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Connolly Hall: 28 Feb. 2014

TPP: The Wider Context  
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The government has stated that it will not put before Parliament, or the people, any TPP agreement which does not confer substantial net benefits on NZ; but that it is not yet in a position to make that judgement<sup>1</sup>. The inevitable secrecy that surrounds an evolving negotiation of what is a ground breaking economic arrangement makes informed outside assessment about the value of TPP perplexing, even though leaks have been profuse. It is nonetheless possible to reflect on the wider context and advisability of TPP without second guessing possible gains or losses; and disavowing the undeniable case in principle for free trade.

### **Context**

The origins for NZ preoccupation with TPP lie in our quest for a FTA with the US dating back 25 years. It involved prolonged commitment of resources plus well funded non government advocacy. The US for one reason or another resisted NZ's unremitting petition until Washington was eventually attracted to the broader possibilities of the NZ initiated TPP as the vehicle for bracing US regional economic leadership on its own terms. Washington broadened the TPP agenda into one for economic integration centred around a template of US interests that now dominate the negotiation. NZ has no economic integration ties with any major economy. We are entering uncharted territory. Given the realities of American domestic politics moreover it would be most unwise for NZ to finally settle any arrangement until the role of the fractious, disordered US Congress which retains constitutional negotiating authority over US foreign trade, is clearly and formally established including by means of a proper mandate to US negotiators.

Over that same quarter century of intense NZ petitioning of the US, this country's trade patterns and national interest were being transformed by vast commercial opportunities that have materialised in East Asia, and by effective NZ diplomacy under successive governments to lay political foundations there for success. China is now our largest trade

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<sup>1</sup> Minister of Trade, Tim Groser, address to APEC Business Advisory Council; Auckland 12 Feb. 2014. [Beehive.govt.nz/speech](http://Beehive.govt.nz/speech)

partner. Improved access to the US market therefore while still important, is clearly not as crucial as when NZ first launched its ubiquitous crusade with Washington nearly a generation ago. Moreover it is not clear just what additional market access will actually be achievable for NZ under TPP. The case for direct economic policy integration with US (involving greater encroachments on NZ sovereignty than under traditional FTA ) must therefore be judiciously weighed against those facts; and other factors including broader US objectives and the distinctive pathway of regionalism in East Asia.

### **US Global Economic Strategy**

The US is pursuing three principal trade policy goals at this time – the TPP, a Transatlantic Trade & Investment Partnership (TTIP) with the EU, and a Trade in Services Agreement (TISA) in Geneva. Each is designed to reinforce the US as the hub of a revitalised world trading order in the wake of a serious global financial crisis, first precipitated by American waywardness. What is most striking about this trinity of initiatives is that none of them involve newly emerging economies – China, Brazil, India and others. In an age when globalisation and interdependence are the lived experience in the world, present US trade policy priorities appear divisive. They risk fragmenting the trading system<sup>2</sup> by reforging coalitions of predominantly western economic interests as the basis for American global economic leadership. In these terms TPP would provide an American made platform for eventual Asia Pacific wide arrangements and in the process facilitate Washington supervision of East Asian economic regionalism thereby diminishing, intentionally or not, China's prominence.

In the global financial institutions meanwhile the US and other western powers continue to drag feet over reform particularly of IMF, which would allow China greater influence in management and policy making; and they are reluctant to include the Chinese currency in the IMF basket of special drawing rights (SDR) even though only China with its massive trillion dollar reserves, is in a position to strengthen IMF resources. NZ will have, thanks to Australian magnanimity, a place at the table of the next G20 summit and we will need clear opinions about this polarising trend in global financial and trade management.

### **US Regional Pivot**

At the regional level geopolitical reality cannot be discounted either` as NZ shapes its TPP policy. The US has committed to rebalancing its global interests by a so-called 'pivot'

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<sup>2</sup> Subramanian A. Preserving the Open Global System: Strategic Blueprint for China & the US. Peterson Institute. Number PB 13-16. June 2013.

towards Asia/Pacific. How far and how fast it can divest itself of the burden of turmoil in the Middle East remains an open question. But in tandem with TPP, the Asia Pacific pivot includes a significant political/military dimension involving revitalised military relationships, deployment of new and increased weapons systems and insistence on complete freedom of navigation for the USN right up to China's coastal twelve mile limit. Coincidentally or not longstanding sovereignty claims in the South and East China seas have resurfaced as the pivot gathers momentum, with the US discounting China's claims.

There is no question that Beijing requires constantly to reassure regional neighbours of peaceable intentions and to temper assertive regional foreign policy. Many Asian governments value US regional engagement to balance China's eminence, but they do not ignore the vital economic connectedness of their own well being to China's success, nor favour military confrontation with Beijing. China has responded negatively to what it interprets as US strategic pressure and American encirclement. No matter how much NZ understandably cherishes its own improved relations with the US, such Chinese perceptions cannot be simply waved aside, particularly given our distinctive trade treaty relationship that is crucial to improved performance of NZ's own economy. For its part China must perceive the NZ connexion as something rather more than a pure economic relationship. Beijing has surely taken note of NZ's clear affirmation that it would not support a TPP aimed at cramping China. Yet the very nature of the pivot confirms America is still torn between viewing China as a strategic partner or strategic adversary. Balancing its Chinese and American relationships now represents an immense ongoing challenge for NZ diplomacy, the like of which we have never before encountered.

### **Asian Regionalism**

A second reality concerns the very nature of East Asian regional cooperation which depends upon relationships as much as rules. Regional governments have successfully adapted economic policy models from elsewhere to suit their different circumstances and requirements, and they have set their own pace for building regional institutions. Powerful outsiders disappointed by their own inability to exercise greater command of that process, criticise the absence of accountability, robustness and clear purpose. The fact remains however that the preferred Asian version of regionalism underpins the most spectacular economic and social advance by any region in modern history which has succeeded moreover in shifting the centre of global economic gravity.

China now provides the motor force and South East Asia (ASEAN) supplies institutional underpinning. NZ has successfully negotiated formal ties with both and this provides the basis for our involvement in negotiations for a Regional Comprehensive Economic Partnership (RCEP) which commenced in 2012 and is due for completion in 2015. The scope and content of this negotiation is similar to TPP but the cast of characters, the pace and the basic foundation for the negotiation, are different. All East Asian economies are involved but the US is not. Negotiations proceed on a basis moreover of “learning together” rather than (as with TPP) negotiations centred around a template favoured by the most powerful participant. As 2014 APEC Chair Chinese authorities have designated ‘advancing regional economic integration’ as the number one priority for APEC which is dedicated to open regionalism but is not itself a rules making institution. As part of this priority the Chinese include greater regional financial integration. This dovetails with the stated RCEP objective more than with TPP which does not extend to financial integration and, of course, remains sub regional in scope.

NZ has a foot in both the TPP and RCEP camps. That is advantageous at least up until a point when choices become unavoidable. TPP involves a cast of countries without common geography, small in actual numbers but with colossal differences in power, size, levels of economic attainment and potential. Such disparity rules out a “one size fits all” result. Exceptions, exemptions, prolonged periods for adjustment will inevitably figure in any agreement if one is reached. It will be an intricate complicated outcome made infinitely more complex if the US Congress asserts meddlesome intrusive oversight of both negotiation and implementation of TPP. More questions than answers are inevitable given the envisaged sequence of events – conclusion of TPP negotiations in 2014, and of RCEP in 2015. Would NZ with a foot in both camps, be expected to defend or indeed advance TPP provisions in RCEP negotiations, where the US is absent? Would RCEP negotiations be prejudiced by the TPP outcome bearing in mind in particular the deliberate exclusion of China.

### **Conclusion**

Practical considerations involving severe misgivings about the role of the US Congress in TPP, as well as strategic trends at the global and regional levels and the effort, resources and talent expended by NZ over more than three decades in East Asia, all point to the need for NZ caution about TPP in its present incarnation. There are compelling reasons in the present space to hasten slowly and, indeed, allow other events first to take their course.

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