

*The Outcomes of Past Trade Deals Sold with the Same Foreign Policy  
Claims Now Being Recycled to Decry the TPP's Demise Reveal:*

# **The TPP Would Have Proved Useless in Countering China's Risky Ambitions**



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## Introduction

The recent demise of the Trans-Pacific Partnership (TPP) is being called a *foreign policy* disaster by its backers in the United States and abroad, which is notable because for years the agreement was sold as an *economic* panacea.

But by the summer of 2016, it became increasingly apparent that the economic case for the final TPP deal signed in February had proved unconvincing. Months of intensive White House and corporate lobbying had failed to build majority support in Congress. So, the TPP's proponents shifted to foreign policy arguments to try to scare up the votes, a tactic that has been systematically employed in past contentious trade fights. They argued that failure to implement the TPP would hurt U.S. national security, allow China to write the rules for commerce in Asia instead of spreading U.S. values across the Pacific, undermine U.S. global leadership, and strengthen China.

Donald Trump's declaration that he would withdraw the U.S. signature from the TPP,<sup>1</sup> formally burying the moldering deal, unleashed another wave of the same fraught foreign policy claims.

If many of these arguments sound familiar, it's because they are. **This report reviews two decades of U.S. trade debates, revealing the regular resurrection of the same zombie foreign policy and national security justifications, in nearly identical verbiage.** The tables below compare quotes by prominent supporters of past trade deals with more recent quotes about the TPP and review the outcomes of old claims. The prospect that an agreement may not be implemented has been routinely characterized as benefitting our adversaries – such as China. Passing an agreement is declared to be essential to maintaining U.S. leadership in the world, to exporting “American values” to other countries, and to improving human rights everywhere.

**These arguments helped to pass some trade agreements. So we can study whether those previous pacts' enactment did, in fact, deliver these promised benefits.** When Congress debated granting Permanent Normal Trade Relations (PNTR) to China to facilitate its admission to the World Trade Organization (WTO), proponents claimed doing so would be a foreign policy cure-all. It would moderate China's authoritarian government, improve human and labor rights, and enhance China's cooperation on an array of national security challenges while also ensuring new access to Chinese markets that would create U.S. jobs. The actual result was just the opposite, and the argument became known as “The China Fantasy.”<sup>2</sup> Various U.S. trade pacts with Latin American were also sold as necessary to keep China (or Japan) from dominating the region politically and economically, and as vital to improving democracy and human rights in trade partner countries. Yet the very foreign policy (and economic) threats that the deals' passage was promised to forestall occurred regardless, while the touted improvements in human rights failed to materialize.

**Managing the U.S. relationship with a rising China is a real challenge, but the TPP and similar trade deals have never been the right tool for securing America's future.**

## Failed Foreign Policy Arguments Recycled as TPP Claims

Administration officials, corporate lobbyists and think tanks supporting trade agreements begin their efforts to sell the deals to the U.S. public and Congress with economic arguments. When those prove unconvincing, the proponents systematically fall back to familiar foreign policy justifications. Shortly after the TPP was signed, it became clear that the pact was dozens of votes short of a majority in the House of Representatives, and GOP congressional leaders announced a vote would not be scheduled before the election. In response, the pact's proponents began recycling the same foreign policy arguments used successfully in 2000 to pressure Congress to grant PNTR to China. But this time, perhaps because fifteen years after the China PNTR vote these arguments had proved to be without merit, the foreign policy scare tactics failed. As the post-election lame-duck session of Congress began, TPP opposition in the House had grown, and the pact's prospects in the Senate had even become uncertain. To avoid defeat, the Obama administration decided not submit the TPP to Congress. The foreign policy arguments then and now fall into four basic categories.

**NATIONAL SECURITY CLAIM:** *Approval of China PNTR/the TPP goes beyond economics. It is essential for national security and promoting strategic interests beyond trade.*

China PNTR	TPP
<p>... I am strongly in favor of granting permanent normal trade relations to China ... doing so would be very much in the U.S. national interest. This, in my judgment, goes far beyond American business and economic interests, as important as these are, to key U.S. political and security interests. –National Security Advisor Brent Scowcroft, April 2000<sup>3</sup></p>	<p>TPP would also lower barriers to American goods and services in the Asia-Pacific's fastest growing markets. But TPP also makes strong strategic sense ... in terms of our rebalance in the broadest sense, passing TPP is as important to me as another aircraft carrier. –Defense Secretary Ash Carter, April 2015<sup>4</sup></p>
<p>China has the capacity to hinder or help us to advance our interests on a broad range of issues, including: nonproliferation, open markets and free trade, environmental protection, the promotion of human rights and democratic freedoms, counter-terrorism, counter-narcotics, Asian economic recovery, peace on the Korean peninsula and ultimately peace and stability in the Asia-Pacific region. It is only by engaging with China on all of these issues that we will make positive progress on any and thereby advance those interests and our security. –Senator John Kerry, Sept. 2000<sup>5</sup></p>	<p>[T]he strategic case for TPP is not just crystal clear. It could not be more vital to the national security interests and the long-term strategic goals of the United States of America ... counterterrorism, nonproliferation, climate change, cyber security, protection of the ocean environment, sustainable fishery practices, maritime security, human trafficking, just to mention some of the most prominent ... Simply put, TPP is a key way to gauge American engagement in the Asia Pacific ... with TPP, we will be far better positioned to enhance our national security and to protect our interests ... –Secretary of State John Kerry, Sept. 2016<sup>6</sup></p>

[M]y support for permanent normal trade relations with China is based not just on an assessment of the economic benefits to the U.S., not just on the prospects for political reform in China, but also on the impact on our national security.... We need to cooperate with China to rein in North Korea's nuclear missile ambitions, to prevent a destabilizing nuclear arms race in South Asia, and to combat the threats of international terrorism and narcotics trafficking. We cannot work effectively with China in these areas if we are treating them as an enemy in our trade relations. –Senator Joe Biden, Sept. 2000<sup>7</sup>

T.P.P. would strengthen stability and security by deepening our relationships throughout the region and raising the bar to entry to protect the things that matter. This includes enhanced cybersecurity, privacy and intellectual property protections. T.P.P.'s provisions to combat the theft of trade secrets, including by cyber theft, and protects our defense industrial base. And obviously, our partners who've signed up for T.P.P. see it as a vital demonstration of America's enduring commitment to the region. –Admiral Harry B Harris, commander of U.S. Pacific Command, Sept. 2016<sup>8</sup>

Fifteen years later, the national security arguments used to push China PNTR passage do not hold up to scrutiny. China's aggression toward its East Asian neighbors has increased: China has escalated territorial disputes with the Philippines in the South China Sea and with Japan in the East China Sea. Beijing is pressing claims to ownership of 90 percent of the South China Sea.<sup>9</sup> Through environmentally harmful dredging and filling operations, China has turned rocks and coral outcroppings into artificial islands with landing strips capable of handling military aircraft. The Permanent Court of Arbitration at The Hague ruled in July that there is no basis for China's land claims. China has refused to comply with the finding.<sup>10</sup> The disputed territory is included in all Chinese maps and since 2012 is embossed on passports issued to the country's citizens.<sup>11</sup>

Regardless of U.S. entreaties, China has remained focused on its own interest in avoiding a flood of North Korean refugees into China rather than in pressuring the regime to shut down the North's nuclear weapons industry. U.S. Defense Secretary Ashton Carter argued this fall that, "It's China's responsibility ... China has and shares an important responsibility for this development and has an important responsibility to reverse it. And so it's important that it (China) use its location, its history and its influence to further the denuclearization of the Korean peninsula."<sup>12</sup> But Gary Samore, President Obama's former White House coordinator for arms control and weapons of mass destruction, noted that, "What's remarkable is how consistent U.S. policy has been over last three presidents, and how consistently it has failed ... We are really limited in what we can do as long as China has fundamentally different national interests."<sup>13</sup>

Indeed, U.S. national security has been weakened by China PNTR, according to U.S. Brigadier General (ret.) John Adams. He notes that many components needed for U.S. military weapons systems and vehicles are now manufactured in foreign nations, including China, after trade deals altered production patterns. The U.S. military is "shockingly vulnerable to major disruptions in the supply chain, including from substandard manufacturing practices, natural disasters, and price gouging by foreign nations. Poor manufacturing practices in offshore factories lead to problem-plagued products, and foreign producers – acting on the basis of their own military or economic interests – can sharply raise prices or reduce or stop sales to the United States."<sup>14</sup>

After PNTR took effect in 2000, China quickly became a major supplier of U.S. arms and ammunition. Chinese exports of weaponry to the United States increased from \$15 million to

\$183 million from 2000 to 2015, making China the sixth largest U.S. supplier.<sup>15</sup> Adams says, “The link between TPP and this kind of offshoring has been well-established ... Just this spring, an official U.S. government study by the International Trade Commission noted that the pact would further gut the U.S. manufacturing sector. This, following the loss of 5 million manufacturing jobs since 2000, is a perilous proposition... Today, following the implementation of several additional major trade deals, we’re still waiting for China to comply with its WTO commitments.”<sup>16</sup>

Moreover, the notion that a refusal to implement the TPP indicates that the United States is neglecting the Asia-Pacific region is deemed absurd by many China hands. Clyde Prestowitz, President Reagan’s Asia trade negotiator, notes that the United States has never neglected or left the Asia Pacific region, nor will it. “The Seventh Fleet has been patrolling the waters of East and Southeast Asia since World War II, and America has had at least 100,000 troops based in Asia for just as long,” says Prestowitz. “And, trade deals or not, America had enormous, chronic trade deficits with most countries in the region, guaranteeing economic and political engagement for decades to come. If the combination of the American military presence and their trade surpluses with the United States weren’t enough to mollify Asian leaders, no free trade deal would significantly change the situation.”<sup>17</sup> And the priority focus on defense matters by Japanese Prime Minister Shinzo Abe in his post-election meeting with Trump – the Seventh Fleet and U.S. troops in Asia providing defense for U.S. allies – reinforces that key countries in the TPP rely upon U.S. leadership in the region regardless of the TPP’s demise.

**AMERICA’S RULES CLAIM:** *By implementing China PNTR/the TPP, America will write the rules. Failure to do so will allow China to write the rules.*

China PNTR	TPP
This agreement forces China to adhere to our rules-based trading system. –U.S. Representative Rodney Frelinghuysen, May 2000 <sup>18</sup>	America should write the rules. America should call the shots. Other countries should play by the rules that America and our partners set, and not the other way around. That’s what the TPP gives us the power to do. – President Barack Obama, May 2016 <sup>19</sup>
... at the end of the day the way in which to move China toward Western norms and Western values is not to repudiate China, it is to bring it into a rules-based system. –U.S. Trade Representative (USTR) Charlene Barshefsky, May 2000 <sup>20</sup>	U.S. leadership in writing the rules of the road for trade in the Asia-Pacific region is critical. After all, this isn’t everyone’s approach to trade. Other countries, such as China, are already moving forward with deals that don’t reflect our interests and our values. –USTR Michael Froman, Nov. 2015 <sup>21</sup>

Over the last half-century, the United States has been the driving force behind successive rounds of multilateral trade negotiations... The United States must continue to lead the open trading system... –Committee for Economic Development, July 2000<sup>22</sup>

If we don't establish strong rules, norms for how trade and commerce are conducted in the Asia Pacific region, then China will. –President Barack Obama, Aug. 2016<sup>23</sup>

The TPP's demise has been greeted with a chorus of woe about the lost opportunity for the United States to write the rules for trade in the Pacific Rim and how now China will call the shots to the detriment of the United States. "TPP is obviously a challenge at this stage. Trade is not going to stop, it will continue. We'll be part of it but we won't be as able to shape the framework to serve our values and our interests. That leaves a vacuum for countries like China and others to fill that is not in our interest," said Obama's National Security Advisor Susan Rice in November.<sup>24</sup> Abandoning the TPP would be "a catastrophic mistake," Charlene Barshefsky, President Bill Clinton's top trade negotiator, told a group of business leaders in early December. "China will fill the vacuum."<sup>25</sup> "There are signs that China will take full advantage of the American shift to press its own trade vision," argued the *New York Times* editorial board.<sup>26</sup>

Similarly, a central argument in support of China PNTR in 2000 was that Congress' approval would ensure that China would adopt the WTO rules that the United States had a prominent role in writing rather than forging its own policies. On the other hand, rejection of PNTR would, as President Clinton claimed, be "a gift to the hard-liners in China's government," who would be empowered to enact policies that would undermine U.S. interests.<sup>27</sup> This argument helped to pass China PNTR. But did China actually conform to "our" rules? If enacted, would the TPP have altered the commercial rules in Asia, especially given that China is the largest trading partner of most of the TPP nations? The post-PNTR reality is that China gamed the WTO rules to benefit its own pre-set interests.

TPP critics similarly predicted that China would have exploited the lax rules of origin in the TPP to circumvent anti-dumping penalty tariffs by shipping components to low-wage Vietnam and Malaysia for final assembly – thus gaining duty-free access to the U.S. market. The TPP also would have allowed access for the many Chinese state-owned enterprises on equal terms to U.S. firms for all U.S. procurement contracts without any reciprocal obligations on China.

Said Robert Cassidy, the principal negotiator on the U.S. side for China's WTO entry: "I have reflected on whether the agreements we negotiated really lived up to our expectations; a sober reflection has led me to conclude that those trade agreements did not."<sup>28</sup> In fact, 15 years after China's entry into the WTO, the U.S. government still considers China a non-market economy, as do the European Union and Japan.<sup>29</sup> Many of the same experts who theorized that PNTR would allow us to set the rules are now saying otherwise: Economist Derek Scissors of the American Enterprise Institute, for example, testified to the House Committee on Foreign Affairs in July 2015 that over the last decade, the Chinese government has made no real progress towards increasing the role of the market in the Chinese economy. Scissors singled out the state's domination of the Chinese financial system – its ability to "without legal or political delay, order the strongest institutions to save the weakest" – as an especially egregious characteristic.<sup>30</sup>

“[T]he only possible conclusion is that China is not a market economy,” said Alan Price, chair of Wiley Rein LLP’s International Trade Practice. He testified in the winter of 2016 to the U.S.-China Economic and Security Review Commission.<sup>31</sup> A recent report by the Congressional-Executive Commission on China recommended that the U.S. government “should continue to designate China as a non-market economy until the Chinese government makes concrete improvements to policies detailed in this report that violate China’s existing international trade obligations.”<sup>32</sup>

Those now complaining about China’s failure to conform to “our” rules include the very organizations that once so strongly favored China PNTR. Jeremie Waterman, Executive Director for Greater China and Senior Policy Advisor for Asia at the U.S. Chamber of Commerce said in September 2016: “China has the most restrictive investment environment of all G20 economies, according to the OECD [Organization for Economic Cooperation and Development] ... U.S. and other foreign companies have become more concerned about their future in China, perceiving greater challenges to their operations, the business climate, and the fundamental questions about the direction of China’s economic reforms.”<sup>33</sup>

This view is not a recent development. The National Association of Manufacturers, like the Chamber an ardent PNTR supporter, in a 2010 submission to USTR’s Special 301 Committee noted widespread counterfeiting and patent violations: “... member companies report that the problems of IPR [intellectual property rights] theft and enforcement remain rife in China. In spite of continued attention to this issue, most companies report that there has been little change in conditions over the past several years. Authorities at the provincial and municipal levels still are reluctant to take aggressive action to enforce IPR when it involves foreign companies.”<sup>34</sup>

Specific commercial sectors that had argued China PNTR would get China to play by our rules have expressed similar criticism. “We, like the USTR, are concerned that China exceeded its [allowable subsidies] for corn, wheat and rice from 2012 to 2015,” said Zippy Duvall, President of the American Farm Bureau Federation. “The World Trade Organization’s Agreement on Agriculture applies to all members. Each country must follow agreed upon levels of domestic support. Violation of domestic support levels can lead to overproduction and price-depressing surpluses that affect farmers worldwide.”<sup>35</sup>

Nor has China lived up to its obligations to respect the intellectual property of its trading partners. “Almost 15 years after China joined the World Trade Organization (WTO) in 2001, the vision of China embracing a rules-governed, market-based global trade system has yet to materialize,” according to Stephen J. Ezell and Robert D. Atkins, of the Information Technology and Innovation Foundation. “If anything, the country’s aggressive innovation mercantilism has grown stronger in recent years, as China seeks absolute advantage across a wide range of advanced technology industries.”<sup>36</sup>

Addressing China’s continuing protection for its services sector, USTR’s 2016 National Trade Estimate Report noted, “Chinese regulators continued to use discriminatory regulatory processes, informal bans on entry and expansion, overly burdensome licensing and operating requirements, and other means to frustrate efforts of U.S. suppliers of banking, insurance, telecommunications,

Internet-related, audiovisual, express delivery, legal and other services to achieve their full market potential in China.”<sup>37</sup>

America’s manufacturing sector has also not seen the promised transformation: “China maintains state control over many critical aspects of its economy, including key strategic industries like steel. It is clear that China has not met criteria to be designated a market economy,” said Thomas J. Gibson, President and CEO of the American Iron and Steel Institute and co-chairman of the Manufacturers for Trade Enforcement last July.<sup>38</sup>

Like China PNTR, the TPP was increasingly sold as a choice between “our rules” and “their rules” with the TPP standing in as America’s rules versus “letting” China set rules that the United States may one day have to obey. President Obama stated this choice explicitly saying, “The TPP means that America will write the rules of the road in the 21<sup>st</sup> Century.”<sup>39</sup>

But the TPP’s rules are not “America’s rules.” The TPP represents the demands and the guidance of 500 official U.S. trade advisors primarily representing corporate interests involved in years of closed-door negotiations while the public, the press and Congress were locked out.<sup>40</sup> Many TPP rules would have undermined U.S. national interests by increasing income inequality here, raising medicine and energy prices, jeopardizing financial stability, and further gutting the U.S. manufacturing base that is essential for our national security and domestic infrastructure.

Two Nobel Prize-winning economists – and supporters of China PNTR, best make the point:

*I am in general a free trader, but I’ll be undismayed and even a bit relieved if the TPP just fades away ... What the TPP would do ... is increase the ability of certain corporations to assert control over intellectual property. Again, think drug patents and movie rights. Is this a good thing from a global point of view? Doubtful. The kind of property rights we’re talking about here can alternatively be described as legal monopolies ... Now, the corporations benefiting from enhanced control over intellectual property would often be American. But this doesn’t mean that the TPP is in our national interest. What’s good for Big Pharma is by no means always good for America.*

–Paul Krugman, February 27, 2014<sup>41</sup>

*When agreements like the TPP govern international trade – when every country has agreed to similarly minimal regulations – multinational corporations can return to the practices that were common before the Clean Air and Clean Water Acts became law (in 1970 and 1972, respectively) and before the latest financial crisis hit. Corporations everywhere may well agree that getting rid of regulations would be good for corporate profits. Trade negotiators might be persuaded that these trade agreements would be good for trade and corporate profits. But there would be some big losers – namely, the rest of us.*

–Joseph Stiglitz, March 15, 2014<sup>42</sup>

**AMERICAN VALUES CLAIM:** *By implementing China PNTR/TPP, American values such as democracy would be exported to other nations and their human and labor rights and environmental protections will be improved.*

China PNTR	TPP
<p>I believe the choice between economic rights and human rights, between economic security and national security, is a false one... I believe [China PNTR] will move China faster and further in the right direction, and certainly will do that more than rejection would. –President Bill Clinton, March 2000<sup>43</sup></p>	<p>[W]e can't let countries like China write the rules of the global economy. We should write those rules, opening new markets to American products while setting high standards for protecting workers and preserving our environment. –President Barack Obama, Oct. 2015<sup>44</sup></p>
<p>Bringing China into the WTO and normalizing trade will strengthen those who fight for the environment, for labor standards, for human rights, for the rule of law. –President Bill Clinton, March 2000<sup>45</sup></p>	<p>In short, these elevated standards can give to people across the Pacific Rim a window into a future of reform and human rights, a smoother and more equitable path to prosperity, an ample reason to build up businesses and communities, and never turn to tearing down their societies and resorting to conflict. –Secretary of State John Kerry, Sept. 2016<sup>46</sup></p>
<p>By learning to “play by the rules,” both internationally and domestically, China will strengthen the rule of law, which will enable it to become a more reliable partner and a fairer society. It can even lay the groundwork for protection of core values in China, such as human rights, religious freedom, workers’ rights and environmental protection. –Treasury Secretary Lawrence Summers, May 2000<sup>47</sup></p>	<p>... when we deepen our trade ties to countries along the Pacific Rim, we become better able to promote essential reforms – reforms that strengthen the rule of law, encourage partners to secure property rights, enforce contracts, fight corruption, and respect the basic dignity of their workers and citizens. –Secretary of State John Kerry, April 2016<sup>48</sup></p>
<p>Passage of PNTR and China’s WTO accession will further open China to American values. –White House press release, May 2000<sup>49</sup></p>	<p>If, however, we fail to move forward with TPP, Asian economies will almost certainly develop along a China-centric model... Trade is how you export American values in the developing world. –Senate Majority Leader Orrin Hatch, June 2015<sup>50</sup></p>

Trying to paint the TPP as a way for America to write the rules in Asia *so that China does not* was absurd. The TPP was never about establishing “American” rules in Asia, a fact reinforced by opposition to the deal by the environmental, human rights and labor organizations that promote protections for working people and the planet. Critics of China PNTR raised the same points about the WTO’s lack of enforceable rules requiring human rights and other improvements when similar claims were made with respect to China’s entry into the WTO.

Since Congress approved China PNTR, human rights violations in China have not declined nor have political freedoms increased. Freedom House still judges China as “Not Free.” The Polity IV Project, a widely-used measure of democratic values and achievement, labels China as an autocracy, the same rating given to China in 2000. Human Rights Watch’s 2016 World Report found China passed and proposed many new government laws that “conflate peaceful criticism of the state with threats to national security.”<sup>51</sup>

The Cingranelli-Richards Human Rights Dataset provides scores for 15 internationally recognized human rights for 202 countries from 1981 to 2011. China has not improved its score among any of the human rights indicators from 2000 to 2011. For example, the Physical Integrity Rights Index ranks countries based on torture, extrajudicial killing, political imprisonment and disappearance indicators. A zero indicates “no government respect for these four rights” and an eight indicates “full government respect for these four rights.” China was given a three in 2000, but a zero in 2011.<sup>52</sup>

The Empowerment Rights Index derives from the foreign movement, domestic movement, freedom of speech, freedom of assembly and association, workers’ rights, electoral self-determination, and freedom of religion indicators. A zero indicates “no government respect for these seven rights” and a 14 indicates “full government respect for these seven rights.” China was already at a one in 2000, and this has since been lowered to a zero. These diverse human rights indicators show that the situation in China has not improved since China PNTR took effect.<sup>53</sup>

In his book, *The China Fantasy*, former *Los Angeles Times* Beijing bureau chief James Mann laments the self-delusion of America’s political leaders – who insist that the Chinese government will embrace democracy to please its trading partners:

Since 1989, virtually every change in U.S. policy toward China has been justified to the American public on the basis that it would help to open up China’s political system ... When (the Bush and Clinton) Administrations extended [PNTR] benefits to China, they asserted that the trade would help to open up China. When the Congress voted to support China’s entry into the WTO, once again congressional leaders justified their votes as a way of helping to bring political liberalization to China ... Without the claim that trade would open up the Chinese political system, trade legislation would not have been enacted. One can look in vain for American presidents or congressional leaders who said, “It seems as if China’s going to remain a deeply repressive country, but let’s pass this trade bill anyway.”<sup>54</sup>

With respect to the TPP, the words “human rights” do not appear on any of the more than 5,000 pages of the final text. Further, if it had been enacted, the TPP would have eliminated the important policy tools, such as the economic sanctions and selective procurement policies which were used successfully to pressure the apartheid-era government in South Africa to stop human rights abuses.

Among the TPP's signatories are the three notorious human rights abusers: Malaysia, Vietnam, and Brunei. Their inclusion drew Democratic and Republican members of Congress,<sup>55</sup> leading human rights, labor, LGBT, women's and religious organizations<sup>56</sup> into the fight against the TPP. The TPP would have granted Malaysia, one of the world's worst human trafficking offenders, privileged access to the U.S. market. The Obama administration not only allowed Malaysia to stay in the TPP, but removed Malaysia from the State Department's list of worst trafficking violators – even after mass graves for human trafficking victims were discovered.<sup>57</sup>

The TPP also includes Vietnam, despite the government's jailing of political dissidents, systematic anti-union repression and the widespread use of child labor. A group of NGOs including Human Rights Watch and Freedom House co-authored a letter to President Obama in April 2016 condemning Vietnam's inclusion: "Unfortunately, even in light of the agreements it has made as part of the TPP, Vietnam's crackdown on independent voices shows no signs of ceasing. We are particularly disturbed that in the final week of March, Vietnam sentenced seven bloggers and human rights activists to prison terms ranging from seven months to five years."<sup>58</sup> In October, Vietnamese officials arrested blogger Nguyen Ngoc Nhu Quynh on charges of "spreading propaganda against the state," which carries a sentence of up to 12 years in prison. Her "crime"? She wrote a blog post criticizing the Vietnamese government's handling of a foreign investor's toxic chemical spill.<sup>59</sup>

The deal would also forge closer ties between the United States and Brunei, which has enacted a Sharia-based penal code that criminalizes LGBT people and allows punishment for gay people and single mothers by stoning to death.<sup>60</sup> This has provoked LGBT activists to join in the fight against the TPP, as well as evoking consternation from many members of Congress.<sup>61</sup>

**AMERICAN LEADERSHIP CLAIM:** *Implementation of China PNTR/TPP is a test of U.S. leadership in the world. Failure to act would cede the U.S. leadership role in the Pacific region to China.*

China PNTR	TPP
<p>All of our Asian friends and allies would view rejection of PNTR as an unnecessary rejection of stable and constructive relations with their largest neighbor; and a turn away from the open, confident vision we have held for the Pacific over the years. –USTR Charlene Barshefsky, April 2000<sup>62</sup></p>	<p>TPP is seen as a litmus test for U.S. leadership ... It's also seen as a demonstration of America's commitment to be a Pacific power. –White House Deputy National Security Advisor Ben Rhodes, Aug. 2016<sup>63</sup></p>
<p>Voting against PNTR ... Our friends and allies would wonder why, after 30 years of pushing China in the right direction, we turned our backs, now that they finally appear to be willing to take us up on it. –President Bill Clinton, March 2000<sup>64</sup></p>	<p>If the U.S. abandons TPP, our Asian allies and partners will perceive America as yielding to China, and they will accommodate accordingly. –Robert Zoellick, former USTR, May 2016<sup>65</sup></p>

The bottom line is that turning down PNTR ... hurts our reputation worldwide. We should not be reverting to isolationism at a time when it is more important than ever to show leadership to the world. –CEO of Honeywell International Michael R. Bonsignore, Feb. 2000<sup>66</sup>

Our leadership demands our constant commitment to initiatives that advance our interests and promote our values, including high-standard, innovative proposals like the Trans-Pacific Partnership, or TPP – an agreement that is about boosting our economy at home and deepening our commercial ties in key markets, as well as strengthening our national security and strategic leadership in Asia and across the globe. –Secretary of State John Kerry, Sept. 2016<sup>67</sup>

As you leave West Point, the attitude of China towards our country and our role in the Pacific will be of central importance to our country and to you personally ... [if PNTR fails] we make a very dark statement about the future possibility of a stable, mutually beneficial relationship with the world's largest country. –USTR Charlene Barshefsky, April 2000<sup>68</sup>

I think not moving forward would undermine our position across the region and our ability to shape the rules of global trade in a way that reflects our values and our interests. –President Barack Obama, Nov. 2016<sup>69</sup>

Beyond the damage already done by the Obama administration proclaiming endlessly that failure to implement the TPP would undermine U.S. leadership in the region, how precisely might the TPP have enhanced the U.S. role and the TPP's demise undermined it? The examples of China PNTR failing to boost U.S. leadership in Asia are many. When the Obama administration opposed China's proposal to create an Asia Infrastructure Investment Bank to compete with established international development banks, its closest Pacific Rim allies refused to support the United States position. The bank was created in 2015 with Korea, Australia, Britain and Germany joining in over U.S. protests.<sup>70</sup> "We're contemplating a major institution in which the United States has no role, that the United States made substantial efforts to stop – and failed," said former Treasury Secretary Larry Summers.<sup>71</sup> Eswar Prasad, former head of the China desk at the International Monetary Fund (IMF), describes the new bank as "an instrument for China to lend legitimacy to its international forays and to extend its sphere of economic and political influence even while changing the rules of the game."<sup>72</sup> Similarly, U.S. allies in Asia broke with U.S. efforts<sup>73</sup> to stop the IMF from including the China's currency, the yuan, in the IMF's official reserve currency basket in alongside the U.S. dollar, the euro, the Japanese yen and British pound.<sup>74</sup>

While U.S. concerns about the implications of China's rising economic power and influence are legitimate, the notion that the establishment of any specific U.S. trade agreement would control this process is contradicted by the record. "The ever-closer linking of the U.S. economy to those of the TPP countries over the last 35 years has not prevented the rise of Chinese power, nor has it deterred U.S. trade partners and allies from developing ever closer ties with China," Prestowitz, who had served a senior Asia policy staffer in the Reagan administration, noted recently.<sup>75</sup> Nor do U.S. allies accept that excluding China from the TPP is a way of diminishing Beijing's

influence. During TPP negotiations, New Zealand Trade Minister Tim Groser said that, “The moment we smelt or sensed that this was an anti-China thing, we’d leave the TPP.”<sup>76</sup>

Indeed, rather than PNTR’s passage enhancing American leadership in Asia, Beijing is forcing U.S. companies operating in China to adhere to Chinese rules and practices. “Cyber-governance with Chinese characteristics ... is the choice of history, and the choice of the people, and we walk the path ever more firmly and full of confidence,” said Lu Wei, China’s Internet czar.<sup>77</sup> U.S. companies operating in China are conforming to these rules, even as limits on free speech increase. In 2015, the Chinese government sent a letter to several American technology companies operating in China asking them to promise that they would not threaten Chinese national security. Some companies believe this means that the Chinese government will eventually require U.S. companies to add “back doors” to allow the government easy access to private information stored on phones, computers and servers.<sup>78</sup>

## Foreign Policy Claims Made for Other Trade Pacts

The same foreign policy arguments used to push China PNTR in 2000 and now employed in the context of the TPP were also used to pass other trade pacts. In many cases, the dire predictions of diminished U.S. power, loss of allies or foreign instability all came true in addition to worsening trade deficits, *despite passage of the free trade agreement (FTA) that was supposed to forestall such dangers*. In some cases, these same dangers materialized in part *because* of the FTA. Below is a sampling of national security and foreign policy arguments used by pro-FTA members of Congress to urge passage of the North American Free Trade Agreement (NAFTA) and the Central America and Dominican Republic Free Trade Agreement (CAFTA).

### NAFTA

The United States passed NAFTA in 1994 amid a series of fear-driven geostrategic and foreign policy arguments. At the time, Japan rather than China was being labeled as the principal threat to American security in East Asia.

... the passage of NAFTA has become a critical and yes, symbolic test of U.S. leadership in the post-cold-war era. If Congress fails to ratify NAFTA, our country will be dramatically weakened – politically and economically. The defeat of NAFTA will enhance the power of Asia and the European Community to move into our historic and natural territory, and our ability to be an economic and political powerhouse may be a thing of the past ... To vote the agreement down threatens America’s position in the global economy, and could be one more step in making the United States a second-rate power. –Rep. Dan Glickman, Nov. 16 1993<sup>79</sup>

In today’s increasingly competitive global economy, Japan and Europe are quickly rounding up allies in formidable regional trading blocs. NAFTA will put together our own strong team, which we will need to compete and win in the face of tomorrow's economic challenges. If we fail to get Mexico on board, and later the rest of Latin America, they could well be picked off by our rivals. –Rep. Bill Richardson, Nov. 1993<sup>80</sup>

However if NAFTA is turned down, Mexico is not likely to simply smile and docilely accept our position. If we muff this opportunity, Mexico is likely to enter into a free trade agreement with Japan or some other major economic entity. That would not be good for the United States and not as good for Mexico as a trade agreement with us, but we should be aware that you can wound the pride of a nation only so many times before it looks for other friends. –Sen. Paul Simon, Oct. 1993<sup>81</sup>

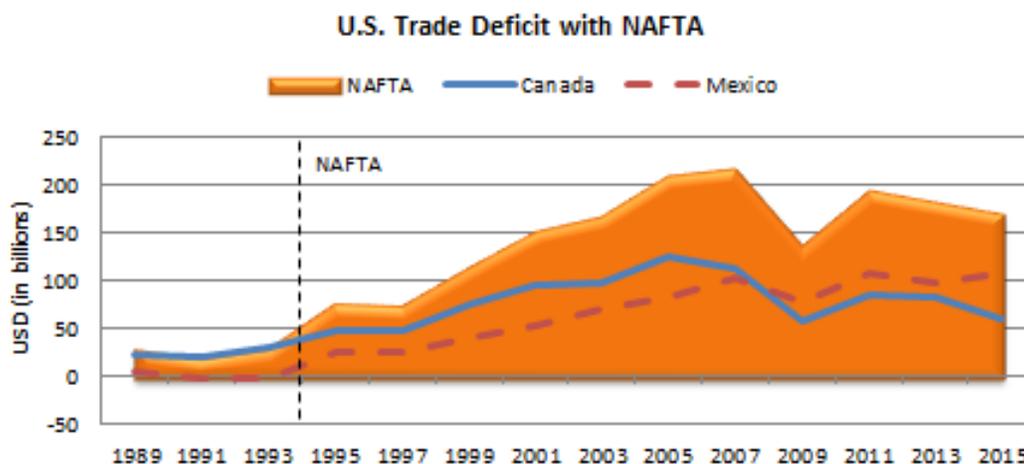
Vice President Joe Biden’s argument for the TPP in 2014 mirrors Rep. Glickman’s argument for NAFTA more than 20 years earlier, down to the particular words used: Now the pact is a “symbol of American staying power;” then it was a “symbolic test of U.S. leadership.”

The U.S. has been the world’s pre-eminent economic power for many years ... But the rise of new economic powers means we will face fierce competition from more places than ever before. America’s economic relations with the rest of the world matter more now than ever before ... The TPP has become a symbol of American staying power. We must see it through. –Vice President Joe Biden Feb. 27, 2014<sup>82</sup>

The main change has been the countries posited as the boogeymen asserting regional dominance if not for passage of the trade deal in question. Now it is China; then it was Japan and Europe.

But the enactment of NAFTA did not prevent Mexico from signing the trade agreements with Japan and Europe. Within three years of NAFTA’s enactment, Mexico had signed an FTA with the European Union. In 2004, the Mexico-Japan FTA was inked.<sup>83</sup>

Nor did NAFTA prevent foreign competitors from displacing U.S. trade with Mexico. While 70 percent of Mexico’s imported goods came from the United States in the year before NAFTA, that share fell to 47 percent by 2015.<sup>84</sup> Much of the shift owes to a dramatic rise in Chinese exports to Mexico. The share of Mexico’s imported goods coming from China increased from less than 1 percent in the year before NAFTA to 18 percent in 2015, despite Mexico having no FTA with China.<sup>85</sup> The implicit promise that NAFTA would somehow keep out foreign goods and influence in Mexico proved empty.



Source: U.S. International Trade Commission, in 2015 dollars

Overall, the U.S. trade deficit with NAFTA partners, Canada and Mexico, has surged 889 percent, or \$151 billion. The United States had a trade surplus with Mexico before 1994, but it soon turned into a deficit as U.S. exporting companies moved to Mexico to take advantage of cheap Mexican labor. Today the U.S. goods trade deficit with Mexico is \$106 billion.<sup>86</sup>

## CAFTA

CAFTA was also pushed through Congress with promises to strengthen freedom, democracy and security.

Our first trade priority is to pass the Central American and Dominican Republic Free Trade Agreement, known as CAFTA ... Today, a part of the world that was once characterized by unrest and dictatorship now sees its future in free elections and free trade, and we must not take these gains for granted ... By transforming our hemisphere into a powerful free trade area, we will promote democratic governance and human rights and the economic liberty for everyone. –President George W. Bush, May 2005<sup>87</sup>

But it is clear that CAFTA has neither improved democracy nor human rights. In 2009, the Honduran military ousted democratically elected President Manuel Zelaya,<sup>88</sup> leading the Organization of American States to suspend Honduras' membership to the organization.<sup>89</sup> It was the first military coup in the region in 25 years, dealing a blow to democratic governance among the United States' closest neighbors. The Dominican Republic has also faced political challenges since 2005. According to Freedom House rankings, the country was ranked "Free" before CAFTA, but was recently lowered to "Partly-Free" due to less space for independent media and new restrictions on the political rights of Dominicans of Haitian descent.<sup>90</sup>

Human rights improvements have also failed to materialize. In 2016, the International Trade Union Confederation released a report giving Guatemala its worst possible ranking, labeling it as "one of the most violent countries for workers for many years."<sup>91</sup> A 2016 report by Civil Society Watch lists Nicaragua as having severe violations in all three freedoms that they measure, including freedoms of association, expression and peaceful assembly.<sup>92</sup> As a whole, Central America remains one of the most violent regions in the world with murder rates in countries such as Honduras and El Salvador higher today than in 2005, before CAFTA took effect.<sup>93</sup> In fact, El Salvador now has the highest murder rate of any country not at war.<sup>94</sup>

During the fight over CAFTA, the Bush administration also repeatedly pushed a false narrative of containing China.

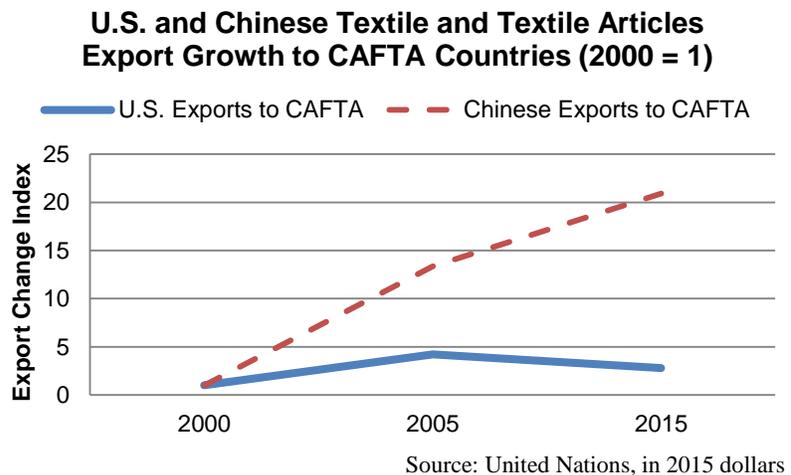
CAFTA, by integrating the Central American economies together with our own, will strengthen America's influence in the region. Failure to move forward with CAFTA could create a vacuum that China, with its growing economic weight, might use to expand its political influence in the region. –The White House, Aug. 2005<sup>95</sup>

Even after congressional ratification of CAFTA, the USTR continued the China scare tactics. In 2007, USTR went so far as to release a policy brief entitled, "CAFTA-DR Facts: Textiles: United to Compete with Asia"<sup>96</sup> where it stated that the textile industry's very survival depended

on strengthening “its ties to customers in the CAFTA-DR region.” USTR played on the China fears of the textile industry often in the hopes of drumming up support for CAFTA.

Garments made in the region will be duty-free and quota-free under the Agreement only if they use U.S. or regional fabric and yarn, thereby supporting U.S. jobs ... [CAFTA would] provide regional garment-makers – and their U.S. or regional suppliers of fabric and yarn – a critical advantage in competing with Asia. –USTR, July 2007<sup>97</sup>

CAFTA took effect for El Salvador, Guatemala, Honduras, and Nicaragua in 2006, followed by the Dominican Republic in 2007 and Costa Rica in 2009. From 2000 to 2005, the years before CAFTA took effect, U.S. exports of textile and textile articles<sup>98</sup> surged from \$797 million to \$3.3 billion.<sup>99</sup> China’s exports of textile products to these countries increased from \$49 million to \$603 million.<sup>100</sup>



Between 2005, the year before the trade pact took effect for most CAFTA countries, and 2015, U.S. exports of textile and textile articles to CAFTA countries actually declined by \$1.1 billion, or 33 percent.<sup>101</sup> China’s exports of textiles and textile articles to the region in the meantime increased \$370 million, or 57 percent. Despite the Bush administration’s promise that the trade deal was necessary to protect the region from undue Chinese influence and economic clout, the reality is that CAFTA did very little, if anything, to stop China’s growing influence in the region.

## Conclusion

When their economic arguments failed, TPP proponents hoped to activate Americans’ anxieties about a rising China to *distract* from the real issues: The TPP would have made it easier for corporations to send American jobs overseas, would have put U.S. firms into competition with imports that are subsidized, and would have pushed down U.S. wages by forcing Americans to compete with Vietnamese workers making fifty-six cents an hour. The TPP would have granted new rights to thousands of multinational corporations to sue the U.S. government before a panel of three corporate lawyers. The lawyers would be empowered to award the corporations unlimited sums—to be paid by America’s taxpayers—including for the loss of expected future profits, if these corporations convinced the lawyers that a U.S. law or safety regulation violated their TPP rights.

The economist John Kenneth Galbraith once wrote that, “faced with the choice between changing one’s mind and proving that there is no need to do so, almost everybody gets busy on the proof.”<sup>102</sup> As this paper details, many claims relating to foreign policy, geopolitics and national security made to sell trade agreement after trade agreement – and then recycled in the context of the TPP – have been proven false. With a robust debate about the TPP’s actual terms, and the rising public awareness of the pact’s real threats, the foreign policy scare tactics failed this time. But that has not stopped TPP proponents from repeating them endlessly in response to the TPP’s demise.

## ANNEX: Failed Market Access Claims Recycled in TPP Debate

The notion that somehow the demise of the TPP is the end of U.S. trade with the TPP countries is unsupported given that we already have tariff-zeroing free trade agreements with the six TPP countries that account for 80 percent of the TPP bloc’s combined GDP.<sup>103</sup> In addition, all of the TPP countries are in the WTO, meaning that tariffs among the TPP nations are already low. Consider Japan, which represents the majority of the GDP of the remaining 20 percent not already covered by an existing U.S. FTA, whose trade weighted average tariff is just 2.5 percent.<sup>104</sup> Even minor currency swings between the yen and the dollar can have a greater effect than the current tariff.

**MARKET ACCESS/U.S. ECONOMIC GAINS:** *If we approve China PNTR/the TPP, the United States will maintain or gain new access and benefit economically. Failure to approve the pact will allow other countries to seize market access from the United States.*

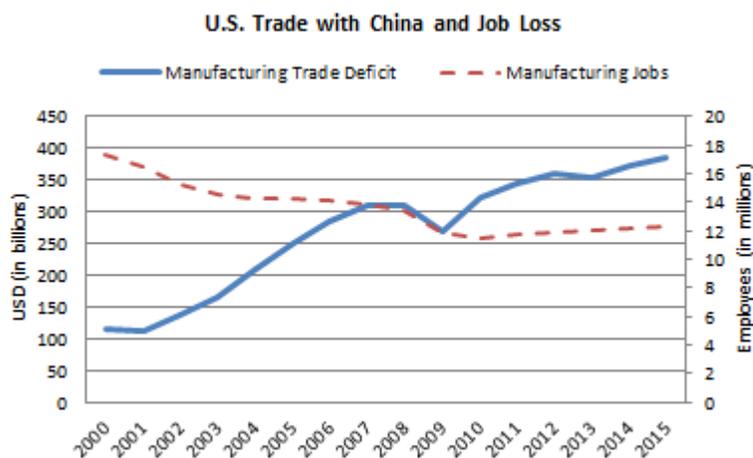
China PNTR	TPP
<p>If Congress rejects it, our competitors reap these rewards. Again, we must understand the consequences of saying no. If we don't sell our products to China, someone else will step into the breach, and we'll spend the next 20 years wondering why in the wide world we handed over the benefits we negotiated to other people. –President Bill Clinton, March 2000<sup>105</sup></p>	<p>If we are not there helping to shape the rules of the road, then U.S. businesses and U.S. workers are going to be cut out, because there's a pretty big country there, called China, that is growing fast, has great gravitational pull and often operates with different sets of rules... –President Barack Obama, June 2015<sup>106</sup></p>
<p>The opening of China's markets will create numerous opportunities for our nation. Yet, if we do not hold up our end of the bargain by approving PNTR for China, other countries will reap the benefits of the agreement, leaving the United States sitting on the sidelines. –Governors Letter in Support of PNTR, April 2000<sup>107</sup></p>	<p>Since 2000, other countries have passed nearly 100 new trade deals in the Asia Pacific region - and many of them disadvantage our companies and workers. We cannot afford to retreat from a region that generates 40 percent of global economic output. –Secretary of Commerce Penny Pritzker, Aug. 2016<sup>108</sup></p>

Proponents of China PNTR promised that granting China normalized trade relations would lead to vast rewards for U.S. businesses. Not only did those promises fall flat, but the annual U.S. trade deficit in goods with China has more than tripled since China entered the WTO, from \$103 billion in 2002 to \$367 billion in 2015. Although U.S. exports have increased by \$57 billion, imports have surged ahead by \$212 billion, and this trend seems to be worsening. China now ships about \$4 worth of goods to the United States for every \$1 it imports. China accounts for about half of the total U.S. trade deficit in goods.<sup>109</sup>



Source: U.S. International Trade Commission, in 2015 dollars

David H. Autor, David Dorn and Gordon H. Hanson wrote in a 2016 report, *The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade*, that China's export growth created a shock that disrupted the near "consensus that trade could be strongly redistributive in theory but was relatively benign in practice..." In reality, the report finds that those who lose their jobs from trade cannot simply pack up, learn new skills, and start a new job with a comparable salary despite many economists assuming this theory to be true. The trade adjustment that must take place with trade shocks, such as China's export growth into the United States since 2000, takes more time and is more costly than previously thought.<sup>110</sup> Will Kimball and Robert E. Scott at the Economic Policy Institute in their report "China Trade, Outsourcing and Jobs" found that 3.2 million jobs in the United States were lost from 2001 to 2013 due to

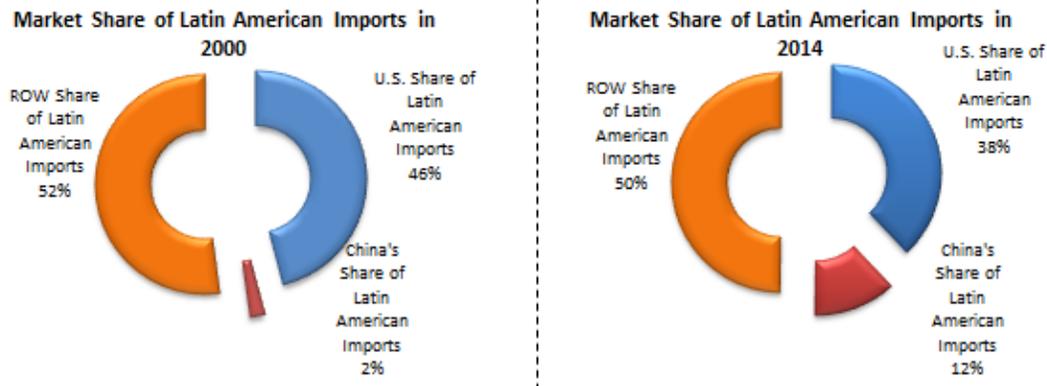


Sources: USITC, U.S. Census Bureau, in 2015 dollars

substantial increases in the U.S. trade deficit.<sup>111</sup> Another study by the Economic Policy Institute found that trade agreements like China PNTR also contributed to lower wages for the average American.<sup>112</sup> Controlling for other policy factors that could have led to a decline in U.S. manufacturing, a 2015 Yale University report found that China PNTR played a predominant role in leading to the decline "in U.S. manufacturing employment after 2000."<sup>113</sup>

The passage of China PNTR not only had a negative impact on the U.S. economy, but also failed to limit China's rising economic growth and political influence among America's closest allies. From 2000 to 2014, U.S. goods exports to Latin America increased by just 84 percent, or \$190 billion.<sup>114</sup> To keep this in perspective, Latin America's collective GDP rose by 94 percent from

2000 to 2014.<sup>115</sup> During the same period, China's goods exports to Latin America soared more than 1,321 percent, from \$9.4 billion to \$134 billion.<sup>116</sup> As a result, the U.S. market share of Latin American imported goods fell from 46 percent to 38 percent while the share coming from China increased from 2 percent to 12 percent.<sup>117</sup>



Source: International Monetary Fund

This trend has been even worse for countries with which the United States has negotiated free trade agreements. From 2000 to 2015, the U.S. share of world exports to FTA partners in Latin America fell from 60 percent to 51 percent despite the conclusion of 10 new free trade agreements in Latin America after 2000.<sup>118</sup>

China's role as an importer for Latin American goods has also increased. The share of Latin America's goods exports destined for China rose from 1 percent in 2000 to 11 percent in 2014, while the share exported to the United States shrank from 55 percent to 37 percent.<sup>119</sup> Latin American nations are now more dependent than ever on China's economic growth.

The same empty promises used to pass China PNTR were employed to push for the TPP. But according to the government's own official study by the International Trade Commission, 36 of 55 U.S. agriculture, manufacturing and services sectors would have experienced a declining trade balance as a result of the TPP.<sup>120</sup> In addition, a 2016 study by Tufts University economists employed a model to estimate the effects of the TPP that allowed for job churn and increases in income inequality, which the ITC study failed to incorporate. They concluded that the TPP would have reduced U.S. GDP by 0.54 percent over a decade and cost 448,000 American jobs.<sup>121</sup>

## Endnotes

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