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Trans-Pacific Partnership: a sinking ship

Trump's unwise withdrawal from the pan-Asian trade deal and the EU's equally poor hand

Looking back in hindsight, the symbolism is striking. Last year on 26 June, Panama celebrated the opening of a new set of locks along its famous canal, doubling its capacity. Global trade cheered the maiden passage of one of the new mega-sized cargo ships, the 'New Panamax'. The canal, which has been an indisputable emblem of US trade dominance since it was opened in 1914, had undergone a decade-long, $5 million expansion project. The newly widened waterway would speed things along both in Panama City and the global marketplace. Yet those peering out of the windows of the 70 storey Trump Tower that overlooks the canal's Pacific entrance - the highest building in Central America – could not help but notice the first huge vessel to arrive was not American but, in fact, the MV COSCO Shipping Panama, a Chinese container ship.

Who knows if this was purely coincidental? Either way, so much has happened in global politics since June that old certainties have long been thrown overboard. First to go were those that forecast a continued, strengthened US engagement in Asia a standard-setting trade pact that Washington and Asia could both live with. Comments by new US President Donald Trump suggest that these concepts are indeed dead in the water. In the eyes of Asian diplomats, President Obama's flagship policy aimed at "rebalancing" the Pacific – the Trans-Pacific Partnership (TPP) – is already sunk.

Obama's 'Pivot to Asia'

The TPP received far less criticism during its seven long years of negotiation than its Atlantic cousins, TTIP and CETA. Washington's plan was to create a vast network, through a raft of free-trade agreements, that would regulate some 40 percent of global GDP. The TPP became the cornerstone of Obama's 'Pivot to Asia', with trade acting as a bulwark against China's hegemony. Obama's Asian critics now accuse him of

putting all his eggs into one basket, thereby doing dooming his foreign policy to failure.

The candidly stated intention to gather the Pacific Rim nations together, out of the reach of Beijing's heavy hand, may well have been the driving factor behind the twelve countries' commitment to embrace a common set of values, including adherence to international labour standards, the authorisation of 'genuine' trade unions and faster assignment of US licences, such as for pharmaceutical products. Any prospective member of the TPP would have to be able to prove compliance with these standards before joining.

And yet the country that has withdrawn its approval is the USA. It is common knowledge that Donald Trump is no fan of free trade. He said he wanted to scrap existing agreements such as NAFTA and pull the plug on the TPP, not yet even ratified by Congress, on his first day in office. How and to what extent this step will help "Make America great again", is not clear.

Hope deferred… or shattered for good?

From Tokyo to Singapore to Hanoi, the news has been met with dumbstruck horror. The mere promise of the TPP had caused US-Asia trade to skyrocket. In 2015, trade with the continent accounted for 39 percent of US global trade volume. Several Asian countries had already revised their labour legislation. Vietnam, a nation under communist rule, had even come round to the idea of permitting independent workers' unions for the first time. Trade union associations hoped the TPP could bring improved labour standards for millions of workers.

Undoubtedly, many felt the trade deal was woefully unambitious when it came to setting environmental and social standards. But there was at least a general recognition that the TPP would provide a common set of values its partners could work with, and which looked all the more acceptable in comparison to China's inferior offerings.

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Ever since Trump came crashing onto the political scene, Asian leaders have been walking round head in hands. Those in the Asia-Pacific can't understand why Trump claims to want to put China in its place, yet is tearing up the only sophisticated and coherent US strategy to date aimed at preventing unfettered Chinese hegemony in Asia. Trump's sinking of the TPP will weaken trust in the USA. Politicians such as

> Japan's Shinzo Abe, Singapore's Lee Hsien Loong and even the Vietnamese Communist Party have invested significant political capital in thrashing out the TPP treaty, only now to be left high and dry.

Granted, apart from the odd erratic tweet and media soundbite, we actually know very little about Trump's plans for Asia, but the unease could hardly be greater. The signs we do have point to turbulent times ahead: a trade war with China, expulsion from the Philippines, a riled Australia and classically dictated bilateral trade agreements in favour of the US.

A new deal with China

Yet the TPP agreement comes at too high a price to be simply tossed out. There are calls among the 11 duped treaty partners to push ahead on the deal without the US, or at least to add large parts of it to the bilateral free trade agreements, most of which remain in place. Some want to put the pact on ice for better times. Or negotiate a new deal. Or even, heck, accept China's alternative offer.

China jumped on the back of Trump's election victory with a different proposition called RCEP, the Regional Comprehensive Economic Partnership agreement. Beijing had previously put this option to the region, i.e. the ten ASEAN member countries plus Japan, South Korea, Australia and New Zealand. It was clear from the get-go that the Asian negotiating parties, Singapore in particular, would have wished to see both trade pacts, the TPP and RCEP, in place simultaneously. The latter, with China, would be a practical way to better relations amongst the Asian powers, whilst the TPP would provide global regulatory coherence with a framework of streamlined standards. It would also act as a counterweight to the PRC – the new regional power.

Beijing is certainly offering its neighbours an ambitious deal, under which some three billion people would gain access to rapidly growing markets. For the poorer countries, the pact with China also carries the enticing prospect of hefty investment. But RCEP, in contrast to the TPP, sets forth no arrangements for improved labour standards or for the protection of intellectual property and investment, something which many poor countries - underdogs in the brutal race for investment, jobs and growth opportunities - value as a safety net. The US reckoned that the trade pact would initially bring China considerable competition and losses – surely music to the ears of Trump hardliners. But with RCEP, China would have had a good shot at making up these losses through

improved market access across Asia.

As things stand, it looks like the sought-after future of "one Pacific, two agreements" is not to be. Lamentably, the European Union has offered only a paltry alternative with the bilateral free-trade agreements it has negotiated so far in Asia. Binding stipulations on the protection of human rights, labour standards and the environment do not seem to be on Brussels' agenda, despite a new values-based trade policy named "Trade for All". Asian partner nations are offered a nice-sounding Sustainability chapter, which goes no further than what they "ought to, should and could" do. Asia desperately needs international partners that can set a high bar. Both the EU and the US have failed them on that count.



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