



## **Washington's rejection of TPP gives China only a limited geopolitical opportunity**

Ted Galen Carpenter

March 7, 2017

One of Donald Trump's first actions as president was to rescind US participation in the Trans-Pacific Partnership (TPP), the latest multilateral trade agreement linking the American economy to those of key trading partners in the Pacific Basin. Trump's decision was hardly surprising. He had repeatedly denounced the TPP during his campaign for the presidency, and his entire approach to trade issues is animated by a commitment to economic nationalism. From his perspective, such initiatives as the TPP and the older North American Free Trade Agreement (NAFTA) epitomize policies that have been unfair to American companies and have devastated US manufacturing.

The TPP's prospects had actually been fading badly long before Trump entered the Oval Office. Opposition in Congress was rising rapidly, and key constituencies in both the Republican and Democratic parties were increasingly hostile to the agreement. A graphic indication of the trend was Hillary Clinton's shifting position. Just two years earlier, she had been a strong supporter of the TPP, but during the 2016 campaign, she turned against the agreement as her Democratic primary challenger, Bernie Sanders, and other leading Democrats intensified their criticism of her previous stance.

TPP supporters are dismayed by Trump's decision. Not only do they argue that the agreement would be good for the US economy, they warn that repudiating the TPP plays directly into China's hands in multiple ways. Economically, Beijing is supposedly well-positioned to fill a new void with key East Asian economies, especially those of Japan and South Korea, created by the US withdrawal from the TPP and other manifestations of American economic nationalism.

Beyond the economic impact of Washington's policy shift, TPP proponents insist that the decision signals to US allies in East Asia that the United States is turning inward. That action supposedly raises doubts in allied capitals about the reliability of Washington's security commitments as well as its commitment to an open global trading system. And in the view of Trump's critics, Beijing can and will exploit any weakening of US relations with Washington's traditional allies. Indeed, pro-TPP factions worry that China is already moving to supplant the

United States as the leading power in East Asia - and even as the most influential player in the global economy.

There is undoubtedly some truth to such worries. Indeed, long before the US repudiation of the TPP, Beijing was adopting policies to challenge Washington's long-standing role as the leader of regional and global economic institutions. One indicator was China's leadership in establishing the Asian Infrastructure Investment Bank (AIIB) in October 2014. The original 21 members quickly grew to more than 50. Washington clearly seemed to regard Beijing's creation as a threat to its economic and diplomatic leadership. Obama administration officials urged US allies to refrain from joining the AIIB, but those pleas produced mixed results. Several US allies, including Australia, South Korea, and even Great Britain, ignored US admonitions and signed on to the AIIB. Indeed, Britain was a founding member.

According to critics, US withdrawal from the TPP will further weaken Washington's already eroding position in East Asia. There is little doubt that such fears have some validity. Trump administration officials are clearly concerned about that prospect. At the beginning of February, a US delegation, headed by Secretary of Defense James Mattis and National Security Advisor Michael Flynn, headed to both Japan and South Korea to reassure those countries of Washington's firm commitment to their security. Given President Trump's own comments during the election campaign questioning aspects of the relationship with both countries, it was hardly surprising that those allies would seek reassurance. (On one occasion, candidate Trump stated that if the United States became embroiled in a major war, the Japanese would probably just watch on their Sony televisions.)

Although China is likely to gain some influence from Washington's rejection of the TPP, many of those fears are exaggerated. Not only does the United States still have an enormous advantage over Beijing in terms of military capabilities, the American consumer market remains essential to the export-dependent economies of East Asia. Although China might be able to compensate to some extent for a loss of allied market share in the United States, if that were to occur, Chinese domestic demand is not yet nearly sufficient to fully compensate. Such economic clout puts Washington in a powerful position to influence various East Asian nations. Even if the TPP is dead, there are bilateral trade agreements with those countries that remain in effect.

Moreover, Beijing has numerous diplomatic and security disputes with several of those countries, further limiting its appeal as an economic and political alternative to the United States. China's extremely assertive behavior in the South China Sea has alarmed nations throughout the region. That even includes nations such as Australia and Indonesia, with whom China had previously cultivated friendly relations. And Beijing's bitter territorial dispute with Tokyo over the Diaoyu/Senkaku islands in the East China Sea continues to undermine relations with Japan. Until recently, China fared better in its courtship of South Korean President Park Geun-hye. But Beijing's continued support of North Korea, despite that country's increasingly volatile and aggressive behavior impelled Seoul to agree to deploy the US Terminal High Altitude Area Defense (THAAD) anti-missile system. Beijing regards THAAD as a potential threat to its nuclear deterrent, and relations with South Korea have cooled noticeably in the past few months.

Because of concerns about both North Korea and China, most of Washington's East Asian allies and dependents are likely to cling closely to the US security blanket. That consideration, together

with the continuing importance of trade and investment opportunities in the United States, will limit Beijing's geopolitical opportunities despite the demise of the TPP. China gains an advantage because of the Trump administration's dubious decision, but there is no need to panic and conclude that East Asia will soon experience Chinese hegemony. Beijing is still a long way from even hoping to achieve such a status. The defeat of the TPP is a setback for advocates of free trade and continuing US dominance in East Asia, but it is a limited setback, not a disaster.

*Ted Galen Carpenter is senior fellow for defense and foreign policy studies at the Cato Institute. Carpenter served as Cato's director of foreign policy studies from 1986 to 1995 and as vice president for defense and foreign policy studies from 1995 to 2011.*