Why the Trans-Pacific Partnership Equals a U.S. Aircraft Carrier

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The U.S. political elite is never entirely secretive about its aims. It spells them out, maybe not always clearly and maybe sometimes elliptically, but it is fairly open in declaring its objectives and how it intends to achieve them. When she was U.S. secretary of state, Hilary Clinton adumbrated the Trans-Pacific Partnership in a 2011 article in Foreign Affairs, the magazine of the Council on Foreign Relations, an elite-consensus forming organization which Laurence H. Shoup in a recent book dubbed "Wall Street's Think Tank", and, in an earlier book, an "imperial brain trust." [1]

In "America's Pacific Century," Clinton announced that the Obama administration was "working with China to end unfair discrimination against U.S. and other foreign companies or against their innovative technologies, remove preferences for domestic firms, and end measures that disadvantage or appropriate foreign intellectual property." [2] Which is exactly what the TPP sets out to do, except—and this is a significant point—without China.

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Almost without exception, commentary on the TPP from the North American Left has focussed on the potential harm the pact will likely inflict on ordinary North Americans, the 99 percent. The emphasis has been on the TPP as a weapon of the corporate elite—a new battle tank in a class war that billionaire investor Warren Buffet famously acknowledged exists and that his class is winning. [3]

Commentary on the TPP as a weapon wielded against North American workers is important and necessary, but no less important is the reality that the TPP also exists as a weapon wielded against China, a country the U.S. ruling class designates as a rival. Even the U.S. political elite has embraced the weapon metaphor. U.S. secretary of defense, Ashton B. Carter has called the pact "as important to me as another aircraft carrier." [4]

Who's Involved?

The TPP is a U.S.-initiated pact among 11 other Asia-Pacific region countries, including Washington's anglosphere allies, Canada, Australia and New Zealand, along with Mexico, Japan, Vietnam, Chile, Peru, Malaysia, Singapore, and Brunei Darussalam. Despite their significant place in the Pacific Rim, Russia and China were left out of the pact by Washington. The exclusion of China is significant, because the TPP is said to be the economic arm of "the much-extolled (U.S.) 'pivot' to Asia," aimed at bolstering the United States' presence in the Asia-Pacific region. [5]

Containing China

Coverage of the TPP in the two principal elite U.S. newspapers, The Wall Street Journal and The New York Times, has portrayed a major aim of the pact as containing China. "The pact…is seen as a way to" raise "a challenge to Asia's rising power…which has pointedly been excluded from the deal," wrote Kevin Granville in The New York Times. [6] Jane Perlez in the same newspaper described the pact "as a win for the United States in its contest with China for clout in Asia". [7] "Critics in China," noted The Wall Street Journal, are on the same page, viewing "the Trans-Pacific Partnership with suspicion, seeing it as one more way for Washington to seek to contain China's influence." [8]

What U.S. ruling circles seek to contain in the Asia-Pacific region is Chinese encroachments on U.S. profits. Chinese industry is taking an ever growing share of the region's trade, at the expense of corporate USA. "Time is running out," warns the U.S. defense secretary. "We already see countries in the region trying to carve up these markets." [9]

As recently as 2004, the United States was the largest trading partner of Asean, a 10 country association of Southeast Asian economies, with total trade of $192 billion. "But now China, which was an inconsequential trading partner of Asean as recently as the late 1990s, is by far the region's largest trading partner, with two-way trade of $293 billion in 2010."

Not only is China Asean's biggest trading partner, it's the top trading partner of Japan, Korea, India and Australia, notes Cui Tiankai, a Chinese vice foreign minister. [10]

What's more, "the China Development Bank and Export-Import Bank of China now provide more loans to the region than the (U.S.-dominated) World Bank and Asia Development Bank combined." [11] And China "has picked off American allies like Britain, Germany and South Korea to join…the Asian Infrastructure Investment Bank, a project started by China in part to keep its own state-owned firms busy building roads, dams and power plants around Asia. China is at the same time setting up other trade pacts around the region so it can use its cash and enormous market leverage to strike deals more advantageous to its interests." [12] Needless to say, the deals China strikes, the roads, dams and power plants it builds, and the trade it carries out, represent lost opportunities for U.S. banks, corporations and investors.

China's growing economic clout has raised concerns on Wall Street and in Washington of "being left on the outside, looking in." Fearful that U.S. firms and investors "risked being shunted aside in Asia," Washington initiated the Trans-Pacific Partnership [13] as a means of defending the interests of U.S. finance and business in Asia.

Re-orienting Economies from China to the United States

One of the ways the TPP defends and promotes U.S. profits is by re-orienting the economies of the pact's other partners toward the United States and away from China. "Ichiro Fujisaki, a former Japanese ambassador to the United States, described the Trans-Pacific Partnership as 'economic glue to cement ties with like-minded countries,' including emerging economies such as Vietnam that are only partly integrated into the global economic order shaped by the United States." [14] The TPP isn't as much about free trade as it is about restricting trade and investment within a US-dominated bloc.

During talks, U.S. negotiators "aiming to bolster American exporters" stipulated "that countries joining its new Pacific trade zone cut back on imports from China." U.S. negotiators demanded that "Vietnam, a major garments exporter, reduce its reliance on textiles made in China… to get preferential market access to the U.S." Washington's goal was "to create new markets in Vietnam for the U.S. textile industry." Since the "U.S. and Mexico are especially large textile producers, Vietnam would simply have to shift its sourcing of yarns and fabrics from China to the U.S. and Mexico." [15] This exemplifies the entire aim of the U.S.-initiated TPP: to disrupt China's growing trade relations with its neighbors in order to bolster U.S. profits.

The Peterson Institute for International Economics in Washington estimates that the TPP will "cost China about $100 billion a year in lost exports as the partners trade more among themselves and less with China." [16]

Pressuring China to Abandon State-Directed Development

Another way the TPP seeks to buttress U.S. profits is by leaving open the possibility of China joining the pact if it abandons its development model, which relies heavily on state-owned enterprises and assistance to domestic industry. While China was initially excluded from the partnership, "U.S. officials… say they are hopeful that the pact's 'open architecture' eventually prompts China to join." [17] But to link up with the 12 economies of the TPP club the "Chinese government would need to work harder at economic reform in order to meet the pact's standards." [18] Specifically, China would have to open markets and limit assistance to state-owned companies. [19]

China has "tens of thousands of state-owned enterprises that dominate half of China's economic output and that the government heavily subsidizes and protects." [20] They "account for about 96% of China's telecom industry, 92% of power and 74% of autos. The combined profit of China Petroleum & Chemical and China Mobile in 2009 alone was greater than all the profit of China's 500 largest private firms." [21]

In addition, foreign competitors are restricted by government rules, required to share their technology in joint ventures with state companies, and are passed over for lucrative government contracts in favor of state enterprises.

China's reliance on state-directed development has provoked ire on Wall Street and in Washington. Chinese "state capitalism" restricts profit-making opportunities within China for U.S. firms and investors. At a public forum in Davos, Switzerland, during the World Economic Forum, then U.S. Treasury Secretary Timothy Geithner complained that "China does present a really unique challenge to the global trading system, because the structure of its economy, even though it has more of a market economy now, is overwhelmingly dominated by the state." [22] U.S. President Barack Obama, referring to Washington's Asian rival, complained that "It's not fair when foreign manufacturers have a leg upon ours only because they're heavily subsidized." [23] The point of China's state-directed development is to raise many more hundreds of millions of Chinese from poverty, as the Chinese Communist Party has already done, even if it means irking U.S. banks, investors and corporations and their political handmaidens in Washington.

U.S. and European corporations have grown "increasingly agitated over what they regard as unfair curbs on their ability to compete with domestic companies in China's vast and growing market." [24] The TPP is a response to that agitation. "Prodded by corporate chiefs across the country, U.S. trade officials…launched a coordinated attack on the core of America's commercial conflict with China: the heavily protected and subsidized Chinese state-owned enterprises that are pounding U.S. companies not just in China but in competition globally." [25]

Accordingly, one set of the TPP's "provisions requires that state-owned enterprises…receive fewer government subsidies in the form of low-rate loans, cheap or free land and other assistance," notes Joseph Stiglitz, the Nobel Prize-winning economist. "The clause is initially aimed at Vietnam—as well as Malaysia and Singapore to some extent—but it offers a signpost for the direction in which the United States wants China to move." [26] "The message to China: If you want to join, you have to change." [27]

The TPP's Connection to Regime Change in Libya and Syria

The preceding paragraphs point to a significant reality of U.S. foreign policy: U.S. State Department initiatives are "prodded by corporate chiefs" and aim to open up the world to U.S. trade and investment–and keep it open. Trade and investment agreements, and the Pentagon, are both instruments of the U.S. corporate and financial world, deployed by Washington's political elite to secure the interests of the United States' most "substantial" citizens. Hence, U.S. secretary of defense Ashton Carter can draw an equivalence between the TPP and an aircraft carrier.

To the U.S. capitalist ruling class, China, with its immense market, represents a potential cornucopia of profits, all the greater if the Chinese Communist Party can be persuaded to abandon its state-directed development model, which severely restricts the latitude of U.S. investors, banks and corporations to manoeuvre within the Chinese economy. The Chinese model has proved worthy of lifting hundreds of millions out of poverty, not surprisingly, since its aim is internal development, not the aggrandizement of super-wealthy foreigners ensconced on Wall Street. By contrast, the development model favored by the corporate-based ruling class of the United States predictably favors private enterprise and free trade (within US-dominated blocs)—a model that has proved worthy of creating fabulous wealth for a parasitic elite at the apex of U.S. society, but abject poverty at the other extreme for people in the developing world.

Finally, another reality should be acknowledged. Both Libya and Syria have followed development models that are very much similar to China's, and have equally irked US corporate and political leaders.

A November 2007 U.S. State Department cable warned that those "who dominate Libya's political and economic leadership are pursuing increasingly nationalistic policies in the energy sector" and that there was "growing evidence of Libyan resource nationalism." [28] The cable cited a 2006 speech in which then Libyan leader Muamar Gaddafi said: "Oil companies are controlled by foreigners who have made millions from them. Now, Libyans must take their place to profit from this money." [29] Gaddafi's government had also forced companies to give their local subsidiaries Libyan names. Worse, in the view of the oil companies, "labor laws were amended to 'Libyanize' the economy," that is, turn it to the advantage of Libyans. Oil firms "were pressed to hire Libyan managers, finance people and human resources directors." The New York Times summed up Washington's objections. "Colonel Gaddafi," the newspaper said, "proved to be a problematic partner for international oil companies, frequently raising fees and taxes and making other demands." [30]

Similar complaints are heard in Washington about Syria. The U.S. Library of Congress country study of Syria refers to "the socialist structure of the government and economy," points out that "the government continues to control strategic industries," mentions that "many citizens have access to subsidized public housing and many basic commodities are heavily subsidized," and that "senior regime members" have "hampered" the liberalization of the economy. [31]

Regime change operations in Libya and Syria originated in the U.S. ruling class goals of opening the world to U.S. banks, investors and corporations and crushing development models which refuse to yoke markets, labour and resources to U.S. corporate interests, not to (contrived) alarm over an (invented) impending massacre in Libya or revulsion over the way the Syrian state has defended itself against an uprising by violent sectarian Sunni Islamists (in reality egged on, funded, trained and armed by the United States and the marionette Middle East tyrannies it counts as allies.)

Equally, U.S. corporate goals of defending U.S. profit-making opportunities in Asia animated the activities which led to the TPP as an instrument of disrupting Chinese trading relations and pressuring Beijing to change its economic regime of internal development to one favoring Wall Street. U.S. military intervention against a resource nationalist government in Libya, the deployment of Islamist proxies against an economically nationalist government in Syria (in other words, the mobilization of religion for profane ends), and an exclusionary trade and investment bloc aimed at harming and pressuring China over its policy of state-directed development, have one thing in common: they are prodded by a parasitic elite at the apex of US society rooted in Wall Street and are intended to serve its interests by clearing away impediments to its further accumulation of capital on the world stage.

Notes

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