



Scraping TPP harms U.S. economic interests, strengthens China's

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Last week, President-elect Trump reaffirmed his distaste for the Trans-Pacific Partnership and made withdrawal of the United States from the agreement a “Day One” priority. Although the move would hearten many of Trump’s supporters, history would judge it as folly – with a capital “F.”

The TPP is a comprehensive trade and investment agreement that reduces tariffs and other trade barriers among 12 Pacific-Rim nations. Implementation would help generate greater wealth and higher living standards by more closely integrating economies that account for 40 percent of global GDP.

As an agreement among countries on four continents, the TPP is uniquely qualified to fill the void created by the once successful, but now dysfunctional, multilateral negotiating “round” approach to global trade liberalization.

But perhaps more significantly, the TPP offers a unique opportunity to refresh the U.S.-created rules and institutions of international trade and adapt them to the nature and conditions of the 21st century global economy. It is a blueprint for securing U.S. geoeconomic and geopolitical interests now and into the future.

Without the TPP, as the economic center of gravity continues its shift across the Pacific toward Asia, those successful trade rules and institutions could become superseded by lesser, opaque, discriminatory rules, which subvert the existing order, advance parochial objectives, and disadvantage U.S. commercial interests.

The geostrategic rationale for TPP -- which has yet to dawn on the president-elect -- is much less about achieving overt economic and security objectives than it is about preserving and strengthening U.S. soft power.

Unlike most other trade agreements, the TPP permits new members to join. The fact that TPP has achieved critical mass allows its terms to be offered on a take-it-or-leave-it basis.

Just as larger bodies floating in space have significant gravitational pull on smaller, surrounding objects, the TPP -- by virtue of its heft -- would pull other countries on other continents into its orbit because the costs of remaining on the outside will increase with each new accession.

The evidence of this effect is considerable. As investment in production platforms and supply chains has begun to shift from TPP outsiders to TPP members, current non-members such as South Korea, the Philippines, Indonesia, Thailand, and Taiwan have been considering and implementing various domestic reforms to improve their prospects for eventually joining.

With TPP rules and benefits applying to China's most important trade partners, Beijing would have no better alternatives than to embrace the TPP itself, which would be good for all TPP parties.

In addition, what better way to dissuade China from bellicosity over its territorial disputes with Vietnam, Japan, and the Philippines than to demonstrate a prosperous alternative to 1930's-style resource-driven expansionism in Asia?

Rather than deploy a naval fleet, offer China's neighbors — and China itself — a clearly plausible path to economic growth and security.

But without TPP, China is the large mass drawing smaller countries into its gravitational pull. With the China-led Regional Comprehensive Economic Partnership negotiations waiting in the wings for TPP's failure, countries in the region will be drawn more deeply into China's orbit.

That shift doesn't mean trade between the United States and those countries will suddenly dry up, but it does mean that existing China-focused investment and supply chain relationships will be reinforced, new ones will emerge and become established, and the costs of reorienting those relationships in the event of some future TPP implementation will increase with each passing year.

U.S. commercial and diplomatic interests in the region would be further impaired by Washington's failure to follow through on its promises. Reformers in foreign governments that incurred political costs to push the TPP in their countries with expectations of U.S. participation wouldn't soon forget that the United States proved to be an unreliable partner.

Hopes for the TPP jump-starting a new wave of global trade liberalization would be dashed and, with U.S. credibility diminished around the world, America's policy objectives would become more difficult to meet.

Since the agreement can have no effect without the support of a majority of both chambers of Congress and the president's signature anyway, a wiser approach would be to put TPP in a file cabinet for safe keeping until its geostrategic significance becomes more apparent to the Trump administration.

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