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The Rise of Trump and Its Global Implications

Aborting TPP: Will US Global Leadership Be Crippled?

By Arunajeet Kaur

Synopsis

Apart from facilitating global trade between US and its Asia-Pacific partners, the Trans-Pacific Partnership (TPP) also seeks to promote better governance and human security. However the declared US intention to abort the TPP has shifted the ground for globalisation and moved key players to look inwards and prioritise national objectives over their commitment to multilateral cooperative frameworks.

Commentary

THE TRANS-Pacific Partnership (TPP) is not simply a trade agreement among 12 Asia-Pacific countries. It is a strategic arrangement using free trade as an anchor. It was signed on 4 February 2016 in New Zealand after seven years of hard negotiations. The TPP originated from the P4 free trade regime set up by Brunei, Chile, New Zealand and Singapore. The US seized upon this P4 pact to erect an economic edifice to complement the American security umbrella in the region.

The underlying assumption is that as a wide -ranging partnership, the TPP would serve as a counterweight to the ambition of a rising China. At the same time, the TPP could help open exclusive sectors in places like Japan, Vietnam and Malaysia where protectionism, state-owned enterprises (SOEs) and ethnic-based affirmative action have restricted US commercial penetration. The bait was the lucrative US market. Consequently, Australia, Canada, Japan, Malaysia, Mexico, Peru and Vietnam joined the P4 countries and the US. The TPP agreement has 30 chapters

which cover issues far beyond a typical free trade agreement including, the environment, labour standards and SOEs.

Embedding Non-trade Issues

US negotiators pushed hard to have TPP provisions facilitate a larger flow of foreign direct investment (FDI) into the US by partner country investors. Besides increasing employment opportunities in US export-related sectors, the TPP is supposed to increase inward FDI which was anticipated to bring jobs, capital, R&D spending, technology and productivity improvements to the US economy. However, anti-TPP quarters agitated that if the TPP would have positive effects, these would only be a small percentage of the overall size of the US economy as the TPP stands to bring greater gains to the US partners instead.

The TPP promises strong protection for workers, requiring all TPP parties to adopt and maintain in their laws practices of fundamental rights as recognised by the International Labour Organisation (ILO). This includes freedom of association and the right to collective bargaining; elimination of forced labour, abolition of child labour and the elimination of employment discrimination. It also comprises commitments for all TPP parties to have laws governing minimum wages, hours of work and occupational safety and health. These workers' protection rights are fully enforceable by trade sanctions.

This enhanced labour protection is in line with the Obama administration's policy of utilising '21st century components' to address governance and human security in multilateral trade deals. These refer to the Obama administration philosophy with regard to domestic governance in drug rehabilitation, education, technology as well as defence policy that concentrated on education, a skilled workforce, knowledge, energy and expertise to compete in the global marketplace, diplomacy and development.

For the TPP, applying '21st century components' entails recognising that the deal goes beyond a mere free trade agreement. It enables foreign governments to change respective national policies on government procurement, SOEs (including GLCs as known in Malaysia and Singapore) and the protection of intellectual property rights (IPRs).

The ASEAN Players

Within ASEAN, three countries - Vietnam, Brunei and Malaysia - have concluded bilateral implementation plans with the US over ensuring that their laws and practices are consistent with international labour standards. Vietnam's implementation plan includes commitments on its part to allow workers the autonomy to form and operate unions of their own choosing. Under the TPP, Vietnam will allow workers to establish and join an independent union, with full autonomy to elect their own leaders, adopt a constitution and bargain collectively.

Sceptics have questioned the enforceability of labour standards in Vietnam. Vietnamese authorities on the other hand have admitted the possibility of rising

labour costs, especially to the foreign investor community, if it is to abide by the TPP regulations on labour enhancement.

Meanwhile, the TPP commits Malaysia to significant legal and institutional reforms, especially in areas of forced labour and freedom of association. With regard to forced labour, Malaysia commits to fully implement the recently passed amendments to the Anti Trafficking Law to allow trafficking victims to travel, work and stay in non-governmental facilities. Due to pressure from the TPP, Brunei has passed legislation amending its labour laws involving union practices.

China Pivots In

President Obama has stressed that for the US to turn its back on the TPP would be to allow China to write the rules in global economic engagement. This was confirmed at the recent APEC CEO Summit in Peru. Chinese President Xi Jinping said China will continue to open up its economy amidst recent developments such as the election of Donald Trump as the next US President and Brexit in Europe, as rising protectionism around the world leads to a global slowdown in trade.

President Xi laid emphasis on the Regional Comprehensive Economic Partnership (RCEP), a proposed free trade agreement (FTA) between the ten member states of the ASEAN and the six states with which ASEAN has existing FTAs (Australia, China, India, Japan, South Korea and New Zealand).

RCEP is seen as a rival to the TPP. While the RCEP seeks to facilitate trade and services, unlike the TPP, there are no provisions for labour enhancement and non-trade issues. Negotiations within the RCEP has already come under criticism over its implementation of copyright or related rights over digital networks, flagging less than desirable values in global trade, business and multilateralism.

Is withdrawal from TPP a knee-jerk reaction by the Donald Trump presidency to reject anything Obama or a game of brinkmanship by the ideologues in the US polity? Abandoning the TPP will undoubtedly undermine the credibility of the US. Henceforth, the value of any cooperation with the US appears limited as Washington turns inward-looking. The loss of the gains in delivering on the '21st century components' may be small but the implications on the reliability of the US leadership could well be an irreversible erosion of the US role in the global system.

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