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Trump's Decision to Abandon the Trans-Pacific Partnership: A Critical Analysis

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Abstract

This paper aims to analyse the impacts of the Trump administration's decision to abandon the Trans-Pacific Partnership (TPP). It will begin by providing a short overview of TPP before focusing on examine how the U.S. withdrawal from the TPP may affect U.S. domestic affairs and U.S. images in the Asia-Pacific. It will also identify the implications of the this withdrawal on China, and other nations in the Asia-Pacific including Vietnam. Then it goes on to explore Asia's political circumstances without the TPP and put forth some scenarios for China and other Asian nations.

Keywords: The U.S. economy, economic agreement, Trans-Pacific Partnership, China, U.S. allies.

“By fighting for fair but tough trade deals, we can bring jobs back to America's shores, increase wages, and support U.S. manufacturing”
Donald J. Trump – The White House (2017).

1. Introduction

The historic end of the Cold War and the spreading wave of globalization have significantly transformed the nature of threats and security discourses in Asia. Since the beginning of the 21st century, the world community has witnessed several changes in the balance of power between major powers, most notably the U.S. and China. Even though the U.S. can retains its supremacy in different parts of the world it has been an undeniable fact that the People's Republic of China (PRC) has emerged as a rising power that could challenge the U.S.'s primacy in the Asia-Pacific. This is the rationale behind the effort by former U.S. President Barrack Obama (2012) and his team to implement the strategy of “rebalancing” to promote American influence and strengthen its commitment towards this region. Among other initiatives spearheaded by the U.S., the Trans-Pacific Partnership (TPP), an economic agreement between the U.S. and its allies, was a core component of the Rebalance. Nevertheless, while the TPP was at the final stage, the newly elected President Donald J. Trump made an announcement to abandon it right in his first office days.

Economically, this decision would affect certain interests in the US and the trend of trade liberalization in the region. Strategically, U.S. withdrawal from TPP would have impacts on its strategic interests with exacerbating doubts among regional countries about US leadership and commitment in the region. It also informed a new approach of the US towards its relations with China. Against that background, this paper aims to analyze the consequences of the withdrawal from TPP by the Trump administration and implications for regional countries, including Vietnam.

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2. Discussion

The Trans-Pacific Partnership

In February 2016, a group of 12 states led by the United States along with 4 members of the ASEAN such as Malaysia, Singapore, Brunei, Vietnam and 7 other sovereign states including Japan, Australia, New Zealand, Canada, Mexico, Chile, Peru have agreed to develop a high standard FTAW called the Trans-Pacific Partnership. The TPP had been praised as the commercial arm of the US's Rebalancing Strategy in Asia [19]. The agreement would aim to pursue the U.S.'s national interests in at least three ways. First, Washington believed that through the TPP, the U.S. might be able to strengthen its leadership in Asia-Pacific by exercising its diplomatic and military capabilities. Next, the TPP served as a part of the U.S.'s broader strategy in promoting the international order under the influences of liberal values. Thirdly, the agreement aimed to promote the commitment of the U.S. with its key allies in the region; especially Japan and Vietnam, by boosting economic growth. It was supposedly designed to bind the region into a stable economic sphere and become the global greatest trade pact, covering a significant share in the global economy, representing approximately 40 percent of the international trade output, while Beijing was left out of the table [19]. The collaboration of a dozen of states should create a complex network of trade obligations, thus, permanently connecting the U.S. with Asia and creating a bulwark against China's growing influences.

Furthermore, even though never been stated publicly, yet, it seems to be understood widely that one of the most important incentives of the American Rebalancing Strategy is to keep the rise of Chinese power and influences in control. Barack Obama (2016) claimed "The TPP would let America, not China, lead the way on global trade". Thus, it was expected to get Vietnam and other Asian economies closer to the U.S., thus weakening Chinese economic clout and have long-term impacts on this Asian giant economy [14]. As the Asia-Pacific is already an important part of the U.S. economy, consuming 60 percent of the U.S. exporting products, 72 percent of agricultural goods, TPP would further enhance the U.S. involvement in the area [19]. The removal of the traditional trade barriers in the region, complete elimination of tariffs on manufactured products, and economic integration with a wide range of agricultural trade will help the American businesses in exporting their goods without facing any obstacles [19]. Besides boosting the U.S. export, TPP would strengthen Washington's relationship with the region and promote American values. As the Asia-Pacific region is expected to reach 3 billion middle-class consumers by 2030, the U.S. would want to make sure that regional system should reflect American interests, and Washington would not want to pass that privilege on to others, whether it was China or not.

On its part, the Chinese considered TPP as an economic strategy of the Obama administration to maintain U.S. power primacy in the Asia-Pacific and contain China's rise. According to Li Xiangyang, "the exclusive TPP will not only bring about the 'excludability effect', but also possibly reverse the course of the East Asian regional integration that China has been pushing for over a decade. It will constitute a major challenge to China's rise" [3]. In addition, Chinese Foreign Ministry accused Washington of interfering in the sovereignty disputes between China and other states, as Beijing claims that China's authority over the disputed areas are "historical and solid"; for instance, the nine-dash lines theory in the South China Sea disputes [5]. Therefore, a huge amount of literature in China considers the TPP as part of a comprehensive strategy by the US to contain China, which involves economic but also maritime, diplomatic, military and other domains.

The influences of the TPP abandonment on U.S. domestic affairs and implications for China

The influences of the TPP abandonment on the U.S.

Thus, it was unfortunate for those in the United States, its allies and partners who have invested interests in the TPP that the U.S. new President Donald Trump abandoned that high standard trade agreement and the signature achievement of his predecessor. On January 23, 2017, President Trump directed the United States Trade Representative to withdraw the U.S. as a participant to the TPP [13]. Considering that the deals such as the TPP were posing threats towards employment of American people, Trump had been bashing free trade for most of his campaign, thus, the U.S. withdrawal from TPP was a part of his "American First" approach [9]. President Trump claimed that TPP will hurt the job security of the American workers and companies because the overseas labor costs from developing states like China, Vietnam, and Malaysia were much cheaper. Many low skilled jobs that used to belong to the American industry have been relocated in other countries where the cost of production is lower than that in the U.S.

Thus, the only way of making America great again is for the United States to only sign trade agreements with individual allies and consider renegotiating the North American Free Trade Agreement (NAFTA). President Trump stated that Washington would reverse the situation and bring the firms back to the U.S. economy. In other words, President Trump believed that the American workers should be protected against competition from the cheap labor forces such as Vietnamese and Malaysian, who have signed the TPP [2]. These foreigners have forced American businesses to compete and suppress the local prosperity [10].

Other critics of TPP like Senator Bernie Sanders also accused that the controversial treaty and a series of trade deals had cost the U.S. “millions of decent-paying jobs” and endangered the safety of the U.S. economy [24]. While the U.S. was expected to open its markets to foreign companies, other countries simply took advantage of it and gained more profits for their own goods. TPP failed to address the issues where other countries unfairly treated American labors. Through the expansion of the “Investor-State Dispute Settlement” (ISDS), the TPP has undermined the U.S. laws and obligations. Under the ISDS system, the U.S. would allow the treaty to harm its sovereignty [23]. ISDS is a negotiation process designed to resolve the disputes between TPP member countries with their foreign investors. Foreign investors could protect themselves under the laws of local government. As the result, firms and corporations could be able to challenge the U.S. rules on several important circumstances without having to present to any court [25]. Elizabeth Warren (2015) believed that if a final TPP agreement including the ISDS were passed, the only winners of the deal would be the multinational companies.

TPP supporters argued that the withdrawal could hurt US’s firms’ competitiveness abroad, undermine US economic interests and negotiating credibility in the region, damage US leadership by giving China greater control in setting regional trade rules and heightening doubts among regional countries about the former’s commitment to its presence in the region. Several TPP opponents, while seeing the withdrawal as preventing greater U.S. import competition and potential job losses, also admitted that beyond the economic dimension, it might signal the declining of the U.S. influences in the Asia-Pacific and also the inability to justify its leadership at a time when China are gaining more strength and the threat of nuclear missiles from North Korea are testing the U.S. – led society, thus challenging its reputation in the region. In fact, the abandoning of the TPP by the Trump Administration has multi-dimensional consequences and implications for the US, China and countries in the Asia-Pacific.

First are the impacts on the U.S.’s domestic politics and public. The people who cherished have been labor groups who long argued that the TPP would continue a trend of transporting American manufacturing jobs to different countries that have the lower compensations and less labor assurances. On the contrary, to the proponents of the treaty, by retreating from the TPP, the U.S. seems to have shot itself in the foot as this decision would make it more difficult and costly for the American businesses in exporting their products towards the other part of the world [22]. Major companies are claiming that Trump is undercutting their opportunities to sell to the vast majority of the world’s consumers – considered this as a move that would harm the American economy if manufacturing jobs that have already left the United States are gone for good.

Having support free trade for a long history, the Republicans have found themselves stucked between a protectionist President and the U.S. economic community that view President Donald Trump as isolated from the reality that advanced technologies, rising wages and an increasingly interdependent world mean that the manufacturing and low-skill jobs might not return to the U.S.; as those products are having the cheaper price in the United States because they are manufactured from another states; plus, the American businesses also gain profits from the trade deal as they are making trillions of dollars for selling their own goods overseas. As such, Trump’s decision might not resolve but intensify the existing divide within the American politics, business circle and public.

Implications for China

The Trump administration’s decision to withdraw from the TPP certainly has some implications for China. In the short term, China stands to gain much in the process though it did not celebrate. Just as Beijing was able to represent itself as a defender of fiscal conservatism during the Great Recession, it has had great opportunities in acting as the guardian of trade multilateralism in Asia by attempting to form another trade pact, which was believed to be an alternative version of the TPP called the RCEP – the Regional Comprehensive Economic Partnership [6]. Along with the BRICS Bank (both headquartered in China) and Asian Infrastructure Investment Bank (China’s creation), U.S. withdrawal from TPP has given Beijing a chance to creating its own economic zone [6]. Thus, the withdrawal from TPP should be effective for the U.S. as much as the Rebalancing Strategy has, since the PRC will likely

to benefits from the process for having been prepared enough to stood up as an alternatives to the Asia-Pacific and the global economy.

In the longer term, however, there could be two scenarios for China. One is that China can gather and lead the regional countries with some of its initiatives like One belt One road (OBOR), Asian Infrastructures Investment Bank (AIIB) and Regional Comprehensive Economic Partnership (RCEP) pushing the U.S. further out of the region [6]. The other is that China would also be negatively impacted because the Trump Administration would implement a harder policy concerning trade, monetary and some production products, especially with China, thus leading to trade conflicts that heavily affect the whole region. The second scenario helps explain the cautious response of China to the Trump Administration's decision to abandon the TPP. Given that China is the neighboring power that has never going to leave its ambition, if the first scenario happened, Trump's decision on the TPP would lower the U.S.'s image and damage others not just emotionally, but also regional integration and trade relations for a long time to come.

Impact on the U.S.' image in Asia and the regional countries

As the U.S. abandoned the TPP, there have been some consequences for American influence and image in the Asia-Pacific. Michael B. Froman, the U.S. trade representative noticed that by withdrawing from the TPP, the U.S. had also withdrawn from its leadership position in the Asia-Pacific and handed the throne to China [2]. To many people who shared Froman's view, Trump's decision can be considered as a serious mistake creating unfavorable foundation for America and its allies according to Senator John McCain, yet, a favorable context for China. Singapore's Prime Minister Lee Hsien Loong have notified in 2015, "Failing to get the TPP done will hurt the credibility and standing of the U.S., not just in Asia, but worldwide" [4].

It is China who has already been in the process to form an alternative pact called RCEP, which gathered Japan, New Zealand, Australia, South Korea, India and several ASEAN member states. The RCEP's main interest is to establish a wide-ranging and a mutually beneficial economic zone that produces a greater level of engagement compared to the ASEAN Free Trade Agreement (AFTA) [8]. It is said that the pact is a somewhat similar scope with the TPP, but including China. So, if the TPP is actually dead, the RCEP will remain as the largest trade pact, and the greatest economy among the members will not be the United States but China. China is ready to follow the global footprints of the U.S. with its regional influences. Meanwhile, other states such as Thailand, the Philippines, Laos or Cambodia who did not join TPP might also take the chance to profits from the Chinese's RCEP [21].

In addition, President Trump's decision to abandon the TPP has impacted Asia-Pacific countries including Vietnam. The U.S. allies, partners in the Asia – Pacific that have, more or less, been relying on the U.S. support to manage the impacts of Chinese expansion, are now forced to prepare for the changed situation, at least in the economic and trade realm. It is expected that these states will attempt to sign other bilateral and multilateral alternatives because the world politics nowadays are already far too reliant on trade agreements. Then, although it is undeniable that participating in another alternative multilateral structure will be difficult, yet, that would not stop these countries from keep trying to do so, with or without the American.

Being the last country to join and the first to ratify the pact, Japan was looking forwards the benefits from the deal with the U.S, especially TPP was considered a compelling deliverable to reconsolidate the relations between the United States and Japan, the global largest and third-largest economy under the same free-trade pact [2]. While Japanese Prime Minister Shinzo Abe and the Japanese leaders were reviewing the term of TPP in an attempt to bring back the U.S. on the playground, some members of the TPP including Australia have begun to discuss whether or not they should create a "TPP, minus one", excluding the United States [8]. Thus, even as the significant trade deal TPP was terminated, other trade agreements have been under negotiation. Plus, Southeast Asian nations like Singapore and Vietnam who had overcome some domestic political opposition in order to be able to reach the negotiation table and signed up for the TPP now left with a complicated situation when with the Trump's decision to abandon the pact [21]. Singapore continues to work with other member states to sustain the free trade deal while enhancing its trade and economic linkages with other partners, both bilaterally and multilaterally. Hanoi has begun to stabilize its relationship with Beijing, while expanding its pursuit of markets through different bilateral economic agreements in order to decrease its dependence on the PRC [4].

3. Conclusion

To sum up, as the United States has been slow in its recruiting staff and appointing new posts for the newly-elected administration, the decision of U.S. President Donald J. Trump to abandon

the signature trade deal of his predecessor – the Trans-Pacific Partnership, could to some extent be seen as an end to the “pivot – rebalance” strategy in Asia. Scholars and observers in field of international relations believe that China would not waste this chance to come up and replace the United States as the major power in the Asia-Pacific region in the days to come. However, as the current U.S. government is still in their early stage, it is not easy to foresee what might occur in the new Donald Trump’s global order. Yet, in any perspectives of the great power game in Asia, the U.S. retreat on the Trans-Pacific Partnership can be viewed as an act that has pleased the Chinese government. It is reasonable to assume that this incident might open the door for a greater Chinese role and act as a changing point in the Sino-U.S. great power competition. The TPP, a trade deal that was supposed to help promote the economy of regional nations seems gone and the concerned countries who are neighboring states of China, especially those are involved in the territorial disputes with the Chinese, now need to decide on whether or not they should keep supporting the U.S. and its new government, or they should begin to hedge more towards Beijing. This could be an explanation for some of the recent developments in Asia – Pacific.

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УДК 33

Решение Трампа отказаться от транс-тихоокеанского партнерства: критический анализ

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Аннотация. Статья посвящена анализу последствий решения администрации Д. Трампа отказаться от Транстихоокеанского партнерства (ТТП). Она начнется с краткого обзора ТЭС, прежде чем сосредоточиться на рассмотрении того, как выход США из ТЭС может повлиять на внутренние дела США и образы США в Азиатско-Тихоокеанском регионе. В исследовании также определены последствия такого вывода войск для Китая и других государств Азиатско-Тихоокеанского региона, включая Вьетнам. Затем продолжают изучаться политические обстоятельства Азии без ТЭС и выдвинуты некоторые сценарии для Китая и других азиатских государств.

Ключевые слова: экономика США, экономическое соглашение, Транс-тихоокеанское партнерство, Китай, союзники США.

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