U.S. Trade Representative Michael Froman looked surprisingly chipper coming off a total of eight hours of sleep over the previous five nights. Opening the early-morning press conference with eleven counterparts lined up beside him, Froman said, “We, the trade ministers of Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam, are pleased to announce that we have successfully concluded the Trans-Pacific Partnership negotiations.”¹ A full minute of spontaneous applause broke out among the standing-room-only crowd of officials, business people, and trade experts packed into an Atlanta ballroom.

Over five years in the making, the Trans-Pacific Partnership, or TPP, was the world’s most ambitious trade initiative in over two decades, and its completion deserved celebration. But the inking of the deal on October 5, 2015, raised more questions than it answered: What did the 6,000-plus pages of the agreement contain? What would the economic benefits and costs prove to be? What are the geopolitical implications? Will it even achieve ratification, and if so, will this come before or after a new U.S. president has been elected in November 2016? In our view, the bottom line is that TPP, despite some shortcomings, will not only create significant economic benefits for its members but also reinforce 21st-century rules in the Asia-Pacific—the most dynamic region of the world, and one in which trade has always defined order and power.
The Economic Impact of TPP

A judgment about the value of TPP begins with an assessment of its economic merits. This involves not only the breadth and depth of commitments in the agreement, and the welfare gains it is likely to produce, but also whether TPP has power as a tool of economic policy in shaping behavior in the Asia-Pacific region and beyond.

Commitments
In its exhaustive online briefing materials, the U.S. Trade Representative’s Office describes TPP as “a new, high-standard trade agreement that levels the playing field for American workers and American businesses, supporting more Made-in-America exports and higher-paying American jobs.”² As with other free-trade agreements (FTAs) the United States has negotiated in recent years, TPP was designed to cut tariffs and expand market access for exporters within the twelve signatory nations. However, TPP would go beyond those traditional elements to create new “21st-century” rules in areas such as services, investment, digital commerce, state-owned enterprises (SOEs), and environmental protection.

Trade today is less about arms-length transactions among importers and exporters than about adding value along transnational supply chains. To produce real economic benefits, modern trade agreements have to reduce frictions and establish predictable rules all along those supply chains, including behind the border in member economies.

If sheer heft is a measure of success, TPP’s 30 chapters and 6,386 pages of text have delivered on the partnership’s expansive ambitions. More to the point, the agreement appears to have produced meaningful outcomes on both traditional market access and new rules. For instance, it will eliminate over 18,000 tariffs on products traded among the twelve member countries. While some duties on sensitive agriculture products such as rice, beef, and dairy will remain, even these will in most cases be substantially reduced, while import quotas will be expanded.

TPP breaks significant new ground in economic rulemaking.

Rulemaking
TPP also breaks significant new ground in the area of rulemaking. On the digital economy, the agreement bars requirements for data to be stored in local servers, enshrines protections for data privacy, and establishes new disciplines against cybercrime. There is a first-ever chapter on SOEs that limits state assistance, and subjects most SOEs (some state investment funds are
excepted) operating in foreign markets to greater transparency and impartial regulation. Meanwhile, TPP’s labor standards mandate that countries such as Vietnam and Malaysia enact minimum-wage laws and allow workers to establish unions.

Of course, not everyone is happy with the TPP agreement. The U.S. pharmaceutical industry has criticized the agreed protection period for biologic drugs, which is much shorter than the 12-year standard in U.S. law. Despite tough new standards on fishing and wildlife protection, some environmental NGOs are upset by the lack of measures to tackle climate change. And the implementation periods for some tariff cuts are extremely prolonged, including a 30-year phase-out of the U.S. duty on imported light trucks. Yet in a negotiation of this scope and complexity, it was inevitable that something would have to give and that the agreement would end up short of perfection. Overall, TPP has met its own promise of comprehensive liberalization and establishing a “high-standard, 21st-century” framework for trade and investment in the Asia-Pacific region.

Welfare Gains
The agreement is also expected to deliver measurable welfare gains for the United States and other TPP members. The most widely cited econometric analysis of the prospective agreement was conducted by Peter A. Petri, Michael G. Plummer, and Fan Zhai for the Peterson Institute in Washington in late 2012. Using a set of reasonable assumptions, they estimated small but significant income gains for the United States—on the order of half of one percent of GDP—in the year 2025. The most substantial benefits come from significant expansion of exports and imports, as well as a shift toward higher-value exports and cheaper imports from the Asia-Pacific. Moreover, nearly half of the income gains would come from increased foreign direct investment (FDI) into the United States as a result of a streamlined regulatory framework.

Notwithstanding many claims that TPP will create or destroy jobs, the deal’s impact on net employment in the United States is likely to be modest. Petri et al. estimated that it would not affect total labor forces one way or the other, given the relatively long time that member economies will have to implement the agreement. However, TPP should encourage a shift in the pattern of employment toward better, higher-paying jobs in more globally competitive firms and industries, particularly in the services sector.

For Japan, TPP’s other behemoth economy (as big as the other ten combined), the benefits are more substantial. In their original estimates, Petri et al. found Japanese income in 2025 roughly 2 percent higher than in the baseline projection. The sources of these gains are a magnified version of the U.S. ones: cheaper imports, higher-value exports, more investment, and better-paying jobs. But the dynamic effect for the Japanese economy may be even bigger if a successful
TPP gives a shove to Prime Minister Shinzo Abe’s ambitious economic reform agenda at home (discussed below).

The gains are also substantial for the agreement’s smaller economies. Vietnam, one of the poorest and most state-directed economies in the region, would see income gains in 2025 on the order of one-quarter of the country’s 2014 output. Canada and Mexico, despite their already heavy ties to the U.S. economy through NAFTA, should see a rise in incomes above what would have been expected without TPP of 0.5 and 1 percent, respectively.6

By contrast, Asia–Pacific economies not participating in TPP are likely to suffer marginal losses from the trade-diversion effects of the agreement. China and Indonesia in particular will likely feel these effects as TPP markets become more integrated at their expense. The income losses are estimated at 0.3 and 0.2 percent, respectively, compared to baseline projections for 2025—small but not insignificant for two countries in need of more growth and development.7

Economic Gravitational Pull

It is in these prospective gains and losses—and the incentives they create for aspiring members of the club—that the strategic economic power of TPP lies. The agreement began in 2008 as a partnership between the United States and four small, open Asia–Pacific countries (Singapore, Brunei, New Zealand, and Chile) that had already reached their own ‘P4’ agreement two years earlier. Over time, TPP drew in four $1 trillion-plus economies (Australia, Canada, Mexico, and Japan), as well as three smaller emerging ones (Vietnam, Malaysia, and Peru). Despite their political and economic diversity, all of these prospective members felt the pull of TPP’s economic gravity, including the promise of greater export opportunities in a huge free-trade zone anchored by the world’s largest market, the United States. For countries like Vietnam and Malaysia, there was the added incentive of getting a leg up on their regional competitors as a destination for U.S. and Japanese foreign direct investment. Moreover, Vietnam, Japan, and others were undertaking difficult economic reforms at home and saw TPP as a useful tool for pushing back entrenched interests.

Similar forces are exerting a powerful gravitational pull on non-participants. After concluding an FTA with the United States in late 2010, South Korea initially turned a cold shoulder to TPP largely out of a concern to maintain balance in its economic relations with China and the United States. As it became clear that its biggest economic competitor, Japan, was on the verge of concluding TPP with the United States, Seoul began to regret its earlier stance and to express interest
in being first in line when a second tier of members is admitted to TPP (not likely until at least 2017, after the current agreement enters into force and a new U.S. president is in place). Korea’s interest in joining has in turn lit a fire under its fierce competitor, Taiwan, which is now anxious to get in. The Philippines, too, hopes to join in order to give impetus to President Benigno Aquino’s domestic economic reforms. No doubt the chance to strategically align with the United States in such an important project is also a huge draw for these allies. But economic considerations—notably keeping up with his Southeast Asian neighbors—clearly lay behind Indonesian President Joko Widodo’s surprising statement of interest in joining TPP when he was in the U.S. Oval Office in late October.8

Even China is feeling TPP’s tug. Views of the initiative in Beijing since formal negotiations began in 2010 have swung from disdain to suspicion to cautious embrace. Initially seen as little more than “a trade negotiation between the United States and Brunei,” TPP took on the sinister aura of being an effort by Washington to exclude China from regional economic affairs—never mind that this made no sense given the vital trade and investment ties between all TPP members and China.9 When Japan made clear in early 2013 that it intended to join the negotiations, the consensus in Beijing flipped 180 degrees; China could not maintain a standoffish posture toward an arrangement that brought together 40 percent of the world’s economy and would likely write a new generation of rules for global trade and investment. Moreover, the Xi Jinping administration saw value in the mere specter of TPP as a tool to drive difficult economic reforms at home. Conclusion of a TPP agreement in early October has sparked a lively debate in Beijing, with the weight of elite opinion seeming to tilt toward eventual membership; for example, the head of the Chinese-sponsored Asian Infrastructure Investment Bank (AIIB), Jin Liqun, announced his support during a speech in Washington shortly after the TPP deal was announced.10

TPP is likely to have other incentive effects in the region and beyond. It has already given renewed impetus to trade negotiations among China, Japan, and Korea that have languished for several years over political tensions. TPP’s comprehensive and high-standard results may raise the sights of that trilateral deal as well as Asia’s other mega-regional arrangement—the Regional Comprehensive Economic Partnership (RCEP)—and produce higher-quality agreements. Despite the potential trade-diversion effects of arrangements that it is not party to, the United States can support these other efforts if they promote deeper regional economic integration and better rules. Outside Asia, TPP may also give a nudge to the stalled
Transatlantic Trade and Investment Partnership (TTIP) between the United States and the European Union.

A key question is whether these regional arrangements will support or undermine the multilateral trading order. Trade liberalization produces maximum economic gains when it involves substantially all countries in the world. Yet, the latest round of multilateral negotiations under the auspices of the World Trade Organization (WTO)—the Doha Development Agenda—has been bogged down for over a decade. TPP and other high-standard regional arrangements will make a valuable contribution if they spur WTO member countries to eventually return to Geneva and complete a global deal.

The Geopolitical Impact

Beyond its dynamic economic effects, TPP also has powerful geopolitical implications. Secretary of Defense Ash Carter has declared that for U.S. security interests in Asia, he considers the passage of TPP as important as adding another aircraft carrier. President Obama has argued that without TPP “China will write the rules” for Asia. When presidential candidate Donald Trump argued in the Republican primary debates on November 10, 2015, that the TPP is “a deal that was designed for China to come in, as they always do, through the back door and totally take advantage of everyone,” the other candidates reminded him that China is not in TPP, and that the whole point is to build alliances and partnerships to better enable the United States to compete with China.

Trade deals are always an easier sell in Congress when an enemy exists to mobilize votes against, but comparing TPP to a kinetic weapon misses the actual geopolitical impact of the agreement, which is likely to be much broader and more diffused. TPP needs to be understood in terms of regional order, the balance of power, and the influence on a rising China.

Over two centuries, Asia has experienced four models for regional order, all defined by trade.

Regional Order

A millennium ago, Asia was the epicenter of global economic output. With the industrial revolution, the West rapidly eclipsed Asia in economic, technological, and geopolitical terms, punctuated by China’s humiliating defeats in the 1839–42 Opium War and the 1894–95 Sino–Japanese War. Today, power is returning to Asia, and while most strategic elites in the region appear to envision continuation
of the current rules-based order for another decade or so, it is less clear what is to follow.

Over the last two centuries, Asia has experienced four models for regional order. Each has some resonance today—and all four were largely defined by the nature of trade. The first was the Sino-centric order, which was sustained in large measure by trade through the famous tributary state system. This system lasted almost two thousand years, collapsing with the arrival of modern European armies in the 19th century. Modern Chinese scholars, like Zheng Bijian, argue that the traditional tributary state system was entirely benign and a “win-win” for surrounding states, since all became more legitimate and prosperous by dint of trade with the Celestial Kingdom. Other Korean or Southeast Asian scholars have pointed out that the system also relied on close to a thousand invasions of smaller states and was far from benign. Nevertheless, as almost every economy in the region has shifted from the United States or Japan to China as its major trading partner in the 21st century, the Sino-centric model has become compelling for Beijing. (The fact that Asia is today made up of proud nation states, and that financial flows and FDI are global and not regional, makes only a small dent in the growing confidence in Beijing that Asia will eventually return to its historic norm.)

The second model for order in Asia followed the demise of the Qing Empire at the hands of the Europeans and the Japanese in the early 19th and early 20th centuries. This second model of order was based on a multipolar distribution of power reflecting European dominance and the nature of European power itself. Trade again defined the system, as imperial preferences linked South Asia, Southeast Asia, and Western concessions in China back to home markets in Europe, the United States, or Japan. With the exception of the United States’ war with Spain and Japan’s war with Russia at the turn of the century, the imperial powers avoided direct conflict in order to maintain their relative trading privileges and sidestep a larger conflagration in Europe. That model began to decline when the European powers bloodied themselves in Flanders and East Prussia from 1914–1919.

The third model for regional order emerged briefly in the interwar years under an idealistic but immature U.S. effort at creating multilateral collective security arrangements. Negotiated in 1922 and known as the “Washington Treaty System,” this model also ultimately depended on trade. Indeed, the system worked well in the 1920s as the two strongest powers in the region after the First World War—Japan and the United States—became more interdependent in trade and financial terms. “We shall see no wars over Japanese interests on the Mainland,” declared Thomas Lamont, the influential President of the J.P. Morgan Bank, in 1928. And many of the top admirals in the U.S. Navy who had agreed to massive armaments cuts through the treaties subscribed to the same view. Yet, the collapse of trade—particularly after the 1930 Smoot–Hawley tariffs cut Japanese exports to the United States in half—led ultimately
to the collapse of the system itself as Japan grabbed for its own autarkic trade empire.

The fourth model emerged after allied victory in the Pacific in 1945. The new order rested on multilateral trade and financial rules established at Bretton Woods, together with a robust forward U.S. military presence and bilateral alliances. Trade was again critical. First, an export-oriented Japan re-emerged as an economic pillar of stability in the region. Then, the combined weight of the United States and Japan helped to launch Korea on an upward trajectory and to provide the growth needed in Southeast Asia to withstand the fall of Indochina to communism. Perhaps most significantly, trade enticed Deng Xiaoping in 1978 to move from Mao’s realpolitik counterbalancing of the Soviet Union toward genuine opening and reform in the Chinese economy. Over half a billion Chinese were brought out of poverty as a result.

The argument for TPP is not that China sits ready to replace the Bretton Woods system overnight. Like previous rising powers in history, China is still dependent on global trade rules, while it demonstrates revisionist ambitions regionally. For example, Xi Jinping has called for a new regional security order without alliances, to be decided by Asians among themselves. He has backed this vision with his new “One Belt, One Road” proposal for massive infrastructure investment in Eurasia and establishment of the AIIB. To be sure, China is motivated by the need to export its capital surpluses and provide new opportunities for underemployed construction firms; and the rest of Asia does have a significant need for infrastructure that the U.S.- and Japanese-dominated Asian Development Bank (ADB) has been unable to meet (though Chinese money will not solve the problem either if the underlying conditions for infrastructure investment are not improved). Moreover, Xi’s vision of an Asian order defined without the United States is still largely rhetorical, since China itself remains highly dependent on the U.S. economy. Nevertheless, China is today pushing to accelerate the transition to a new order in Asia—one in which China itself has greater influence over the United States, Japan, and other smaller states in the system.

Trade will again be a defining characteristic of this new order. As discussed above, the gravitational pull of liberalization and wealth creation under TPP will incentivize growing numbers of states to view it as the leading economic framework for the region. In fact, our surveys in 2014 showed that, across the region, strategic elites had already come to view TPP as more significant to their nation’s economic future than RCEP.

Rejection of TPP by Congress could raise fundamental questions about U.S. willpower and competence.
or the China–Japan–Korea trilateral trade talks. Just as importantly, passage of TPP will send a reassuring signal that the U.S. government and Congress are capable of demonstrating competence and leadership—two ingredients critical to the order that has prevailed in Asia since 1945. Conversely, rejection of TPP by the Congress could raise fundamental questions about U.S. willpower and competence and shift regional focus to other agreements that do not include the United States.

The Balance of Power

TPP’s second geopolitical impact will likely be on the distribution of power within Asia. The United States is not pursuing a strategy to contain China, in the sense of trying to undercut China’s economic growth or diplomatic relations with third parties. However, the United States has always had an interest in sustaining a favorable equilibrium—or distribution of power—within Asia. For example, Richard Nixon’s opening to China four decades ago was aimed at redressing the decline of U.S. power vis-à-vis the Soviet Union after the withdrawal from Vietnam and the decline of the U.S. share of global GDP from 50 percent in 1945 to 25 percent in 1970.

In the same way, Japan’s economic growth has also been an essential part of the U.S. calculus of power in Asia and the Pacific. In 1947, George F. Kennan and Treasury Department officials conceived of the so-called “reverse course” in the occupation of Japan, aiming to stabilize labor and financial markets and encourage reindustrialization of Japan as Cold War tensions first emerged. Article II of the 1960 U.S. Japan Mutual Security Treaty focused on economic collaboration—and also managing economic friction. By the 1970s, many Americans began wondering if the original Japan strategy had worked too well, as the bilateral trade imbalance ballooned. On coming into office in 1993, the Clinton administration seemed to view Japanese economic growth as inherently disadvantageous to regional security and launched an aggressive trade strategy toward Japan. That all changed with the collapse of Japan’s economic bubble. In the 1996 Joint Declaration on Security, U.S. President Bill Clinton and Japanese Prime Minister Ryutaro Hashimoto sought to restore a more traditional balance between economics and security in the alliance. And more recently, the George W. Bush administration defined Japanese economic growth as an essential goal for U.S. strategic interests in Japan, establishing with Prime Minister Junichiro Koizumi a senior-level business-government dialogue called the Economic Partnership for Growth. The fact is that Japanese economic strength underpins U.S. regional and global security. Though dropping from the second- to third-largest economy in the world (behind China), Japan remains the second-largest contributor after the United States to the United Nations system, the World Bank, International Monetary
Fund (IMF), and ADB, and Japan hosts the largest number of U.S. troops (50,000) of any U.S. ally abroad. Importantly, Japan’s economic contributions to regional and global order are based on common values and interests with the United States—as reflected in Tokyo’s support for most of Washington’s rulemaking objectives in TPP.

While Prime Minister Shinzo Abe has restored stability to Japanese politics and some confidence to the business sector, his economic strategy, dubbed “Abenomics,” has delivered only partial results. The Bank of Japan’s aggressive monetary easing had some early success in reducing deflationary pressure in the economy, and stimulus spending has given some support to growth. However, the most important “third arrow” of Abenomics—structural reform—remains incomplete. TPP may end up doing more to spur domestic market reform than any other tool Abe has in his arsenal.

The United States also has an interest in the economic success of smaller but strategically important states in TPP such as Vietnam, as well as economies like the Philippines or Taiwan that may join the agreement in future. The aim is not to bring these countries under a U.S. economic bloc, but to protect them from so much dependence on the Chinese economy that they lose their independent diplomatic and political leverage—particularly given Beijing’s growing use of mercantile and paramilitary coercion to force outcomes on maritime disputes and other contested issues. In short, Washington should not force these economies to choose between the United States and China, but should want them to be free to make choices about all issues that impact their security and independence.

**Shaping China’s Future Choices**

While Xi Jinping has proposed an ambitious Sino-centric vision of Asia’s future, the reality is that Beijing faces major domestic challenges. The 2014 CSIS survey found that less than 20 percent of strategic elites in China actually expected the emergence of a Sino-centric system or a U.S.–China condominium. Over 50 percent expected continued U.S. leadership for the next decade. China must undertake a new wave of opening and reform to escape what the World Bank calls “the middle income trap” and restore prospects for longer-term growth. The debate sparked in Beijing when Japan joined TPP will intensify if Congress and other national legislatures ratify the treaty in 2016. TPP will emerge as Chinese economic policymakers’ most useful external tool since negotiations for membership in the WTO empowered Zhu Rongji to beat back vested interests opposed to economic reform in the 1990s.

Outsiders must always remain humble about their ability to change a country as vast and complicated as China, but historically an inverse correlation has always existed between economic convergence and security revisionism. For example, Japan’s turn to militarism in the 1930s was directly related to the collapse of
international trade. Liberal advocates of convergence with the global financial and trade order in the previous decade were entirely discredited as the militarists marginalized or assassinated them and drove a vision of economic autarky and ethnic nationalism. Worryingly, global trade has grown more slowly than GDP over the past three years, but a cascading series of agreements over the coming decade that builds from TPP to TTIP, a Free-Trade Area of the Asia–Pacific (FTAAP), and eventually reinvigoration of multilateral negotiations under the WTO would create incentives for Beijing to adhere to regional and global rules and support economic as well as eventual political liberalization in China.

That is why the geopolitical impact of TPP is not about zero-sum competition with China, and why comparisons of TPP to weapons systems are misleading. Agreements like TPP are not comparable to the imperial preferences of the 19th century or the dangerous autarkic trading blocs of the early 20th century. Competitive trade liberalization incentivizes all economies to lower barriers and fuse into a larger, wealth-creating, rules-based order. The opponents of TPP have offered no better pathway to that beneficial future.

What Next?

With the deal concluded in early October, TPP now moves into the legislative approval process in each country. The political debate will likely be contentious in all of TPP’s democracies, but nowhere more than the United States—as indicated by the early noise in Washington from organized labor and others who have generally opposed recent trade agreements, and from business sectors, such as the pharmaceutical industry, disappointed by the results. It does not help that most presidential candidates, notably including Democratic front-runner Hillary Clinton, have come out against the deal.

Nevertheless, since the release of the TPP text in early November, the benefits of the deal should become more apparent, and more positive voices—from business, consumer groups, and trade policy experts—are likely to emerge. In the end, the main risks to TPP in the United States lie in the timing of legislative approval rather than in the vote itself. No major trade agreement concluded since

The main U.S. risks to TPP lie in the timing of legislative approval rather than the vote itself.
the 1960s has been rejected by Congress; polling for TPP has been favorable, and with solid pro-trade majorities in both houses, the votes for TPP are likely there.\(^3\) The question is whether the White House and Congress agree to move the implementing legislation forward in the spring of 2016 or hold it until after the November presidential election.

Japan is likely to move in parallel or close sequence with the United States. The ruling Liberal Democratic Party preferred not running in Upper House elections next summer on TPP, but were prepared to do so. If U.S. ratification is delayed to the lame duck session, then the Abe government will likely still be in a good position to pass its own related legislation in the Diet. A delay to 2017 would enter less certain terrain in Japanese politics, though the momentum for TPP in Japan is strong.

Meanwhile, Australia and Singapore already have FTAs with the United States and should have little difficulty passing the deal, while Singapore, Brunei, and Chile started the process and will be intent on completing it. Vietnam’s Central Committee has already made the strategic choice to join TPP and will no doubt ratify the deal. In Malaysia, political scandals have weakened the government of Prime Minister Najib, but cascading support for TPP elsewhere in the region will help him overcome any resistance at home. And indications are that Prime Minister Justin Trudeau’s popular new government in Canada will also join the wave of legislatures passing the agreement. Indeed, trade deals are always easier to ratify in Westminster systems than in the divided federal system of the United States.

While there is room for cautious optimism, trade legislation does not pass on auto-pilot; nor will the economic and political momentum gained with TPP continue absent a broader strategy for U.S. economic engagement in the Asia-Pacific in the years ahead. The current and next U.S. administration will have to make at least five major lines of effort:

*Make the strategic case with Congress.* President Obama was slow to pick up the TPP banner and to publicly press the case for it, but over the past year he has come to see it as a central part of his legacy, both for his Asia and economic policies. He will have to make the strategic and economic case for TPP directly to the Congress and to the country, with speeches and phone calls to individual members. It will be essential for President Obama to work with Speaker of the House Paul Ryan (R-WI) and Senate Majority Leader Mitch McConnell (R-KY), both supporters of free trade but with some concerns about TPP, to forge a common strategy for passing the legislation. The presidential candidates in both parties must also demonstrate that they can lead based on principle by not obstructing these efforts to gather sufficient votes to pass TPP. Hillary Clinton’s team should begin planning soon on how to transition back to support for TPP when the politics intensify on the Hill next spring.
Prepare for Korea, the Philippines, and others. While the focus over the next year will be ratification of TPP by the current twelve members, the Obama administration and foreign policy advisors to the current presidential candidates should begin planning on how TPP will absorb new members in the coming years. The process should start with Korea in 2017, with roadmaps for the Philippines, Indonesia, and Thailand possible as well. It is fundamentally in U.S. strategic and economic interests for Taiwan to join TPP, but the geopolitics of that decision will prove challenging if the Democratic Progressive Party (DPP) wins next January’s elections, as expected, and if Beijing seeks to isolate Taipei. The next U.S. administration will have to simultaneously signal that it is committed to helping Taiwan enter TPP, while also expecting a strong statement of commitment from the new president in Taipei and some liberalization down-payment to make that possible. Coalition-building with Japan, Australia, and other like-minded states to help Taiwan will also be crucial.

Sustain a trade framework with non-TPP ASEAN states. Some argue that all ten members of the Association of Southeast Asian Nations (ASEAN) should be included in TPP, but that is not possible in the near term given the protectionist tendencies of larger members like Indonesia and Thailand and the low levels of economic development in Cambodia, Laos, and Myanmar. Nevertheless, the next administration should establish or revitalize earlier frameworks for dialogue with ASEAN as a whole, based on a la carte bilateral agreements (some in TPP, some negotiating other trade or economic agreements). Earlier efforts such as the 2002 Enterprise for ASEAN Initiative or 2012 Enhanced Economic Engagement Initiative offer useful models.31

Incentivize China with the BIT. The Obama administration has launched a bilateral investment treaty (BIT) with China, but the talks have dragged on for several years, as neither side has been willing to invest the political capital to get a deal done.32 The next administration should intensify negotiations on the BIT as a steppingstone for China toward eventual entry into TPP at the high standards already established. China will not likely join TPP for years, but some momentum toward that goal must be maintained to encourage opening and convergence with 21st-century rules.

Move forward with TTIP. Just as the foundation of APEC in the early 1990s helped to motivate a more serious trans-Atlantic dialogue towards establishment of the WTO, TPP should contribute to greater European interest in TTIP. TPP’s importance lies not only in its regional impact, as has been noted, but also in its impact on global trade liberalization. And the reality is that most firms think globally and not regionally.

History Will Be Unforgiving if TPP Fails

The post-war global order built by the United States and its allies now faces its greatest challenge since the end of the Cold War. China’s aggressive nationalism
in the East and South China Seas, Russia’s adventurism, the rise of the Islamic
State, and the longer-term shadow of climate change would test the willpower
and resources of any U.S. government. The nation must address these challenges
using all instruments of national power.

The Trans-Pacific Partnership, while not perfect, is one such tool. Compared
with homeland security or military deployments—which are essential, of course
—TPP costs the U.S. taxpayer almost nothing. The agreement lowers barriers
to trade and investment, contributes growth to the U.S. economy, and bonds
nations closer to our market and our rules. The overwhelming burden for
opening markets and following rules is on the shoulders of the other eleven econ-
omies. If Congress rejects TPP, trying to negotiate a similar arrangement in Asia
would reopen demands on the United States—and in the meantime, would likely
give impetus to alternative arrangements like RCEP that exclude the
United States. Momentum behind the U.S.-led international order would shift
to momentum against it. Future generations of historians will take note of U.S. lea-
dership at this moment.

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