

The “Beyond-Economics” Importance of the Trans-Pacific Partnership

Hiroki Takeuchi

In his speech to the U.S. Congress on April 29, 2015, Japanese Prime Minister Shinzo Abe said: “The TPP [Trans-Pacific Partnership] goes far beyond just economic benefits. It is also about our security. Long-term, its strategic value is awesome.”¹ During a speech on April 6, 2015, U.S. Defense Secretary Ashton Carter stated that “passing TPP is as important to me as another aircraft carrier.”² What is the security implication of the TPP that both Prime Minister Abe and Secretary Carter emphasize? This essay explores the TPP’s implications “beyond economics,” considering the importance of the TPP from the security perspective.

Is China a Responsible Stakeholder?

The fact that the defense secretary, in charge of national security, claims the importance of an economic agreement suggests the TPP’s strategic importance as rule making for the rule-based international order. In addition, President Barack Obama’s statement that “we can’t let countries like China write the rules of the global economy” suggests concern that the United States might miss the opportunity for rule making to form the rule-based international order.³ To understand the strategic importance of the TPP, imagine what would happen if the TPP fails to take effect. The TPP is economic rule making in international politics. Now that China challenges the U.S.-led rule-based international order, if the United States fails in the U.S.-led rule making, trust in U.S. leadership will be lost. Moreover, China’s attempt to impose Chinese-led rules will be a threat for the states that follow the current U.S.-led international order.

For example, China has refused to follow the U.S.-led international order in the South China Sea. Although exclusive economic zones (EEZs) originally existed

based on the lines agreed upon by the surrounding nations, China has challenged them and declared the whole South China Sea as China's territorial waters. Patrick Walsh, former commander of the U.S. Navy Pacific Fleet who commanded "Operation Tomodachi" during the 3/11 East Japan Earthquake, reported that when he raised the legitimacy of this declaration with a Chinese participant at a conference, the Chinese participant brushed it aside saying: "Because we claim it."⁴ From China's standpoint, the existing EEZs in the South China Sea were determined without China's participation when China was not powerful enough to participate in such a decision, and hence China should redraw the lines now that it has sufficient power to push its own demands.

In the meantime, perhaps China is also trying to build a Chinese-led international order by establishing several international institutions, such as the Asian Infrastructure Investment Bank and the "One Belt, One Road" initiative (also called the New Silk Road initiative). Moreover, China is trying to take the initiative in the negotiation of the Regional Comprehensive Economic Partnership to compete with the TPP. However, it is not certain whether the Chinese-led international order is welcomed by other nations. President Xi Jinping's pompous slogans, such as the "China dream" (*Zhongguo meng*) and the "great restoration of the Chinese nation" (*Zhonghua minzu weida fuxing*), make other nations doubt China's intention to use its power as a responsible stakeholder.

Although China is eager to expand its influence in the Asia-Pacific region, it does not feel any responsibility for whether its behavior will lead to regional stability or have any influence on the regional security. It is doubtful whether it can provide international public goods of regional stability and peace in lieu of the United States even if it becomes as powerful as the United States. In that sense, the rise of China in the early twenty-first century may be similar to that of Russia (the Soviet Union) in the early twentieth century, which also did not have any intention to provide international public goods. I do not conclude that the rise of China will follow that of Russia, but I am afraid that if U.S. influence in Asia retreats under the current conditions this region will become destabilized.

"Power" in the context of international politics consists of "capability" and "intention." Although the TPP will not alter China's worldview or ambitions, proposing the TPP as "our rules" will enable "us" to impose on China a yes-or-no choice, which is expected to help us ascertain whether China has the intention to use its capability as a responsible stakeholder. If China's answer is "yes," the TPP including China will further deepen economic interdependence in the Asia-Pacific region, which will contribute to regional stability. If China's answer is "no," the best strategy

will be to push the TPP as “our rules” to confront China’s challenge to the U.S.-led international order. Because many nations doubt China’s intention to use its power as a responsible stakeholder to build a Chinese-led international order, the TPP is not just a trade agreement but may become the foundation of stability in the Asia-Pacific region.

China Concerned with Domestic Stability

If one takes into consideration Chinese domestic politics, the TPP’s security implications for Japan will be even more evident. Since 2011, China has spent more for police than national defense. The biggest threat for the Chinese government is not the United States (with the overwhelming military power), Japan (with which China has historically had friction and conflict), nor Russia (which shares long borders with China), but its own people’s dissatisfaction with the state and society. To maintain one-party rule, China’s authoritarian regime has used local governments as a scapegoat to sway the people’s dissatisfaction with the central government.⁵ As a result, since the 1990s, the rise of resentment over rural taxation, land condemnation, and official corruption has led to increasing popular protests against local governments, and those protests have often escalated into burning the buildings of the targeted local government.⁶ In the meantime, no government’s buildings have been attacked by foreign force since the establishment of the People’s Republic of China in 1949. The Chinese leadership has to face the internal threat (*neiyou*) before managing the external threat (*waihuan*).

I am often asked how China is responding to the TPP. This question assumes an aggregate actor called “China.” However, to understand the China that is concerned with the internal threat of domestic instability, rather than the external threat in international politics, one should consider China as a “plural form,” not a “singular form.” Specifically, as Miyamoto Yuji—former Japanese ambassador to China—suggests, the Chinese leadership is divided into reformist internationalists and conservative hardliners. These two groups are divided over how to respond to the internal threat, and they are fighting an intense power struggle.⁷ Although both the reformist internationalists and the conservative hardliners agree that maintaining social stability is most important to achieve the utmost goal of regime resilience, fearful of domestic unrest and challenges to party rule, they have exactly opposite views on how to achieve this goal. On the one hand, the reformist internationalists argue that China should implement economic reform to achieve sustainable economic growth, which would bring social stability and enable one-party rule to be maintained. On the other hand, the conservative hardliners argue that China

should keep the rent-seeking mechanism that supports corrupt vested interests under state capitalism to maintain one-party rule.⁸

On the TPP, the reformist internationalists insist that China should commit to domestic economic reforms by joining the U.S.-led international order through mechanisms like the TPP and to cooperative foreign policy in order to appreciate a peaceful international environment, so that it can benefit from the interdependent relationship with the global economy. By contrast, the conservative hardliners insist that the TPP would directly undermine the rent-seeking mechanism enjoyed by those who have particularistic vested interests under the state capitalist system, and hence China should adopt abrasive and nationalist foreign policy projecting its power even if it may cause friction in international relations.

The Political Economy of One-Party Rule

Deng Xiaoping, who introduced the market economy with the slogan of “open-up and reform” (*gaige kaifang*), clearly proclaimed that China should adopt the cooperative foreign policy to implement domestic economic reforms. Moreover, as he established political and economic institutions to achieve economic development, he even expanded popular political participation to a limited extent, without contradicting the absolute principle of maintaining one-party rule.

However, the Tiananmen Incident in 1989 reminded Deng of the historical lesson that the market economy would lead to increasing popular demands on the government, wherein people’s dissatisfaction with corruption, inequality, and inflation results in demands for democratization. Jiang Zemin, who came into office just after the Tiananmen Incident, took the cooptation strategy that encouraged former officials and former state-owned enterprise (SOE) managers to become nominally private entrepreneurs.⁹ This cooptation strategy helped China prevent the market economy from increasing the demand for democratization.¹⁰ At the same time, it formed the state capitalist system where the Chinese Communist Party (CCP) champions the collusive rent-seeking mechanism by distributing the rent to various societal groups, which has since overshadowed the Chinese economy.¹¹

Hu Jintao, who succeeded Jiang in 2002, raised the slogan of “harmonious society” (*hexie shehui*) to curb corruption rooted in the state capitalist system and to solve the economic inequality that had rapidly expanded in the Chinese economy. However, Hu was never able to consolidate his power base and failed to undermine the corrupt rent-seeking mechanism, and as a result, economic inequality expanded during his ten-year tenure.¹² To shrink economic inequality, it was inevitable that

the corrupt vested interest structure be curbed and the “real economic reform” of the SOE reform be implemented, but one can easily imagine that Hu faced desperate resistance and backlash from the conservative hardliners led by Jiang, and as a result Hu’s reform floundered.¹³

In short, the CCP has used the collusive rent-seeking mechanism under the state capitalist system as a tool to maintain popular support for one-party rule, and hence has to keep creating the economic rents to be distributed. However, the CCP faces the dilemma that the “real economic reform” that would undermine the rent-seeking mechanism will be necessary to sustain economic growth. It will also be necessary to adopt cooperative foreign policy, so that China can maintain good relationships with its trading partners like the United States and Japan. The reformist internationalists as well as the conservative hardliners have understood this logic. However, they have completely opposite stakes in the “real economic reform” and hence the TPP would become the source of a power struggle in the CCP.

TPP as “Gaiatsu” on China

Considering the division between the reformist internationalists and the conservative hardliners in Chinese domestic politics, what implications does the conclusion of the TPP have for China? China shows strong interest in the TPP. However, we should keep in mind that the reformist internationalists and the conservative hardliners have very different interests. The TPP will impose on China a yes-no answer regarding politically sensitive issues such as SOE reform, the implementation of intellectual property rights, and the improvement of labor conditions.¹⁴ In other words, joining the TPP will require China to be committed to the “real economic reform” that the reformist internationalists want to advance. The conditions to join the TPP include the SOE reform, which will directly undermine the rent-seeking mechanism that the conservative hardliners desperately want to protect. Moreover, because many of the state capitalist enterprises rely on copied products or low-wage labor, the TPP’s inclusion of the rules regarding intellectual property rights and labor conditions will severely undermine the vested interests. Therefore, the TPP will impose on China the “*gaiatsu*” (literally “foreign pressure”) to empower the reformist internationalists by encouraging the “real economic reform.”¹⁵

In short, the TPP will empower the reformist internationalists in the power balance in Chinese domestic politics, making China’s behavior more cooperative in international politics. By contrast, if the TPP fails to take effect, the conservative hardliners will be empowered, making China’s behavior more aggressive. Therefore,

the security implication of the TPP is evident: the TPP will strengthen security in East Asia. The rise of China has been changing the security environment in the Asia-Pacific region. Thus, failing to pass the TPP would not simply continue the status quo, but efforts to empower the reformist internationalists in Chinese domestic politics should be made to maintain the status quo. Moreover, taking into consideration the TPP's security implications, the TPP should be kept open for China's future participation, so that it would promote domestic economic reforms in China.

Will the U.S. Congress Approve the TPP?

Now that the international negotiation of the TPP is concluded, the next hurdle for the TPP to take effect is whether the U.S. Congress will approve it. This is a serious concern given the increasingly anti-internationalist tendency of the U.S. Congress. The TPP will come into effect if six or more nations approve it and those approving nations represent more than 85 percent of the GDP of the twelve participating countries, which means that the TPP will not come into effect if either the United States or Japan fails to ratify it. In the U.S. Congress, "the possibility of China's participation in the future" has become an argument for opposing the TPP. Opponents think that the United States will lose additional jobs when China joins the TPP in the future. It is true that globalization has caused the loss of jobs for U.S. manufacturers. However, the absence of the TPP will not stop globalization or increase jobs. Rather, the TPP will make U.S. workers more competitive, because it includes rules regarding SOE reform and labor conditions and requires the developing countries joining the TPP to follow those rules.

Through the twists and turns of discussion about Trade Promotion Authority in 2015, lawmakers in the U.S. Congress increasingly realized the strategic importance of the TPP. I hope that the discussion about approving the TPP will follow the same path, so that lawmakers will focus on the strategic interests in the TPP to approve it. In the meantime, in Japan I expect the TPP to become an opportunity to promote reform policies on agriculture and the labor market. Perhaps more importantly, the TPP will be a foundation of Japan's national security. ■

Chapter Endnotes

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3. "Statement by the President on the Trans-Pacific Partnership," The White House Office of the Press Secretary, <https://www.whitehouse.gov/the-press-office/2015/10/05/statement-president-trans-pacific-partnership>.
4. Patrick Walsh interview with author, May 5, 2014.
5. Hiroki Takeuchi, *Tax Reform in Rural China: Revenue, Resistance, and Authoritarian Rule* (New York: Cambridge University Press, 2014).
6. Xi Chen, *Social Protest and Contentious Authoritarianism in China* (New York: Cambridge University Press, 2012).
7. Miyamoto Yuji, "Chugoku 'shin no kaikaku-ha' to renkei o" [Japan Should Cooperate with "Real Reformists"], *Nihon Keizai Shimbun*, December 26, 2013.
8. It is important to consider China as a plural form, because otherwise one might take an anti-China tone in this paper. In actuality, this paper's position is for the reformist internationalists and against the conservative hardliners.
9. Jie Chen and Bruce J. Dickson, *Allies of the State: China's Private Entrepreneurs and Democratic Change* (Cambridge, MA: Harvard University Press, 2010).
10. Kellee S. Tsai, *Capitalism without Democracy: The Private Sector in Contemporary China* (Ithaca, NY: Cornell University Press, 2007).
11. Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State* (New York: Cambridge University Press, 2008).
12. Ryosei Kokubun, "Chinese Politics and Changing Japan-China Relations," unpublished manuscript, National Defense Academy of Japan (2013).
13. Miyamoto Yuji, *Shu Kinpei no Chugoku [Xi Jinping's China]* (Tokyo: Shinchosha, 2015), 60–88.
14. Of course, China's accession to the TPP will be negotiated with the members over a lengthy period, and China will have ample opportunity to try to protect the vested interests that the conservative hardliners desperately want to protect. However, the opportunity to join the TPP will at least empower the reformist internationalists by giving China a clear incentive to commit to the reform.
15. Economically desired policy will not be made unless it is politically feasible. Thus, in order to make China commit to domestic economic reforms and behave as a responsible stakeholder in international relations, the reformist internationalists should have been empowered and foreign policy to empower the reformist internationalists, such as the TPP, should have been implemented.

