

US-led Pacific trade pact talks break down

Mike Head
3 August 2015

In a significant blow to the Obama administration, four days of “make or break” ministerial-level talks in Hawaii on the US-dominated Trans-Pacific Partnership (TPP) collapsed last weekend. No agreement was even reached on when to resume the negotiations.

Falsely described as a free trade pact, the TPP is a far-reaching framework designed to be the economic arm of the US “pivot” to Asia to encircle and confront China, which has been effectively excluded from the treaty. The TPP seeks to dismantle all barriers to the domination of Asia-Pacific markets by US conglomerates, especially in finance, IT, media and pharmaceuticals.

Despite being negotiated behind closed doors, in close consultation with US and other transnational corporations, the TPP is known to feature provisions to break up state-owned enterprises and investor-state dispute settlement (ISDS) clauses to enable US and other Western companies to sue member countries for any profits allegedly lost due to government regulations, including health, safety and environmental rules.

Hawaii’s gathering, intended to finalise the TPP after five years of Washington pushing hard for the treaty, broke down despite intense lobbying efforts by President Barack Obama. Before and during the talks he reportedly rang other government leaders, including Australian Prime Minister Tony Abbott, in an unsuccessful bid to get a deal concluded.

Reaching an agreement in Hawaii was regarded as critical to getting a treaty through the US congress this year, before the 2016 US presidential election gets into full swing, amplifying protectionist objections to aspects of the TPP. In June, Obama narrowly succeeded in securing US congressional “fast track” authority to sign a treaty, removing a previous obstacle to other governments committing themselves to a final agreement.

Acrimonious disputes reportedly erupted during the talks, particularly between the US, Japan, Canada and Mexico over auto exports, and between various governments over access to dairy and sugar markets. Unresolved differences continued over Wall Street’s demand for 12-year patents on medical drugs, a move that would send prices for medicines soaring in many countries.

The Canadian government is facing a general election scheduled for October, while Japanese Prime Minister Shinzo Abe faces re-election as Liberal Democratic Party president on September 30. Abe was also anxious for a final deal, with Tokyo’s greater access to regional markets regarded as crucial for his “Abenomics” drive to overcome Japan’s two decades of stagnation.

US Trade Representative Michael Froman claimed that progress had been made at the meeting, which drew about 650 negotiators, 150 journalists and hundreds of corporate executives to the island of Maui, but would not detail what that progress was.

The breakdown reflects the rising tensions between rival powers produced by the worsening slump in the world economy. The International Monetary Fund recently warned of slowing global growth and trade—a measure of the deepening impact of the 2008 financial crisis.

A number of Asian newspapers, including the *Bangkok Post*, labelled it “a setback to US President Barack Obama.” The London-based *Financial Times* said: “US-led plans to seal a landmark Pacific Rim trade deal by the end of this year suffered a major blow.”

Peter Drysdale, editor of the *East Asia Forum*, noted: “The Japanese know, for example, that the United States needs to ratify the TPP during 2015; otherwise, it will be hard to get it ratified until the next presidential term and that could spill over into 2018, not 2017, and possibly not be done at all.”

A comment in the *Australian Financial Review* drew attention to the geo-strategic fallout. “President Barack Obama’s illustrious goal of deepening the United States’ relationships with Asian allies has suffered a serious setback and opened the door for emerging rival China,” it stated.

Under the headline, “Obama loses, China wins on TPP,” the article cited a warning by two former senior US officials that the failure to finalise the TPP would call the US “pivot” to Asia into question.

“The Obama administration’s policy of ‘rebalance’ toward Asia has been designed to achieve two objectives: to embed the United States more deeply in the world’s most dynamic economic region; and to prevent a regional vacuum, to be filled predominantly by China as it continues its rise,” Obama’s former senior national security adviser for Asia, Jeffrey Bader, co-wrote with David Dollar, the US Treasury’s former economic and financial emissary to China. “But the economic component that should be driving US engagement has had few specific accomplishments.”

The TPP, whose 12 parties are the US, Australia, New Zealand, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore and Vietnam, nominally represents 40 percent of the world gross domestic product (GDP).

According to media reports, Beijing will now push to conclude negotiations this year on a rival trade plan, its proposed Regional Comprehensive Economic Partnership (RCEP), which would exclude the US, but link the 10 Association of South East Asian Nations (ASEAN) members with Australia, China, India, Japan, New Zealand and South Korea, accounting for a third of global GDP.

While avoiding directly condemning the TPP, the Chinese leadership warned other governments not to allow the US to bully them. As the trade ministers gathered in Hawaii, an editorial in Xinhua, the official news agency, declared: “To avoid the possibility of having only a few dominating the future course of the whole bloc, countries participating in the TPP talks should make all efforts they can to craft a mechanism that features equal rights of all members in key decision making.”

The TPP breakdown is the second blow to US hegemony in the region in a matter of months. Beijing scored a coup earlier this year when it set up the

US\$100 billion Asian Infrastructure Investment Bank, an institution that the US unsuccessfully pressured Asia Pacific countries not to join. Even close US allies such as Australia signed up to the bank after major European powers, notably Britain and Germany, defied the American black ban.

Too much is at stake for US imperialism to permit the latest TPP collapse to go unanswered. Obama underscored the anti-China thrust of the treaty earlier this year, when he declared: “If we don’t write the rules, China will write the rules out in that region. We will be shut out.”

In April, Obama’s defence secretary Ashton Carter delivered a speech on what he termed the “next phase” of the US “rebalance” to Asia. Alongside a long list of military deployments and pacts with regional allies, he bluntly stated that the TPP was “as important to me as another aircraft carrier.”

Recent months have seen provocative moves and threats by the US to challenge China’s territorial claims in the strategic South China Sea. The latest economic blow to Washington’s efforts will no doubt escalate US efforts to confront China militarily, raising the dangers of war.



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