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The Trans-Pacific Partnership: A Deeply Flawed Partnership 環太平洋戦略的経済連携協定 (TPP) 欠陥だらけのパートナーシップ

Mel Gurtov

The American people have become used to government trickery in foreign affairs—wars and interventions based on lies and falsified evidence, "national security" used to justify the whittling away of privacy, classification of documents to hide embarrassing disclosures, massaging of budget figures to mask outrageous spending on arms, and demands for new weapons when already in possession of an unmatched conventional and nuclear arsenal.

Now comes trickery in a different domain: the Trans-Pacific Partnership (TPP), which has substantial bipartisan support and strong presidential endorsement. Eleven countries[1] are awaiting the outcome in Congress as President Obama seeks approval to put the TPP on a "fast track," meaning skipping hearings, public input, and amendments and going directly to an up-or-down vote after 90 days to review. Once passed, the TPP will do for US corporations operating in Asia what the North American Free Trade Agreement (NAFTA) did for them in Canada and Mexico—provide new incentives to send jobs abroad, increase corporate earnings, and downgrade protections of the environment and workers at home as well as abroad.

Who Benefits?

The TPP is partnership alright, but not the sort that serves the human interest. Instead of enhancing partnership with working people who need higher wages and job training, and with grassroots organizations that are fighting to protect our natural environments, the TPP will promote the interests of trading and investment firms in the cutthroat competition that has come to define globalization. It's all about providing a "level playing field" for US multinational corporations, as Assistant Secretary of State Daniel Russel recently explained.[2] President Obama, who once resoundingly criticized all such mega-trade agreements, is now its biggest booster, proving once again that money talks just as loudly with liberal as with conservative leaders.

Though US officials have been tight-lipped on exactly what the TPP includes, a government fact sheet from 2011 summarizes the contents, and reveals just how partial the partnership is to investors and traders:

Core issues: traditionally included in trade agreements, including industrial goods, agriculture, and textiles as well as rules on intellectual property, technical barriers to trade, labor, and environment.

Cross-cutting issues: not previously in trade agreements, such as making the regulatory systems of TPP countries more compatible so U.S. companies can operate seamlessly in TPP markets, and helping innovative, job-creating small- and medium-sized enterprises participate more actively in international trade.[3] Here are some of the specific drawbacks to the TPP. Every one of them is also true of

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NAFTA.

- Administration claims to the contrary, TPP will export far more jobs than it will create. It will encourage countries to further weaken their currencies' value to promote exports to the US, thus widening the US trade deficit and reducing US jobs. At the same time, TPP will encourage US companies to invest abroad, and thus create jobs there, as happened under NAFTA. Between 1993 and 2013, US direct investment in Canada rose more than five-fold, and in Mexico nearly seven-fold.[4] But Robert E. Scott's study for the Economic Policy Institute found that "U.S. trade deficits with Mexico as of 2010 displaced production that could have supported 682,900 U.S. jobs; given the pre-NAFTA trade surplus, all of those jobs have been lost or displaced since NAFTA."[5] This negative outcome applies to free-trade agreements generally. Scott predicted that the KORUS (South Korea-US) trade pact would yield trade deficits and consequent US job losses. Sure enough, Public Citizen, which has tracked the impact of the KORUS pact since 2013, reports in its newsletter that it has resulted in "a downfall in U.S. exports to Korea, rising imports and a surge in the U.S. trade deficit with Korea that equated to 60,000 more American jobs lost."
- By shifting jobs to low-wage countries, TPP will further undermine attempts by US workers to unionize. The threat by companies to move from one low-wage country to an even lower-wage country is always there.
- No provision is made to protect workers sidelined by the effects of the agreement. As Dana Milbank points out in the Washington Post, President Obama lost an opportunity when the TPP was being drafted to insert provisions for worker training and spending on public works ("infrastructure"), both areas that the US spends far less on than the Europeans.[6]
- Poor people in agriculture abroad also face the prospect of having to emigrate when agribusiness exports from, say, the US undercut locally produced goods. (Under NAFTA, the classic case is imports of cheap American corn, which flooded the Mexican market and forced thousands of campesinos off the land.)
- TPP will undermine environmental, health, and safety laws because, as with the infamous Chapter 11 of NAFTA, TPP will allow countries and corporations that are blocked by regulations in another country from exporting certain below-standard goods—such as fish, fuel, timber, tobacco, and fruit—to sue in a special international court of arbitrators for financial redress on the basis of "restraint of trade." Under the TPP, the special court's ruling cannot be challenged in US courts. This crucial provision, called Investor-State Dispute Settlement, reduces environmental and public-health protections to the least common denominator. The special court operates in secret. Its decisions are binding on governments, and prevail over local laws and regulations.[7]

The approval process for TPP is entirely undemocratic. The public has no "right to know" about the agreement's contents. Among the "core issues" cited above, I'm only aware of one—intellectual property rights—whose details have entered the public domain. And that is only because of Wikileaks.[8] Putting the TPP on a fast track is an obvious tactic for further minimizing Congressional and public debate.

The Nike Connection

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Nike has a well-founded reputation for exploitation of its Asian labor force at its contract plants in Vietnam, China, and Indonesia.[9] So when, on May 8, Obama chose Nike headquarters outside Portland to promote the TPP, Public Citizen responded: "Why would he honor a firm that has grown and profited not by creating US jobs but by producing in offshore sweatshops with rock-bottom wages and terrible labor conditions?"[10] Seeking to preempt that criticism, Nike announced that with TPP, it would create about 10,000 manufacturing and engineering jobs and another 40,000 jobs indirectly—where, when, and how left unstated.[11] Are these figures credible, coming from a global corporation that employs about one million people producing footwear everywhere else but in the US? And why must Nike wait for approval of TPP before finally creating all those jobs at home? Supporting Nike's promise, a White House spokesperson insists that the TPP "includes the strongest, boldest human rights protections, labor protections, and environmental protections we've seen in a trade deal." And Obama's commerce secretary claims that if other countries don't honor these protections, the US simply won't trade with them. Really? Like Vietnam, China, and Indonesia? Since when has the US refused to trade with countries that don't honor human rights and respect the environment? How likely is it that the US will do so now? And on the other hand, since when has Washington protected US states and localities that have strong environmental laws from foreign governments and corporations that seek entry for below-standard products? Perhaps US officials are right, but if they are so certain about the various protections in the TPP, why has the administration been so secretive about the details? What, in short, are they hiding?

It's All About China:

The TPP is more than a trade agreement; it has, at least for Washington and Tokyo, an equally important strategic dimension. The US Office of Trade Representative stated last year:

> TPP is as important strategically as it is economically. TPP would bind together a group that represents 40 percent of global GDP and about a third of world trade. Strategically, TPP is the avenue through which the United States, working with nearly a dozen other countries (and another half dozen waiting in the wings) is playing a leading role in writing the rules of the road for a critical region in flux.[12]

Translated into plain English, it's all about China, the "800-pound gorilla in Asia [that] will create its own set of rules," according to the President. "We have to make sure America writes the rules of the global economy," he said in his speech at Nike headquarters. "And we should do it today, while our economy is in the position of global strength. Because if we don't write the rules for trade around the world—guess what—China will," and Chinese workers will be the beneficiaries.[13] The statement is telling in two respects. First, it displays American arrogance; the President assumes that the eleven other countries in the TPP will fall in line with US preferences. Second, to think that Chinese workers will be the main winners if China makes the rules is a throwaway line, no more likely than claiming that US workers will be the big winners in a

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US-ruled world. But the larger point is that to make China the villain is cheap politics, and doing so ignores a long history in which the US made the rules of international commerce to suit US trading firms above all others.

But who makes the rules is and always has been the name of the game, and not only in postwar international politics. For the US and Japan, not to mention for influential pundits such as Thomas J. Friedman of the New York Times, keeping rule-making out of China's hands is the essential argument in favor of the TPP. As Friedman writes, agreements like TPP "would both strengthen and more closely integrate the market-based, rule-of-law-based democratic and democratizing nations that form the backbone of the World of Order."[14]So there you have it: at a time when the US and Japan are strengthening and expanding the reach of their military bond, you are either living in the World of Order or the World of Disorder.

Obama's speech and Friedman's op-ed present the kind of "us versus them" world view that guides the TPP. You can see why some folks in Beijing interpret the TPP not as an opportunity for cooperation but as another element in the US strategy to encircle China—and why, in Washington, the selling of TPP requires hyping the China threat, thus reinforcing Chinese suspicions that have already been aroused by the US military "rebalance" to Asia.[15] ; For China, the days of watchful waiting while the US undertakes a major Asia-Pacific initiative are over. Beijing is lining up its own tariff-cutting, investment-friendly, loan-approving groups in Asia, and those groups will have even less environmental and safety protections built into them than the TPP or NAFTA.

Since China has been invited to join the TPP but not to set its rules, it is doing what comes naturally: creating groups in which they have preponderate influence in setting the rules, just as the US did at the end of World War II when it led the way in founding the World Bank and International Monetary Fund, and later the Asian Development Bank (ADB). The China-backed groups are the Regional Comprehensive Economic Partnership (RCEP), the Asian Infrastructure Investment Bank (AIIB), and a Free Trade Area of the Asia-Pacific, not to mention a Silk Road Economic Fund. Washington resents these Chinese "intrusions," especially since China has signed up as founding members of the AIIB a number of countries friendly to the US, including several in the European Union, Australia, and South Korea; even Taiwan has expressed interest. US officials are thus failing in their efforts to discourage participation in China-sponsored organizations. But why should countries with a stake in the Asia market want to miss out? In fact, why shouldn't the US join the AIIB, which it is open to do?

It's hard to find fault with the Chinese argument for creating its own path in the competition for the Asia-Pacific's commercial favor. Their argument can be summarized in a few points: first, China is not yet ready to join the TPP because, by its own admission, the standards are set higher than it can presently accommodate; second, China is seeking to build trade, investment, and finance groups in which Beijing will have greater voting power than it does in the International Monetary Fund and the World Bank; third, Asia needs a great deal of infrastructure investment (about $8 trillion is the usual estimate) that neither the World Bank nor the Asian Development Bank can alone provide. As one Chinese economist writes:

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> To some extent, the operation of the Asian Development Bank, World Bank, or the International Monetary Fund is obsolete, for they can no longer meet the needs of new emerging economies and don't reflect today's global economy. Take the case of the Asian Development Bank, for example. China's voting rights within this bank is only a third of Japan's, while in terms of GDP, China already doubles Japan. . . . [In] such circumstances, how do you want China not to take any initiative to create new international financial institutions, and to be content to sit idly in existing international financial institutions?[16]

Indeed, as a former US ambassador to the ADB observes, the AIIB might prove more adept than the World Bank at providing resettlement funds for people who are pushed out of their homes by "development" projects. But as he goes on to say, accountability is something the AIIB will have to demonstrate.[17]

Regardless of what China does, Congress should defeat the TPP legislation. From a human-interest point of view, it fails the test of genuine partnership. No trade or investment agreement should be undertaken that pays mere lip service to environmental protection, puts corporate profits ahead of human rights, and interprets globalization to mean nothing more than getting ahead of the competition. ;There is a national security dimension to this bill, but it has to do with the way economic globalization contributes to inequality in our streets and not to strategic balancing against China. Think Baltimore, not Beijing.

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[1] These are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

[2] See here.

[3] See here.

[4] M. Angeles Villarreal and Ian F. Fergusson, "The North American Free Trade Agreement (NAFTA)," Congressional Research Service R42965, April 16, 2015, appendix A-4.

[5] US exports to Canada and Mexico have risen annually, but US imports from these two countries have risen even more, creating a roughly $1 billion US trade deficit by 2011. See the Council on Foreign Relations, "NAFTA's Economic Impact," February 14, 2014. On NAFTA's net US job displacements, see Robert E. Scott, "Heading South: US-Mexico Trade and Job Displacement After NAFTA," Economic Policy Institute, May 3, 2011).

[6] Dana Milbank, "The Trade-off Obama Missed on Trade," *Washington Post*, April 24, 2015.

[7] Senator Elizabeth Warren warns about this provision at "The Trans-Pacific Partnership Clause Everyone Should Oppose," *Washington Post*, February 25, 2015. On the threat TPP poses to local food safety laws, see Mark Bittman, "Obama and the Republicans Agree on the Trans-Pacific Partnership . . . Unfortunately," *New York Times*, April 22, 2015.

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[8] "Secret Trans-Pacific Partnership Agreement (TPP)—IP Chapter". The web site also contains the secret IPR documents.

[9] According to *The Oregonian*, Nike employs about 26,000 people in the US, very few of whom are in manufacturing. The US operations primarily focus on value-added: marketing, design, and distribution.

[10] Peter Baker, "Obama Scolds Democrats on Trade Pact Stance," *New York Times,* May 8, 2015.

[11] Alan Brettman, "Nike Says It Will Create 10,000 Jobs, Locate Manufacturing in U.S., With an Approved Trade Pact", May 8, 2015.

[12] See here.

[13] Speech at Nike.

[14] Thomas L. Friedman, "On Trade: Obama Right, Critics Wrong," *New York Times*, April 29, 2015.

[15] Christine Ahn, "Open Fire and Open Markets: The Asia-Pacific Pivot and Trans-Pacific Partnership," *Foreign Policy in Focus,* January 17, 2014.

[16] Ding Yifan (deputy director in the China Development Research Center), "The 'Catfish Effect" in the International Financial System," *China-US Focus.com*, May 8, 2015.

[17] Curtis S. Chin, "China-Led AIIB Has the Opportunity to Prove Skeptics Wrong," *China-US Focus.com*, April 24, 2015.

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