

Trade talks in Chile on continuing TPP without the US

James Cogan
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Talks were held over March 14 and 15 in the Chilean city of Viña del Mar over whether the Trans Pacific Partnership (TPP) can be renegotiated and proceed without the United States. In one of his first acts as president, Donald Trump announced that the US was withdrawing from the proposed trade bloc.

Under the terms of a February 2016 agreement, the TPP could only continue with the participation of at least six of the 12 countries that signed up to it, representing at least 85 percent of the combined Gross Domestic Product of the original prospective members. As the US represents 61 percent of the collective GDP, the actions of the Trump administration effectively killed the pact.

Representatives of the other 11 intended founding members—Australia, Brunei, Canada, Chile, Japan, Mexico, New Zealand, Malaysia, Peru, Singapore and Vietnam—nevertheless gathered on the basis that years of negotiations should not be cast aside. In most cases, the states sent senior trade or economic ministers, and sizeable delegations of officials. South Korea and China were invited to participate, though China sent only its “special representative” to Latin America, not a high-ranking trade official.

The Trump administration contemptuously sent Carol Z. Perez, the US ambassador to Chile who has no background in trade negotiations, to observe the proceedings.

None of the governments involved expected a definite outcome and none was achieved. The talks concluded with only a general agreement that there should be further negotiations in May, on the sidelines of the Asia-Pacific Economic Cooperation (APEC) forum in Vietnam.

A statement issued after the talks expressed mutual “concern with protectionism in many parts of the

world”. This was an implicit but clear reference to the Trump administration’s threats to wage an “America First” trade war against major US competitors and to possibly ignore future decisions of the World Trade Organisation (WTO).

For all the profession of concern over protectionism, however, the most obvious feature of the Chile summit was the manner in which it was used by various states to pursue their own national agendas.

Tim Groser, New Zealand’s ambassador to the US and former trade minister who represented it in initial TPP talks, summed up the standpoint of all participants. He stated bluntly: “At the end of the day we’re all economic nationalists. Our responsibility is to look after our own country’s economic interests.”

In January, Australian Prime Minister Malcolm Turnbull floated the possibility that if China and other major economies, such as South Korea, agreed to join, then a revamped TPP could be formed.

The Chinese government has made clear that it has no interest in Turnbull’s suggestion as it opposed the sweeping provisions of the TPP that stipulate the privatisation of state-owned assets, lifting limits on foreign ownership, enforcing intellectual property rights and opening up financial and service sector markets.

Ahead of the Chile talks, Australian Foreign Minister Julie Bishop commented: “The TPP set a very high standard in terms of a free trade agreement and I don’t think we should expect that China is currently in a position to meet that standard.”

Chinese representatives in Chile instead promoted the Regional Comprehensive Economic Partnership (RCEP), a proposed Asia-Pacific trade agreement that does not contain many of the TPP’s provisions and which excludes the US. Talks on the RCEP, involving

China, Australia, New Zealand, Japan, South Korea, India and all 10 member-states of the Association of South East Asian Nations (ASEAN), have dragged on since November 2011.

Japan appears to have been primarily concerned with arguing that countries should not sign up to the Chinese-initiated RCEP until Beijing agrees to incorporate a range of the measures required for TPP membership. Japanese officials displayed far more interest in sideline talks on bilateral free trade agreements with Canada, Mexico, New Zealand and the South American states present.

Canada, for its part, used the meeting not only to pursue a free trade agreement (FTA) with Japan, but to further talks toward a possible agreement with China.

With the TPP effectively dead in the water, Australia's trade minister likewise focussed on talks toward bilateral agreements with the Pacific Alliance states—Mexico, Chile, Colombia and Peru. Australia already has bilateral free trade agreements with New Zealand, Chile, Singapore, Malaysia, the US, Japan, South Korea, China and a more limited pact with ASEAN. It is pursuing agreements with India, Indonesia and the European Union.

Politico commentator Adam Behsudi drew attention on March 14 to how the US withdrawal from the TPP—on the eve of it being enacted—will allow other countries to expand their market share in Asia at the expense of American-based producers, particularly in areas such as agriculture.

New Zealand dairy exporters, for example, will increase their already significant competitive advantage over US rivals through a soon-to-be-finalised free trade agreement with ASEAN. Under the Australia-Japan FTA, tariffs on Australian beef will be slashed this year by another 10 percent, but not for American beef as it would have through the TPP. According to estimates by the American Farm Bureau Federation, the TPP could have enabled US exporters to win some \$4.4 billion in new markets.

Even in more strategic economic sectors, such as finance, service industries and manufacturing, the nationalist agenda of the Trump administration may prove highly costly to American corporations. Its stated goal of “renegotiating,” in US interests, the terms of its trade relations with Canada and Mexico, Japan, South Korea, China and the European Union, and possibly

even countries such as Australia and New Zealand, implies protracted negotiations that may well break down.

Politico cited the observation of Carlo Dade, of the Canada West Foundation economic think tank, on the possible consequences. “We are not trying to take market share from the US,” he stated. “It’s more like you are putting money on the table and pushing it towards us.”

The inevitable heightening of trade conflicts over market share and sources of profit, above all between the US and the other major powers, will only fuel antagonisms and accelerate the descent of world capitalism toward military conflict and war.



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