

Thayer Consultancy
ABN # 65 648 097 123



Background Briefing:

US to Withdraw From TPP: Let's Make A Deal

Carlyle A. Thayer

November 22, 2016

[client name deleted]

Q1. What is your assessment of President-elect Donald Trump's announcement that the United States will withdraw from TPP?

ASSESSMENT: Donald Trump's release of a video on Youtube announcing his priorities for his first 100 days in office came as a surprise. His first priority was to announce that the US would withdraw from the TPP. He made that pledge during his campaign. This announcement will disappoint Prime Ministers Malcolm Turnbull and Shinzo Abe. Turnbull was one of the first foreign leaders to telephone Trump. Abe was the first foreign leader to meet Trump after the election. Both Prime Ministers favour the TPP.

It is too early to declare the TPP dead but it is definitely on life support. Prime Minister Turnbull has stated that it might be possible to renegotiate the TPP. Several countries that signed the TPP met in Lima, Peru on the sidelines of the APEC Summit to discuss moving ahead without the United States and possibly inviting China to join. This is not likely at the TPP sets standards that China is reluctant to meet.

There are two possibilities. The first is that when Trump appoints his Secretary of State this might provide an opportunity to re-look at the TPP and perhaps re-open negotiations to get US agreement. But we do not know who the new Secretary of State will be. Trump has already appointed two conservatives as his chief strategist and national security adviser. Both are not well versed in international economics. So the new Secretary of State will have a lot of hard work to do to convince Trump's closest advisers. The National Security Adviser knows about conflict and war but not so-called soft security issues like international economic cooperation.

The second possibility is that Southeast Asian signatories to the TPP could move to bring forward discussions on a Regional Comprehensive Economic Partnership (RCEP) including China but not the United States.

The bottom line is that the TPP Vietnam has signed but not yet ratified is unlikely to be ratified by the US in its present form. Trump stated he will pursue free trade agreements (FTAs) on a bilateral basis. Six of the eleven TPP signatories already have FTAs with the United States, the other five enjoy low tariffs. It could take several years in Vietnam's case to negotiate a FTA. All the eleven signatories of the TPP will need to

co-ordinate their lobbying of the new US Secretary of State and other relevant Cabinet-level officials in a Trump Administration on the merits of the TPP.

Q2. What is impact on security and economic aspects for Asia?

ANSWER: The TPP was the economic leg of President Obama's rebalance to Asia-Pacific. Trump's withdrawal from the TPP will seriously harm the ability of the US to exert leadership in the Asia-Pacific Region. China will step into this vacuum as President Xi Jinping is now promoting an alternate the Free trade Agreement of the Asia Pacific.

The US security presence in Southeast Asia is now in grave danger due to President Duterte's hostile anti-American rhetoric. Trump's plan to build up the US military will take years before it comes into effect. It looks as if Southeast Asia must brace itself for an isolationist United States that prefers unilateralism and bilateralism over multilateralism. Trump's approach risks undermining all the hard work by President Obama in backing ASEAN and ASEAN-related security mechanisms. This assessment must be taken with a degree of caution. Trump has little experience in foreign affairs and it might just be possible that members of his Cabinet and Republicans in the Congress can act as a brake. In other words, we are faced with a period of unpredictability and uncertainty before Trump decides whether to make a deal.

Suggested citation: Carlyle A. Thayer, "US To Withdraw From TPP: Let's Make a Deal," *Thayer Consultancy Background Brief*, November 22, 2016. All background briefs are posted on Scribd.com (search for Thayer). To remove yourself from the mailing list type, UNSUBSCRIBE in the Subject heading and hit the Reply key.

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