

## To respond to the rise of China, the Obama administration is promoting Pacific-wide economic integration with the Trans-Pacific Partnership.

*Over the last several years, the U.S. has been engaged in a so-called 'pivot' towards Asia.*

**Matteo Dian** takes a close look at one of the major parts of that pivot: the Trans-Pacific Partnership (TPP). He writes that the TPP is important to the Obama administration not only for the economic benefits it will bring to the U.S. and to the region, but also for its strategic aspects, which aim to shape the norms of economic and commercial integration in the Asia-Pacific region to be more closely aligned with those of the U.S.



The enlargement and the reform of the Trans-Pacific Partnership (TPP) has been one of the most important policies promoted by the Obama administration in the Asia Pacific region. The TPP was originally conceived as a free trade agreement between Brunei, Chile, New Zealand, and Singapore. When it came into force in 2006 it was considered as one of the many economic and commercial agreements composing the complex web preferential trade in the Asia Pacific region. The relevance of the TPP was radically altered by the intention of the United States to participate in the negotiations, initially announced by the Bush administration in March 2008. In November 2009 the Obama administration announced that the enlargement of the TPP would be a keystone of American trade policy and that the enlarged partnership would have “[the goal of shaping a regional agreement that will have broad-based membership and the high standards worthy of a 21<sup>st</sup> century trade agreement](#)”.

Together with the United States, Australia, Canada, Malaysia, Mexico, Peru, Japan and Vietnam initiated negotiations for admittance into the TPP. The TPP has been described as a “[comprehensive and high-standard FTA that aims to liberalize trade in nearly all goods and services and include commitments beyond those currently established in the World Trade Organization \(WTO\)](#)”.

The agreement under discussion is formed by 29 chapters. Aside from free movement of goods, the TPP would cover services, agriculture, intellectual property rights, rules of origin, competition, labor, environmental standards, state-owned enterprises, regulatory coherence, and supply chain competitiveness. Several of those issues have never been regulated by an international free trade agreement before, nor are they covered by the WTO agreements.



Leaders meet at Trans-Pacific Leaders Strategic Economic Partnership Agreement Summit in November, 2011 Credit: [Gobierno de Chile](#) (Flickr, [CC-BY-2.0](#))

The creation of this new mega- Preferential Trade Agreement is significant both for economic and commercial reasons and for strategic reasons. Economically the promotion of the TPP would contribute to promote the interests of the United States contributing to create a Pacific wide form of integration. As a consequence American firms would enjoy stable market access to the largest preferential trade area created to date. Secondly, the TPP will promote a form of capitalism very close to the American model. The rules contained in the proposed agreement reflect US interests in a number of sectors such as the protection of intellectual property rights, liberalization of services and investment, expansion of e-commerce, promotion of regulatory coherence, limitation of the role of the State Owned Enterprises.

The expansion of the TPP however should not be considered just as policy aimed to promote the economic interests of the United States or the interests of particular interests groups within the United States ([as many anti-TPP groups do](#)).

The role of the TPP should also be understood for its strategic purpose. Economic and trade policies are part of the Pivot to Asia (also called rebalancing), and are as a consequence they are [integral part](#) of the grand strategy of the Obama Administration. As Daniel Drezner has [pointed out](#) the grand strategy of the Obama administration was designed along two main axes. Firstly a phase of retrenchment reducing US direct military exposure, principally in the Middle East. Secondly a phase of counter-punching, namely a process of reinforcement of the American primacy wherever it is challenged. The main challenger is surely represented by China, due to its substantial economic and military growth.

The Pivot, as a consequence, has been conceived as a multi-dimensional response to China's growth. On the one hand, the Obama administration has strengthen the US military presence in the region and reached out to new possible diplomatic partners in the region such as Vietnam and Myanmar. On the other hand, it has been promoting the TPP to reassert the American ability to shape the rules and norms of the economic and commercial integration in the Asia Pacific region.

The TPP should be interpreted as a response to the Chinese challenge for a number of reasons. Firstly it would re-launch the process of Pacific wide regionalization, as opposed to a narrower East Asian form of regionalization, promoted by Beijing and centred on China. During the last decade, while the United States enhanced security relations with East and South East Asian allies and partners, China promoted a number of institutions devoted to economic and financial governance, such as the [ASEAN+3](#) and the [Chang Mai Initiative](#). The enlargement and the reform of the TPP would signal that the United States wants to remain the central actor in the process of

regionalization and aims to shape this process according to its preferences.

More specifically, several chapters of the new agreement aim at making the region **less hospitable** for the Chinese “state capitalism”. Chapters such as those limiting the role State Own Enterprises in member states, regulating intellectual property and liberalization of services are designed to structure economic and commercial integration according to rules favouring liberal market economies and their interests and penalize economies, such as the China’s, which relies heavily on State Owned Enterprises and an extensive role for the state.

Finally, the TPP should be considered as a relevant element part of the Obama administration’s attempts to reaffirm American primacy where it is seriously challenged in the Asia Pacific region.

*This article is based on a talk given at the [LSE US Foreign Policy Conference](#) held on September 17-19<sup>th</sup>, 2014.*

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*Note: This article gives the views of the author, and not the position of USApp– American Politics and Policy, nor of the London School of Economics.*

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