

TPP as Grand Strategy: Latin American Perspectives

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Abstract

The Trans-Pacific Partnership (TPP) will produce profound geo-political and economic change immediately because of its focus on a host of 21st-century trade issues, such as data flows, financial regulations and intellectual property. According to Richard N. Haass, President of the Council on Foreign Relations, the US ability to negotiate a new trade agreement, i.e. TPP, is “more significant than the deployment of 2,500 marines in Australia. It becomes clear that, some Latin American countries are “hedging against U.S. dominance in the region--just as some states in the Asia-Pacific are edging closer to the U.S. in a bid against growing Chinese power.”

I. Introduction

The 2005 Trans-Pacific Strategic Economic Partnership Agreement (TPSEP or P4) is a free trade agreement among Brunei, Chile, New Zealand, and Singapore. It aims to further liberalize the economies of the Asia-Pacific region and came into effect in May 2006. Since 2010, negotiations have been taking place for the Trans-Pacific Partnership (TPP), a proposal for a significantly expanded version of TPSEP. As of December 2013, the participants of TPP negotiation include Australia, Brunei, Chile, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, Vietnam and Japan. Taiwan and South Korea announced their interests to join.

Some have predicted that the TPP will produce profound geo-political and economic change because of its focus on a host of 21st-century trade issues, such as

data flows, financial regulations and intellectual property.¹ According to Office of the United States Trade Representative, “the TPP is a key element of the Obama Administration strategy to make U.S. engagement in the Asia-Pacific region a top priority.”²

Even long marginalized Taiwan returned to Washington because of TPP. While testifying during the hearing hosted by Foreign Affairs Committee Chairman Ed Royce (R-California) in March, 2014, Deputy Assistant Secretary of State for Asia and the Pacific Kin Moy said the U.S. welcomes Taiwan’s interest in membership in the TPP and pledged Washington will continue to help Taipei defend itself.

According to Michael Mandelbaum, professor of foreign policy at Johns Hopkins, “the biggest geopolitical divide in the world today is between those countries who want their states to be powerful and those countries who want their people to be prosperous... The first category would be countries like Russia, Iran and North Korea, whose leaders are focused on building their authority, dignity and influence through powerful states...The second category, countries focused on building their dignity and influence through prosperous people, includes all the countries in Nafta, the European Union, and the Mercosur trade bloc in Latin America and Asean in Asia.”³

This article discusses TPP’s utility only to some countries within the second category. The paper is divided into four sections. Next section reviews literature on grand strategy. The third section investigates TPP’s impacts on Latin America as a whole, and on Mexico, Peru, Chile and Colombia respectively. The fourth part concludes the article.

II. Literature Review on Grand Strategy

Grand strategy comprises the “purposeful employment of all instruments of power available to a security community.”⁴ According to military historian B. H. Lindell Hart: “Grand strategy should both calculate and develop the economic resources and man-power of nations in order to sustain the fighting services...

¹ David Dreier, “China Belongs in the Pacific Trade Talks,” *The Wall Street Journal*, April 11, 2013.

² “The US and the TPP,” USTR.

³ Thomas L. Friedman, “Don’t Just Do Something. Sit There.” *The New York Times*, Feb. 25, 2014.

⁴ Colin Gray, *War, Peace and International Relations - An Introduction to Strategic History*, Abingdon and New York: Routledge 2007, p. 283.

Furthermore, while the horizon of strategy is bounded by the war, grand strategy looks beyond the war to the subsequent peace.”⁵

For Fareed Zakaria, “grand strategy sounds like an abstract concept—something academics discuss—and one that bears little relationship to urgent, jarring events on the ground. But in the absence of strategy, any administration will be driven by the news, reacting rather than leading.”⁶ Thus, “Selective engagement” is one of the key elements of grand strategy.

According to Barry Posen, “selective engagement” refers to, “with the caveat that the United States should not only act to reduce the likelihood of great power war, but also oppose the rise of a Eurasian hegemon capable of threatening the United States.”⁷ Since the 21st century, China has emerged as a new Eurasian hegemon. Consequently, Beijing became Washington’ new target of “selective engagement.”

China has been rising in Latin America since the twenty-first century for two reasons. “The first is the relative decline in the economic and political pre-eminence of the United States after its brief moment of unchallenged power at the end of the cold war...The second factor is that many Latin American countries have become more self-confident and bent on asserting their diplomatic independence.”⁸

The US’ return to the Asia-Pacific region poses an important challenge to China and could define the overall tone of the bilateral relationship. As one of the most important parts of Obama’s “Return to Asia-Pacific” policy, TPP has become a new arena for US-China competition. Ahead of the fall 2011 Asia Pacific Economic Forum (APEC) meeting in Hawaii, then-Secretary of State Hillary Clinton outlined a plan to transfer U.S. military, diplomatic, and economic resources from the Middle East to the Pacific, in what she called “America’s New Pacific Century.” Describing the pivot in militaristic terms as “forward-deployed diplomacy,” Clinton hailed the TPP as a “benchmark for future agreements” leading to “a free trade area of the Asia-Pacific.”⁹

With regard to the importance of TPP, US vice-President Joe Biden insists that, America should seize the chance to negotiate major trade agreements across the

⁵ B. H. Linddell Hart. *Strategy* London: Faber & Faber, 1967. 2nd ed. p.322.

⁶ Fareed Zakaria, “Wanted: A New Grand Strategy,” *Newsweek*, Dec. 8, 2008, p.30.

⁷ Barry R. Posen, and Andrew L. Ross, “Competing Visions for U.S. Grand Strategy,” *International Security*, Vol. 21, No.3 (Winter 1996–1997): p.17.

⁸ “The dragon in the backyard,” *The Economist*, Aug. 13, 2009.

⁹ Christine Ahn, “Open Fire and Open Markets: The Asia-Pacific Pivot and Trans-Pacific Partnership,” *Foreign Policy in Focus*, Jan. 14, 2014.

Atlantic and Pacific because “both deals are... offering us a chance to shape the global economy in ways that strengthen US leadership in the world and the American middle class at home.”¹⁰

Richard N. Haass, President of the Council on Foreign Relations, also correctly points out, “more significant than the deployment of 2,500 marines in Australia is the direction of U.S. diplomacy vis-à-vis China and its neighbors, the availability of economic assistance to promote political and economic development in the region’s poorer countries, and the ability to negotiate a new trade agreement (specifically the Trans-Pacific Partnership) as quickly and inclusively as possible.”¹¹

The United States has all the tools at hand to build an enduring and sustainable strategy for engagement in the Asia Pacific. However, “the most compelling requirement is to ensure that trade policy supports a comprehensive U.S. strategy. Washington must make sure that the Trans-Pacific Partnership (TPP)-led trade approach avoids weakening or dividing ASEAN.”¹²

In fact, “to most Chinese, the TPP is one of America’s intentional moves to exclude China,” according to Yao Yang, Director of the China Center for Economic Research at Peking University. More precisely, the Chinese government seems to see the TPP as another leg of an America-led containment strategy.

In addition, as US-dominated influence in Latin America is diminishing, China has quietly positioned itself to fill the void in Latin American affairs. For instances, China and Chile signed a free-trade agreement in Oct. 2005, and entered into force in October 2006. Later, Beijing and Lima signed FTA on April 28, 2009.¹³ China’s interest in Latin America is clear: the region supplies the raw materials it craves and handily also provides markets for its manufactured goods.¹⁴

¹⁰ Joe Biden, “We cannot afford to stand on the sidelines of trade,” *The Financial Times*, Feb. 27, 2014.

¹¹ Richard N. Haass, “The Irony of American Strategy,” *Foreign Affairs*, Vol. 92, No. 3, May/June, 2013, p.64.

¹² Ernest Z. Bower, “U.S. Strategic Alignment: Squaring Trade and Grand Strategy in Asia,” Center for Strategic and International Studies, March 30, 2012.

<https://csis.org/publication/us-strategic-alignment-squaring-trade-and-grand-strategy-asia>

¹³ Eliot Brockner, “The Monroe Doctrine Revisited: China’s Increased Role in Latin America,” *Upside Down World*, Oct. 15, 2008.

¹⁴ Jude Webber, “China: can Mercosur members agree?” *The Financial Times*, July 11, 2013.

In June 2013, Chinese President Xi Jinping's visit to Trinity and Tobago shows that China is also raising its strategic influence in the Caribbean as it takes advantage of the continuing US withdrawal from what George W. Bush called his country's "third border."¹⁵ Consequently, many Latin American countries may see the TPP as a hedge. That's why the presidents of Mexico and Peru, two Latin American countries under TPP's negotiation, were invited as guest speakers during the Annual Conference 2013 of the Boao Forum for Asia.

Based on analyses above, it becomes clear that, "partnering with China seems to be way of the Community of Latin American and Caribbean States (CELAC), "hedging against U.S. dominance in the region-- just as some states in the Asia-Pacific are edging closer to the U.S. in a bid against growing Chinese power."¹⁶

III. Latin America:

Latin American is divided into two parts: one faces the Pacific and supports free-trade and another faces Atlantic and tends to protection. Mercosur, established in 1991, is an economic and political agreement among Argentina, Brazil, Paraguay, and Uruguay. Its purpose is to promote free trade and the fluid movement of goods, people, and currency. However, it remains controversial that Venezuela joined the trade bloc in 2012 because of Paraguay's membership was suspended. "It reveals Mercosur's political weakness at a time of precarious protection of democratic rights in Venezuela," according to Elsa Cardozo, a professor of political science at Central University in Venezuela.¹⁷

Contrary to the Mercosur, free trade supporters has been cheering for the establishment of Pacific Alliance by Mexico, Colombia, Peru and Chile in June 2012, because "the bloc accounts for more than a third of Latin America's gross domestic product and has moved quickly on a path to integrate their economies since it was formally established."¹⁸ Pacific Alliance "is based on affinity, rather than proximity."¹⁹

There is good reason to think the Pacific-facing countries have the edge, while much of the continent is "paying the costs of exaggerated protectionism and...irresponsible policy," according to Alan Garcia, Peru's former president. In

¹⁵ Benedict Mander and Robin Wigglesworth, "China steps up Caribbean strategy," *The Financial Times*, May 20, 2013.

¹⁶ Shannon Tiezzi, "China's Push Into 'America's Backyard'," *The Diplomat*, Feb. 8, 2014.

¹⁷ Simon Romero, "With Brazil as Advocate, Venezuela Joins Trade Bloc," *The New York Times*, August 1, 2012, p.A6.

¹⁸ Michael Shifter, "The Promise of a Pacific Alliance," *La Tercera*, Feb. 16, 2014.

¹⁹ "A continental divide," *The Economist*, May 18, 2013, p.37.

2014, the Pacific Alliance trade bloc is slated to grow an average of 4.25%, boosted by high levels of foreign investment and low inflation, according to estimates from Morgan Stanley. But the Atlantic group of Venezuela, Brazil and Argentina—all linked in the Mercosur customs union—is projected to grow just 2.5%, with the region’s heavyweight, Brazil, slated to grow a meager 1.9%.²⁰

Mexico

Relations between Mexico and the United States have not been smooth, although both are the NAFTA’s members. For instance, Carlos Pascual, former US Ambassador to Mexico, was forced to resign in May 2011 because he criticized the Mexican military’s ability or willingness to fight the drug cartels.

An inconvenient truth for Mexico is, it “has very little integration with Asia, with roughly 75 percent of its exports still destined for the United States.” The TPP is unlikely to shift the situation to favor China. However, one “unintended consequence” is that “a successful TPP in effect will update NAFTA into the 21st century.” In fact, “one major reason Canada and Mexico had to join was to avoid disrupting the deep integration of North American markets that has evolved since the establishment of the North American Free Trade Agreement (NAFTA).”

China’s inability to shift Mexico’s orbit from Washington to Beijing is evident in the issues American politicians focus on when engaging their Mexican counterparts. There is a sense that the US-Mexico relationship is secure, despite mounting challenges. For example, during Obama’s visit to Mexico in April, 2013, there was much talk about guns and security policy. But perhaps more indicative of the cozy relationship between the two counties are the two issues that were mentioned with little fanfare: migration and energy reform. These two issues were deliberately left out of the North American Free Trade Agreement (NAFTA) almost 20 years ago because it was considered too controversial. Now the two countries may be on the way to achieving an old dream that could really improve prosperity in Mexico: a North American common market. Thus, TPP’s impacts on China-Mexico relations remain elusive.

Peru

China has strengthened relations with Peru recently. For instance, President Ollanta Humala was invited as guest speaker during the Annual Conference 2013 of

²⁰ David Luhnow, “The Two Latin Americas,” *The Wall Street Journal*, Jan. 3, 2014

the Boao Forum for Asia. During his stay in Boao, Humala met his Chinese counterpart Xi Jinping and signed 11 cooperation accords. Later in Beijing, Humala met with Premier Li Keqiang, to whom he expressed the important role the Andean nation can play as a “bridge” of understanding between Latin America and China.

However, Peru’s growing relationship with China may also face a critical test, because Chinese investment in Peru focused almost entirely on the extractive sector. In September, 2011, President Humala signed three bills raising taxes and royalties on the lucrative mining sector into law and fulfilled a campaign promise. prepares to impose a windfall tax on mining companies. It is no surprise that Andrés Oppenheimer suggests to Roberta Jacobson, the head of State Department officials in charge of Latin American affairs, “she would have to find new ways to improve ties with the region at a time when China has eclipsed much of the previous U.S. economic influence in South America’s commodity producing countries.”²¹

Chile

As the first Latin American country to sign the Free Trade Agreement with China, Chile is also the first country China tried to convince to counterbalance against the US. During Xi Jinping’s visit to Latin America in June 2011, Chen Weihua, deputy editor of *China Daily* US edition, argued that, “Latin American nations are independent countries and they are no one’s backyard. For China and Chile, they are really neighbor countries separated only by the Pacific. You can literally fly from Beijing to Santiago without passing over any other country.”²²

However, a relevant question is the position will be taken by Chile’s new president Michelle Bachelet. “Though committed to the [Pacific] Alliance, Bachelet is likely to move closer to Brazil and perhaps a bit more distant from the Pacific bloc. Her government will resist any attempt to portray the Alliance as an ideological counterweight to ALBA. It is not clear how the new stance will affect the bloc’s dynamics.”²³

Colombia

In March 2010, Colombian Foreign Minister Jaime Bermudez met Australian Trade Minister Simon Crean and discussed his country’s interest in entering the Trans

²¹ Andrés Oppenheimer, “It’s time for U.S. to think big on Latin America,” *The Miami Herald*, Oct. 1, 2011.

²² Chen Weihua, “Real picture of Sino-Latin American ties,” *China Daily*, June 14, 2011, p.8.

²³ Michael Shifter, “The Promise of a Pacific Alliance” *La Tercera*, Feb. 16, 2014.

Pacific Partnership Agreement (TPPA). However, there are two main reasons for Colombia's exclusion from the TPP. On the one hand, the states already part of the TPP are all members of the Asia-Pacific Economic Cooperation (APEC). On the other hand, the United States has the potential to sway the group in Colombia's favor and arguably stands to gain from doing so.²⁴

During their visit in Colombia in August 2013, Reps. George Miller (D-Calif.) and James McGovern (D-Mass.), two members of the Congressional Monitoring Group on Labor Rights in Colombia, examined the implementation of the Labor Action Plan (LAP). According to them, "Reports of worsening labor rights conditions in Colombia provide an important lesson when developing trade policy. The fact that the LAP has not resulted in improving working conditions in Colombia merits attention especially in the context of current negotiations for a Trans-Pacific Partnership." They insisted, "before asking Congress to approve another trade agreement, such as the TPP, which poses similar labor and human rights issue, the Administration must first demonstrate concrete and effective improvement in workers' right on the ground in Colombia under Labor Action Plan."²⁵

IV: Conclusion

Within Latin America, a successful Pacific Alliance is likely to create a powerful counterweight to the retrograde protectionism and statism of Brazil, Venezuela, Argentina and Bolivia. And it will have begun with the novel idea that only countries interested in free trade need apply.²⁶ Since Secretary of State John Kerry announced that "the era of Monroe Doctrine is over" on November 18, 2013, Latin American countries have more degree of freedom in foreign policy. TPP provides a new arena for seeking their national interests.

However, "rather than deepening trade ties within the region, the TPP is serving to expose and exacerbate underlying political and economic fractures, raising question

²⁴ Carl Meacham, "Why is Colombia not in the Trans-Pacific Partnership?" CSIS, July 2, 2013.

²⁵ "Failure of Labor Action Plan in Colombia Holds Lessons for Trans-Pacific Partnership Agreement Negotiations," Committee on Education & the Workforce, (Democrats), Oct. 29, 2013. <http://democrats.edworkforce.house.gov/press-release/failure-labor-action-plan-colombia-holds-lessons-trans-pacific-partnership-trade>

²⁶ Mary Anastasia O'Grady, "The Next Big Free-Trade Breakthrough," *The Wall Street Journal*, July 14, 2013.

about how deep Latin American trade cooperation can be, and whether the Americas are fated to continue to be divided along trade policy lines.”²⁷

In his first term, Obama urged China to behave as “a responsible stakeholder” and then flirted with Beijing about creating a G2 arrangement. However, in his second term, Obama may be shifting strategy and using the TPP as an exemplar. Indeed, the TPP “might be characterized as ABC – Anyone But China.” And while trade officials have talked up the TPP’s “next-generation” qualities, the most glaring thing about it is that it does not include China, Asia’s biggest trading nation. Currently, China is not negotiator, but the TPP is designed to allow additional countries to sign on in the future, and the Chinese will be courted assiduously. Former US Trade Representative Ron Kirk noted that he “would love nothing more” than to see China join the treaty.²⁸

In 2011, Colombian President Juan Santos asserts that, China “is our number two trading partner. But we don’t want to depend too much on China.”²⁹ However, without including China, “the TPP would be like Hamlet without the Prince of Denmark.” Let’s wait and see how far it can go.

²⁷ Daniel Wagner and Nicholas Parker, “Is the Trans-Pacific Partnership the Solution to Latin America’s Fractured Trade Regime?” *Huff Post*, May 16, 2013.

²⁸ Gordon Lafer, “Partnership or Putsch?” *Project Syndicate*, Jan. 14, 2014.

²⁹ Lally Weymouth, “An interview with Colombian President Juan Manuel Santos,” *The Washington Post*, Aug. 26, 2011.

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