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Round two in America's battle for Asian influence



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The Trans-Pacific Partnership is just as likely to annoy America's allies in region as reassure them



TPP is regarded as one of US President Barack Obama's best shots at a foreign policy legacy

In the sparring between China and the US over leadership in Asia, Beijing recently landed a tidy, if almost accidental, punch. Washington's attempt to lead a boycott of the China-led Asian Infrastructure Investment Bank ended in farce after Britain broke ranks and other nations from Germany to South Korea fell over themselves to join.

If round one was a defeat for America, round two hangs in the balance. Washington is trying to convince 11 Pacific nations to join a "next generation" trade agreement called the Trans-Pacific Partnership. Billed as the most important trade initiative since the collapse of the 2001 launch of the World Trade Organisation's Doha round, it would bind two of the biggest economies — the US and Japan — into a bloc covering 40 per cent of global output. Supporters say it would also reaffirm US commitment to the region at a time when China's economic pull is growing.

The stakes are high. If the TPP disappoints — or worse still, if it is not concluded at all — it will be another embarrassing setback for US regional diplomacy. The omens are mixed at best.

The TPP excludes China. That is quite an omission. It is also precisely the point. The region's most important trading nation has not been invited to join on the grounds that its economy is too centrally planned and too rigged to be part of such a highfalutin arrangement. Yet in a peculiar display of diplomatic contortion, Vietnam — a country whose economy is as centrally planned and as rigged as the best of them — is somehow considered fit for entry.

The exclusion of China serves twin objectives. Neither bears close scrutiny. The TPP is a “trade pivot” to Asia; the commercial equivalent of Washington's commitment to remain militarily engaged in the region. Yet it is just as likely to annoy allies as reassure them.

Almost all have expressed concern that some provisions intrude into their internal affairs. That is, indeed, the point of the TPP, which goes beyond tariff reduction to deal with “behind the border” issues thought to impede trade and investment. These include tendering processes, financial regulations, data protection rules and intellectual property laws. Opponents from Australia to Japan see it not as an act of US benevolence but rather as a charter for meddling in everything from pharmaceutical pricing to cigarette advertising.

The other reason for shutting out China is also questionable. The hope is that Beijing, slighted by its exclusion, may be goaded into reforming its economy so it can join at a later stage. Some in Beijing would indeed like to call Washington's bluff by seeking TPP membership. At least theoretically, China is already moving in a direction that might be conducive to that aim by allowing a greater role for market forces.

Yet it is folly to imagine it will be induced to move more quickly to obtain membership of a club to which it has only the most grudging of invitations. More, Beijing is supporting alternative regional trade initiatives, including the Regional Comprehensive Economic Partnership. Pointedly, that is a club to which the US is not invited.

There is a further hitch. If the TPP is seen in much of Asia as designed for the benefit of US corporations, in the US itself it is regarded with equal suspicion. Most members of President Barack Obama's Democratic party are wary of trade deals, which they blame for hollowing out manufacturing jobs and suppressing middle-class wages. Consumer groups say the TPP will expose Americans to all sorts of evils from dodgy Vietnamese seafood to slack financial regulation.

The TPP is nonetheless regarded as one of Mr Obama's best shots at a foreign policy legacy. If so, he could have sold it better to his own party. He remains uncomfortably reliant on the Republican majority in Congress to grant him the fast-track authority he needs to push it over the line.

While most Republicans support a deal in the name of free trade, some on the Tea Party end of the spectrum are opposed. Others may deny Mr Obama the authority he needs out of spite. Ian Bremmer, president of the Eurasia Group consultancy, says the vote on trade promotion authority will be “razor thin”, though he believes ultimately Mr Obama will prevail.

Even if TPP is finally concluded, the chances are it will be too watered down to satisfy trade purists and too intrusive to please Washington's Pacific partners. For Beijing, fresh from its triumph over the infrastructure bank, the whole spectacle must be quite amusing.

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