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The Trans Pacific Partnership (TPP): America's "Economic War" Against Asia And Latin America

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The end of the negotiations on the principal points of the Trans Pacific Partnership (TPP), after six years of negotiation and two additional years for its complete consolidation, marks a new configuration of free trade zones in 2015. The free trade zones currently under negotiation do not only consist in the elimination of commercial barriers, but also represent economic wars between the big powers led by the United States and China that will define the new world order.

The North American strategists moved forward in the economic containment of China in Pacific-Asia, excluding China from the TPP which would be the free trade zone with the biggest flows of trade and international investment. The support of the strategic allies of Washington in Southeast Asia was decisive in order to finalize the negotiations of the TPP, but the price paid by the US strategists was to cede part of the US market to the Asian countries, opening up an economic conflict between Asia and Latin America.

Thus, the members of the Pacific Alliance who are part of the TPP will be the principal competitors in the new economic competition with the Asian countries, dominating significant portions of the US market. The strategy of the members of the Pacific Alliance was to join the TPP to defend the US markets dominated by their transnational companies, meaning that the impact on their economic growth will be too weak, situated in a range between 0.8% and 1.5% during the first years.

The economic struggle precipitated by the US market intimidates the transnational companies of the Pacific Alliance, given the economic strength of the Asian corporations and the strategic relation that they maintain with China. The Asian companies possess strategic natural resources produced by state companies, well administered by the Asian authorities, a factor that makes them serious rivals to dispute new markets.

In consequence, the member countries of the Pacific Alliance asked for the suppression of export subsidies, preferential credits and state support in order to weaken companies belonging to the Asian states [1]. The response of the Asian members was that they can bring on the elimination of state support in non-strategic sectors but they then ask that their state companies, with greater levels of competitiveness and income, remain outside the rules of the TPP.

The discourse of the Latin American negotiators has two sides since they exert pressure to impose intellectual property rights on various sectors (pharmaceutical, biological, agro-chemical) in order to counter the competition that their big companies face in the creation of technological innovations [2]. The result of the negotiations on intellectual property rights takes into account the demands of the Asian negotiators who hope to obtain transition periods before the application of measures tied to the protection of technologies of multinational companies.

The transition periods for intellectual property rights will allow the Asian members to realize large inversions in strategic sectors that reinforce their technological innovation before they have to compete with the transnational companies of the Pacific Alliance [3].The members of the Pacific Alliance are preparing a counteroffensive to the technological innovations given that they can implement procedures to shorten the transition periods and the application of property rights with which they can attack the Asian companies without mechanisms of defense and protection.

On the other hand, the strong investments of China to the benefit of Asian companies will be the weapon deployed to definitively defeat the Pacific Alliance with the regional financial initiatives of the Asian Investment Bank and the Development Bank of BRICS. The investments coming from the regional financial initiatives will concentrate on the construction of large works of infrastructure that will strengthen the value chains of the Asian continent, which will end up establishing even closer economic relations of the Asian countries with China.

The deepening of Asian integration will ensure high competitiveness of Asian exports given that the goods produced will utilize a great variety of inputs from China with extremely low costs. Nevertheless, the rules of origin already present in the free trade agreements with the United States favor the Pacific Alliance, since they stipulate that preferential customs duties will be applied to products whose inputs come from countries that are part of the free trade zone.

The offensive of the Asian members was quick to follow, demanding that the institutional framework of the TPP would function in accord with a new commercial principal that accepts inputs of commercial partners from outside the economic community but demands a certain minimal percentage of regional content in the goods produced [4]. The response of the Latin American countries was to increase the minimal percentage of regional content in order to resist the competitiveness of products coming from China, but they ended up leaving out some of their sectors that import an enormous quantity of products.

On the other hand, the disadvantage for the Asian members is that the investments of China do not go beyond the regional borders of Asia to cover European markets through the construction of the maritime route from China to Europe through the countries of Southeast Asia, due to territorial disputes against China. The member countries of the Pacific Alliance will be forced to find new markets due to the disadvantage of the Asian countries but their conquest will demand greater investments under different conditions than those received in the free trade agreements.

The greater financing will come from the United States that maintains a strategic relationship with the members of the Pacific Alliance as their principal international investor but will end up obliterating their national sovereignty in the economic and financial plane. The new rules referring to investment flows among members of the TPP will not allow for public policies that support economic growth, regulate the main economic activities and stimulate the creation of jobs with high cost economic sanctions applied by international tribunals [5]. The interests of Washington’s foreign companies are concentrated in the greater extraction of profits in the big companies of the Pacific Alliance, a factor that is not compatible with the increase of competitiveness of strategic sectors and with the ability to dispute markets with the Asian corporations.

On the other hand, the foreign policy of China tends to promote the industrial development of Asian countries, signing bilateral free trade agreements, pacts of joint financing of infrastructure, agreements for the mobility of the work force in order to convince them to strengthen their relationships with China. In addition the sources of finance of the Asian countries will be diversified with Chinese investment that will rival that of the United States and will establish a zone of reference in order to counter the attacks of international tribunals manipulated by Washington.

The absence of strategic allies on the part of the members of the Pacific Alliance will facilitate the onslaught of US companies that will take advantage of the unfavorable position of the Latin American countries against the decisions of international tribunals. The work force of companies of the Pacific Alliance will lose out on better labor positions in their wage levels, social benefits and state protection in order to promote international competitiveness and increase their profits with the possible loss of markets in the United States.

On the other hand, the Asian countries of the TPP can also count on a financial centre based in Singapore that can channel investments from advanced economies to invest massively in emerging Asian countries. The loans of Asian banks will multiply exponentially in the Asia-Pacific region creating various areas of cooperation with the support of infrastructure projects, the promotion of the use of local currencies and the application of regional financial norms [6].

On the contrary, the members of the Pacific Alliance will continue to situate themselves in a financial structure that is highly dependent on domination by transnational banks, anchored in the dollar in order to finance their investment projects and unregulated in opting for the application of international financial norms.The US aspiration to regulate the investment flows in the financial sector of the members of the TPP under the domination of the dollar and the norms of financial deregulation will make the financial fortress of the Asian members disappear and give the members of the Pacific Alliance a chance to dismantle their financial structure.

To resume, the significant absence of regulatory mechanisms in the free trade zone of the TPP may unleash an economic struggle that could lead to the unravelling of the less competitive and more vulnerable sectors in the face of the employment of destructive arms between Asia and Latin America.

Translation: Jordan Bishop

Notes

[1] Congressional Research Service. The Trans-Pacific Partnership (TPP) Negotiations. Publication date: 20/03/2015.

[2] Wikileaks. Intellectual Property Rights Chapter. Publication date: May, 2015.

[3] Public Citizen. TPP Transition Periods on Pharmaceutical Intellectual Property Rules. Publication date: 09/10/2015.

[4] New Zealand Foreign Affairs & Trade. Rules of origin and Origin procedures of TPP. Publication date: November, 2015.

[5] Wikileaks. Analysis of Leaked Trans-Pacific Partnership Investment Text. Publication date: 25/03/2015.

[6] Bank for International Settlements. The rise of regional banking in Asia and the Pacific. Publication date: September, 2015.

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