

Who can resist the worldwide power of TPP?

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TPP, the Trans-Pacific Partnership, will allow US-backed corporations to dominate not just trade, but governmental policy.

Narendra Modi, India's new prime minister, showed the world that the moribund Doha Round was now dead by rejecting the World Trade Organisation deal on agricultural produce on 31 July 2014. His main aim was to continue to subsidise domestic cereal production, but India's veto caused an international stir because there are now many more opponents to WTO ambitions. Emerging nations are making alliances against the powerful, in particular the US. The liberalisation machine has jammed.

In response, western nations and the multinationals have been pursuing bilateral free trade agreements (EU-Canada, US-South Korea...), especially geographically organised ones, such as the Transatlantic Trade and Investment Partnership (TTIP) between the US and the EU and the Trans-Pacific Partnership (TPP) between the US and 11 Pacific countries. Dividing the planet into regions offers the US its best chance of calling the shots.

TPP, when established in 2005, had just four members — Brunei, Chile, New Zealand and Singapore — all keen to avoid being steamrollered by their bigger neighbours. All were tiny in political and trading terms. In 2009 the US got involved with the aim of containing China's power; it was concerned about losing regional dominance as China made closer ties with Southeast Asian nations through free trade agreements. After the US, Australia, Malaysia, Peru and Vietnam joined TPP, followed by Canada and Mexico, already linked through NAFTA (the North American Free Trade Agreement). Not until 2011 did Japan, then China's biggest trading partner, quietly sign up. Subsequently, Japan's ultra-nationalist prime minister, Shinzo Abe, has taken the opportunity to strengthen his role as the US's right hand in Asia.

What US experts have called "the trade agreement of the 21st-century" is taking shape. If it comes off, it will encompass almost half of the world's GDP, 35% of its international trade and 30% of its population. It would consolidate the economic dimension of the "pivot to Asia" Barack Obama has spoken about; the military dimension is being developed through the expansion of strategic agreements with the Philippines, Australia, Vietnam and Japan. As Indian ex-director of the Institute for Defence Studies and Analysis Arvind Gupta writes, this amounts to "a comprehensive plan to step up US engagement, influence and impact on economic, diplomatic, ideological and strategic affairs in the region", to clip China's wings: it could ensure the century will be American and not Chinese.

Far from a reality

But Obama's dream is still far from a reality. His tour last spring of the US's closest Asian allies (Japan, Malaysia, the Philippines and South Korea) resolved nothing. Negotiations will not be concluded before the US mid-term elections in November, nor by the end of this year. Yet the US is sparing no effort: according to the Australian researcher Patricia Ranald, the US has 600 official TPP negotiators. Despite being billed as "the biggest free market in the world", publicly available information is scarce. The content of negotiations would probably have remained secret without the persistence of NGOs such as Electronic Frontier Foundation, Public Citizen and others, as well as hackers such as WikiLeaks. Following inconclusive negotiations last November, Malaysia's trade minister said: "It will be very difficult [to reach an agreement]. Recent revelations by WikiLeaks won't help the process".

Almost no area of life will escape the multinationals. TPP goes far beyond removing the remaining customs barriers, and aims to establish common standards across all products (food, phytosanitary and industrial), on services (banks, including savings banks, pension funds, insurance, etc), on intellectual

property, and on the resolution of legal disputes in special courts that enable giant private companies to challenge government decisions

On intellectual property rights, the appetite of large companies seems limitless. In the case of patents held by companies, the US proposes not less than 95 years of exclusive rights, and even 120 years when the works have not been published. This would mean the end of generic medicines (most patents are currently valid for 20 years). The market ideologues demand that the patent system be applied to “methods of diagnosis ... treatment and surgical operations for human beings and animals.” Heart surgery techniques, or methods of cancer detection and treatment, would be subject to royalty payments by users.

Also included are the patenting of natural plants, and the removal of measures to control capital movement and food labelling (products containing GMOs in particular). Even the most neoliberal governments balk when these demands threaten to crush the interests of their own big businesses. Canada is refusing certain extensions of intellectual property rights. The Australian Medical Association has called on its government to reject “any provisions in trade agreements that could reduce Australia’s right to develop health policy and programs according to need” in medication, the traceability of food products and the fight against smoking. For now, the Australians have not given in to US demands. Vietnam’s authorities want to protect textile and shoe manufacturers. Singapore, Malaysia and Brunei oppose the inclusion of clauses regulating disputes between states and investors.

‘Our last chance’

Resistance is strongest in Japan. Subsidies, standards, quotas and customs duties are all serious barriers that the Japanese have no intention of lifting simply to please the Americans. But Abe announced his entry into the negotiations with an enthusiasm matched only by his discretion in mentioning them during his successful 2012 election campaign. TPP represents “our last chance,” he claimed. “Losing this opportunity would simply leave Japan out from the rule-making in the world”.

But Japan’s rice, wheat, meat (beef and pork), sugar and dairy products block the way; 586 products are protected by a quota system. Rice imports are limited to between 5% and 8% of domestic consumption, above which the government imposes duty of up to 780%. On wheat and dairy, duties can be as high as 252%. Scrapping them will require fancy political footwork. The governing Liberal Democratic Party is not keen, given that its support comes in part from the rural population.

Yet Abe is unlikely to give up: he sees TPP as an opportunity for Japan to regain the position in Asia from which it was ousted by China and he hopes that through nationalist rhetoric he will be able to pass agricultural and industrial reforms where previous governments failed. The measures that were supposed to kick-start the economy — Abenomics — are not working, so he is banking on attracting foreign direct investment (FDI) to make up for big Japanese companies relocating overseas, and to rejuvenate an ageing industrial sector. FDI represents only 4% of Japan’s GDP, compared to an OECD average of 20%.

Another miracle expected of TPP is the opening of markets in third-party countries to grow exports, especially in the nuclear and railway sectors (which explains Mitsubishi’s willingness to go into partnership with Alstom), but also for military equipment, previously a prohibited export. A spirit of compromise is in the air, making it conceivable that Abe might negotiate a reduction in customs tariffs for dairy products or beef in return for access to overseas car markets. The Japanese government is not hiding its willingness to use the free trade treaty being negotiated with the EU to wring concessions from its farmers (who are more prepared to accept EU food standards than US ones) and to increase access to Europe for its car manufacturers and demand a reduction from the US on customs duty on trucks (now 25%). It’s a complex game. TPP will not be signed soon. Nor, on the US side, is it certain to have an easy ride from Congress: some Democrats and most Republicans (implacably hostile to Obama) oppose it.

The view from China

China is taking these developments seriously. Christian Edwards, a seasoned commentator at the official Xinhua news agency, writes: “Hidden within the infrastructure of the TPP is ... a machine that can establish a U.S.-style regional regulatory framework according to the needs and indeed whims of its major export industries ... that commit millions to election funds aimed at securing preferential outcomes”. There have been occasional statements suggesting that China might join the negotiations. Some Chinese economists believe this would enable them to accelerate the reforms and privatisations scheduled by President Xi Jinping and his team, as well as smooth relations with the US.

The Chinese government has no economic objection to enlarging the free trade zone. But it wants to retain control of the pace and keep its ability to intervene, especially in information technology and capital controls. Geopolitically, it won't want to plunge into negotiations in which the US-Japanese axis will undermine — or at least undervalue — its power. So China has developed its own Regional Comprehensive Economic Partnership with the 10 Asean (Association of South East Asian Nations) countries: Burma, Brunei, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam — as well as with Japan, Australia, New Zealand, India and South Korea, the last two of which are not involved in TPP. China has pointed out that these countries account for half the world's population and a third of its trade. The talks have already begun, and particular attention is being paid to South Korea.

Despite their disagreements over North Korea, South Korea has grown closer to China, given its sensitive relations with Japan over the territorial dispute about the Dokdo/Takeshima islands and Abe's revisionism. The Chinese president is now pressing the Koreans to sign a new bilateral free trade agreement before the next meeting of the Asia Pacific Economic Cooperation Forum, which will be held this November in Beijing, bringing together Asean, all the countries involved in TPP, Mexico and Russia. An agreement with South Korea, traditionally the US's ally, would be an achievement for China.

To avoid getting locked in bilateral discussions with the US and to give the project some panache, Xi has spoken of the renaissance of the Silk Roads, a reference to the caravans that from the second century BC crossed Central Asia, and later linked China and Europe by massive merchant fleets. On the sea, China's room for manoeuvre seems limited. On land, President Xi made a tour of Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan last year. In March he visited the rail terminal that links Duisburg in Germany with Chongqing in China (a 16-day trip, compared with a month by sea), via Russia, Belarus and Poland. Chinese agreements with Russia are being signed. Will this Silk Road be enough to thwart the US “pivot towards Asia”?