

US-dominated Pacific trade pact agreed

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After five days of marathon talks between trade ministers in Atlanta, the US administration of President Barack Obama finally succeeded at 5 a.m. on Monday, American eastern time, in securing agreement from 11 other Asia-Pacific governments for the adoption of the Trans-Pacific Partnership (TPP). It is an unprecedented trade and investment bloc.

Falsely described in the corporate media as “the largest free trade agreement in history,” the TPP is a wide-ranging 30-chapter blueprint intended to be the economic instrument of the US military and strategic “pivot” to Asia to encircle and confront China, which has been effectively excluded from the treaty.

Far from marking a new era of “free trade,” the TPP is a pact primarily between the world’s biggest economy—the US—and the third biggest—Japan—directed against China, currently the second largest economy. Having seen its post-World War II dominance slip for decades, the US ruling class, led by Wall Street and Silicon Valley, is determined to reassert its hegemony.

As a bloc, the TPP, whose 10 smaller parties are Australia, New Zealand, Brunei, Canada, Chile, Malaysia, Mexico, Peru, Singapore and Vietnam, nominally represents just under 40 percent of the world gross domestic product (GDP).

Obama, who was intensively involved in the arm-twisting to get all 11 countries to sign up, welcomed the deal with an aggressive statement from the White House. He insisted that not just across the Pacific but globally, the United States must dictate the economic terms, not China.

“When more than 95 percent of our potential customers live outside our borders, we can’t let countries like China write the rules of the global economy. We should write those rules, opening new markets to American products,” Obama declared.

In its analysis, the London-based *Financial Times* highlighted the geo-strategic character of the pact. “Often called the ‘economic backbone’ of US President Barak Obama’s ‘pivot’ to Asia, the goal for the US and Japan

is to get ahead of China, which is not included in the TPP, and to create an economic zone in the Pacific Rim that might balance Beijing’s economic heft in the region.”

While the details of the TPP document still remain hidden from public view, there is no doubt about its central thrust. It seeks to dismantle all barriers and regulatory restrictions on the domination of Asia-Pacific markets by US conglomerates, especially in banking, finance, insurance, retail, IT, media, entertainment and pharmaceuticals.

More significant than the reduction of tariffs in certain industries, are the provisions boosting the protection of medical and other patents, fully opening up all 11 economies to US and other TPP bloc investment, breaking up state-owned enterprises and imposing 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.

Accompanying Obama’s statement hailing the TPP sign-up, a White House TPP Fact Sheet declared: “TPP Capitalizes on America’s Position as the World Leader in Services Exports.” It stated: “TPP lifts complex restrictions and bans on access for US businesses—including many small businesses—that export American services like retail, communications, logistics, entertainment, software and more.”

This US offensive is being mounted amid the worsening impact of the global economic breakdown that erupted in 2008. China’s growth over the past two decades, which provided a cheap labour platform for world capitalism, has begun to slow, and this is contributing to a slowing in world trade.

This is a reversal from the average 5 percent growth in world trade of the past two decades. It indicates a reduction in global trade not seen since the Great Depression of the 1930s. These recessionary developments are intensifying the economic and strategic conflicts between the major powers.

In the Pacific region, Washington has worked with Tokyo to push for the TPP, while also encouraging

Japan's re-militarisation as part of a regional line-up against China.

The *Financial Times* underscored the “pivotal” nature of the TPP for Japanese Prime Minister Shinzo Abe. His “Abenomics” agenda to restructure Japanese capitalism has failed to lift the economy out of its two-decade stagnation. To consummate the deal with Washington, despite domestic opposition, Abe had “argued again and again that it [the TPP] would help Japan undertake much-needed structural reforms that would boost the economy’s growth potential.”

Obama’s personal involvement in the final wrangling over the TPP was illustrated by a phone call last Friday to the recently-installed Australian Prime Minister Malcolm Turnbull. Obama sought a supposed compromise over the US demand for a 12-year patent protection period for biologics (medical products derived from living organisms), made by companies such as Pfizer and Roche Group’s Genentech. This will send prices for medicines soaring in many TPP countries where generic versions are available.

Fearing domestic opposition, the Australian government had vowed to maintain a five-year period. By some estimates, each increased year of intellectual property protection for the pharmaceutical giants would cost Australia’s Pharmaceutical Benefits Scheme more than \$100 million a year, a figure that would rise as new biologics were produced.

Under the ultimate US-Australia deal, reportedly finalised between US Trade Representative Michael Froman and Australian Trade Minister Andrew Robb at 3 a.m. on Sunday, a “two-track” regime was adopted that would effectively grant biologic drug makers a minimum monopoly period of five years, and in some countries up to eight years, plus extra time for regulatory approvals of generic versions.

This package reportedly triggered concerns by Chile and Peru, which will be badly affected by the new rules, and there were also apparently 11th-hour standoffs on other issues, including dairy exports. As a result of the final horse-trading, the final media conference was postponed several times on Sunday, and finally put off until Monday morning.

Separately, the US, Mexico, Canada and Japan reportedly agreed on rules governing how much of a vehicle must be made within the TPP region in order to qualify for duty-free status. The final deal was said to give Japan’s automakers, led by Toyota, a freer hand to buy parts from Asia for vehicles sold in the US but set long

phase-out periods for US tariffs on Japanese cars and light trucks.

Each of these trade-offs could unravel, because each country must ratify the TPP before it can commence. It is expected to be months before the final drafting of the document is completed and the US Congress will then have three months before voting whether to support it or not.

In June, Obama narrowly succeeded in securing US congressional “fast track” authority to sign a treaty, but final approval remains threatened by popular opposition and protectionist forces representing agribusiness, manufacturing and trade union interests. Likewise, Canada’s Liberal and New Democratic parties have left open the option to veto the TPP if they win the country’s October 19 general election.

Giving a hint of the yet-unseen “ugly compromises” that could fuel domestic opposition, New Zealand Trade Minister Tim Groser told New Zealand’s *Weekend Herald* that negotiators had to “swallow dead rats on three or four issues to get this deal across the line.”

The formation of the TPP is inextricably bound up with preparations by the US for war against China. Washington has been bolstering its diplomatic and military alliances throughout the Asia Pacific region over the past five years. In his White House statement, Obama pointedly asserted that the TPP “strengthens our strategic relationships with our partners and allies in a region that will be vital to the 21st century.”

This year has already seen provocative moves and threats by the US to challenge China’s territorial claims in the strategic South China Sea. Washington’s efforts to ensure the ratification of the TPP will be accompanied by an escalation of economic and military pressure on China.



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