

# FOREIGN AFFAIRS

## TPP, R.I.P.?

*Trump's Promise to Withdraw From the Agreement Is a Terrible Mistake*

Daniel Ikenson

November 22, 2016

President-elect Donald Trump has vowed to withdraw the United States from the Trans-Pacific Partnership (TPP) on his first day in office. That would be an especially excessive move, given that the TPP can have no effect, anyway, without the president's signature affixed to legislation implementing the deal. A wiser approach would be for Mr. Trump to put the TPP on the back burner and keep open the option to reconsider it in the future, when the deal's geostrategic imperative becomes more apparent.

### THE UNITED STATES IN THE ASIAN CENTURY

Completed in 2015 after six years of rigorous negotiations, the TPP is an agreement to reduce trade and investment barriers among 12 Pacific Rim countries, including the United States. If implemented, the TPP would deliver real economic benefits to U.S. businesses, workers, consumers, and investors. Perhaps more important in a time of growing uncertainty about the direction of global affairs, the TPP would reaffirm the primacy of the rules and institutions established under U.S. leadership after World War II. That architecture provided the conditions for trade to flourish, relative peace to take hold, and unparalleled prosperity to persist for 70 years.

Indeed, the geostrategic rationale for TPP is much less about achieving overt economic and security objectives than it is about preserving—and strengthening—U.S. soft power. As the economic center of gravity shifts from West to East across the Pacific, those successful trade rules and institutions could yield to lesser, opaque, and discriminatory rules, which could become the norm in Asia without the TPP. And those rules could very well subvert the existing order, advance parochial objectives, and disadvantage U.S. commercial interests.

Ratification of the TPP is the greatest insurance policy against those outcomes. It would affirm the primacy of open trade, non-discrimination, and transparency. It would ensure that rules—and not the whims of autocrats—continue to govern global commerce, reducing uncertainty and the scope for denying U.S. entities rightful opportunities to partake of the benefits of Asia's

economic expansion in the decades ahead. In that sense, TPP implementation would extend Pax Americana deep into what has been called the Asian century.

Through eight successful rounds of multilateral trade liberalization under the auspices of the General Agreement on Tariffs and Trade between 1947 and 1994, the global economy shed the tightest shackles of protectionism. The last successful multilateral agreement—the Uruguay Round, held between 1986 and 1994—created the World Trade Organization, which enshrines the previous half century’s trade rules and serves as a beacon that guides disputes away from trade wars and toward resolution.

But in the last decade momentum for continued multilateral liberalization stalled and the ill-fated Doha Round was unofficially eulogized.

The TPP offers the last best chance to achieve a fresh round of comprehensive global trade liberalization under U.S. leadership. It reasserts the primacy of the rule of law in trade and expands its coverage to aspects of global commerce that didn’t even exist when the current rules were last updated, 22 years ago. As an agreement that includes countries on four continents and is open to new members that qualify, the TPP could evolve into a vehicle for achieving a much more broad-based round of multilateral trade liberalization.

Economies accounting for nearly 40 percent of global output and one-third of trade are among the TPP’s charter members, so the deal has achieved critical mass. That heft allows the TPP’s terms to be offered to prospective new members on a take-it-or-leave-it basis. If regional investment shifts from TPP nonmembers to TPP members, the incentive to join the agreement would only grow. Many countries, including Indonesia, South Korea, Taiwan, and Thailand, have already expressed interest in joining and have begun to undertake the domestic reforms necessary to qualify for the TPP.

With each new accession to the deal, the cost of remaining on the outside would only increase. That applies to China, too, which could watch some of its most important trade partners join TPP and, at some point, concede to having no better alternatives than to embrace the TPP, as well—and to accept the new rules that would rein in some of the abusive practices for which it is so frequently criticized.

The TPP was launched as the economic component of the Obama administration’s strategic “pivot” to Asia. There could hardly be a better implement in the U.S. geostrategic toolbox than the TPP for projecting U.S. values, securing U.S. interests, and compelling China and others to play by the rules that will govern international commerce in the twenty-first century. And there is no better way to dissuade China from bellicosity over its regional territorial disputes than to demonstrate a prosperous alternative to 1930s-style resource-driven expansionism in Asia. Rather than deploy a naval fleet, why not offer China and its neighbors a clear and plausible path to faster growth and security?

President-elect Trump has criticized free-trade agreements for being poorly negotiated. By putting the TPP on hold—rather than killing it—President Trump would buy himself some time to contemplate its geostrategic significance, as well as identify specific provisions to be renegotiated.

THE COST OF FAILURE

What Trump will come to understand is that, although failing to implement the TPP would not mean imminent regional conflagration, it would send an unmistakable message that the United States remains preoccupied and that the strategic pivot was just bluster. Suddenly anxious to remain in China's good graces, TPP countries and others in the region would be compelled to seek closer ties with Beijing. (This is already happening, most obviously with the Philippines and Malaysia.)

Reformers in foreign governments who incurred political costs to push the TPP in their countries with expectations of U.S. participation wouldn't soon forget who left them hanging out to dry. Any remaining expectations that the United States is still capable of leading the world to the economic liberalization it so desperately needs would erode. And with that diminished credibility, U.S. policy objectives would become more difficult or impossible to meet.

As the twenty-first century progresses, the United States will continue to exert disproportionate influence over the international order—unless it chooses to turn inward. U.S. failure to implement the TPP would serve as confirmation of such a fateful turn.

*Dan Ikenson is director of Cato's Herbert A. Stiefel Center for Trade Policy Studies, where he coordinates and conducts research on all manner of international trade and investment policy.*