



**INSTITUTE OF  
STRATEGIC STUDIES**

**web:** [www.issi.org.pk](http://www.issi.org.pk)  
**phone:** +92-920-4423, 24  
**fax:** +92-920-4658

## Issue Brief

# The Collapse of Trans Pacific Partnership

**Areeba Arif**, Research Assistant, ISSI

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The Trans Pacific Partnership (TPP) is the largest regional trade accord in history. It was signed by twelve countries in February 2016. The signatory states include United States, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru. However, these states still need to ratify this agreement. These countries comprise 40% of the world's economy, producing a cumulative \$2.8 trillion annual gross domestic product (GDP) and making up one-third of the world trade.<sup>1</sup>

The basic aim of this pact was to deepen economic integration among these countries by reducing tariffs and fostering trade to increase the growth level. Furthermore, one of its goals was for member states to enhance their ties with each other via this kind of agreement. The basic idea of TPP was to create a single market like the European Union (EU). This deal was considered to be a very noteworthy achievement since it has very different standards and approaches towards its member states. The organisation takes a serious view of environmental protection and workers' rights all enveloped in regulatory coherence.

The TPP is surrounded by rumours both good and bad. While some consider it the world's most ambitious trade deal, some say it is also the most dangerous. With Donald Trump's victory, it seems that TPP has hit a dead end. The TPP is not on Trump's priority card of issues. According to him, this deal would hurt American workers. During an interview with CNN on November 22, 2016, the new President elect expressed that "My agenda will be based upon simple core principle of "Putting America first". He also explained that he wants the next generation's innovation and production to happen on American soil. While talking about his policy plan of his first 100 days in office, he said that regarding trade, he was going to issue a notification of intent to withdraw from the Trans Pacific Partnership. He considered it a potential disaster for his country. In his view, America should negotiate for fair bilateral trade deals which will increase job opportunities and help revive American industries.<sup>2</sup>

American backing off would mean the collapse of TPP. States who are party to this agreement have expressed surprise on Trump's statement. The first international reaction came from Japan's Prime Minister Shinzo Abe, who said that "TPP without United States is meaningless and it will collapse".<sup>3</sup> Singapore PM Lee Hsien Loong also repeatedly warned that a failure to ratify would diminish Washington's standing among Asian trade partners and place the Asia pivot in doubt.<sup>4</sup>

If TPP collapses as it is expected to, its results will be far-reaching. It will be a black mark on Obama's policy of "Pivot to Asia". The collapse will leave a vacuum in the architecture of Asian commerce. Moreover, it will adversely impact global trade.

There is however a silver lining. The other remaining countries could possibly forge ahead without the US even though the effect will be diminished since easy access to the vast US economy will be lost. Nonetheless, there are certain possibilities that the vacuum left by TPP will be filled by some other candidates.

In all probability this will be China.

China has already vowed an alternative trade deal - the Free Trade Area of the Asia-Pacific (FTAAP) which is even more grandiose than the TPP. This deal will include 21 countries including America. But this would be very difficult to negotiate due to the shifting policies of the United States. Regional Comprehensive Economic Partnership (RCEP) is another opportunity provided by China as an alternative to TPP. However, in this deal, economic benefits for participating countries will be much lower than TPP. Prior to the US withdrawal, the economic benefits encompassed a wider market. With the US out of the picture, the market has significantly desiccated.

If RCEP succeeds, China would be in a stronger position to lead a bigger free trade area in the future. Chinese officials are also welcoming Latin American nations to RCEP. By doing this, Beijing is trying to decrease the US influence in the region considered to be the US backyard.

The US withdrawal from the TPP seems like the opportunity China will definitely want to take. The domination of the East Asia region was the ambition of the US. But with the victory of Trump, it seems very difficult for US to maintain its hegemony.

It is high time Washington rethinks its policies in order to save its existing position in world politics. Otherwise, it will leave a void which the ever-ready Beijing tiger will leap upon. It will also result in eventual isolation of America. This is something that will not bode well for the power hungry nation.

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<sup>1</sup> [www.nytimes.com/interactive/2016/business/tpp-explained-what-is-trans-pacific-partnership.html?\\_r=0](http://www.nytimes.com/interactive/2016/business/tpp-explained-what-is-trans-pacific-partnership.html?_r=0)

<sup>2</sup> <http://edition.cnn.com/2016/11/21/politics/donald-trump-outlines-policy-plan-for-first-100-days/>

<sup>3</sup> Ibid

<sup>4</sup> <http://journal-neo.org/2016/11/30/will-trump-backpedal-on-the-trans-pacific-partnership/>