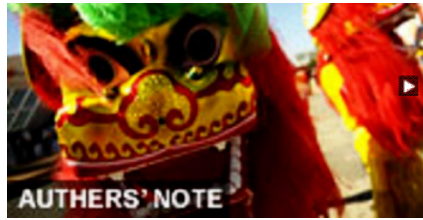
But emphasising geopolitics could make some fence-sitters more suspicious. During the cold war, the US often entered into lopsided trade agreements, deciding that helping allies’ economies was more important than strengthening its own. Today Americans feel more vulnerable and less trusting of economic integration. Crafting a TPP that is justified on its own economic merits, with any geopolitical dividend a welcome bonus, is imperative.

America’s public rhetoric, or at least its private diplomacy, needs to make clear that the TPP is not designed to cleave Asia. That will help ensure any agreement is a geopolitical success, and an economic one.

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