

ASIA PACIFIC

U.S. Allies See Trans-Pacific Partnership as a Check on China

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By JANE PERLEZ OCT. 6, 2015

BEIJING — The Trans-Pacific Partnership trade deal was welcomed on Tuesday as a win for the United States in its contest with China for clout in Asia, as America's allies expressed optimism about the impact of the 12-nation accord on a region worried about its dependence on the slowing Chinese economy.

The pact still must win approval in Congress, and analysts said the economic effects may be less sweeping than Washington predicts. But the mere fact that President Obama delivered on his pledge to close the deal came as a relief to allies in Asia. It was seen as a counterweight to China's efforts to expand its influence not just in trade but in other areas, including its island-building in the disputed South China Sea and the establishment of a new regional development bank to compete with Western-led institutions.

"The TPP may not be the game-changer the Americans say it will be, but if the TPP failed, it would certainly have been a blow to U.S. credibility, and its conclusion is to be welcomed," said Bilahari Kausikan, a former permanent secretary of Singapore's Foreign Ministry. Yet, he cautioned: "This is not going to erode what China does."

The victory for the United States comes as China's position in Asia has been thrown off balance by questions about the condition of its economy, which is

expanding at its slowest pace in a quarter century and has sent tremors across the region. Even with the slowdown, though, the Chinese economy is growing faster than those of most industrial nations, and China enjoys deepening economic ties with almost all countries in the region.

The trade agreement is unlikely to change that, but it is an important symbol of America's staying power in Asia, some experts said. "It does at least temporarily halt the seemingly inexorable waning of U.S. influence and the corresponding rise of Chinese influence in the Asian region," said Eswar S. Prasad, a professor of international economics at Cornell University and former head of the China division at the International Monetary Fund.

Since 2011, when President Obama told the Australian Parliament that the United States would play a "larger and long-term role" in shaping the Asian region, its allies have been waiting for results. For a while, the much-extolled "pivot" to Asia seemed to be mostly a verbal one — and one intended to antagonize China, by proposing to bolster America's military presence and creating a trade zone that kept China out.

Even as Washington talked about a new focus on Asia, China's economic ties with America's friends in the region steadily expanded. Many Asian countries now have trade agreements with China that were completed since the announcement of the "pivot," and count China as their biggest trading partner. Australia, for example, signed a trade agreement with China in June, although it has yet to pass through Parliament.

China was seen to be winning in other ways, too. While its strategic capabilities in East Asia did not yet rival those of the United States, the financial picture was changing rapidly, with China becoming the major lender in the region, the Inter-American Dialogue, a policy group in Washington, said in a July report.

"The China Development Bank and the Export-Import Bank of China now provide more loans to the region than the World Bank and the Asia Development Bank combined," the report said. Indeed, although the TPP is seen mainly as an enterprise that aims to knit the United States and Asia closer together, three of its 12 members are in Latin America: Chile, Mexico and Peru.

In terms of trade competition with China in Asia, the deal would advantage American firms over Chinese firms “only very slightly,” since there is very little overlap in the range of goods each country exports to Asian members of the accord, said Nicholas Lardy, a China expert at the Peterson Institute for International Economics in Washington.

The stakes for the Obama administration to conclude the negotiations became higher in Asia after the United States defense secretary, Ashton B. Carter, said in April that the trade pact was “as important to me as another aircraft carrier.” His comments were interpreted as an effort to play down the Asia “pivot” as a predominantly military project, an image that some countries worried served to exacerbate an arms race with China.

In China, where the government’s initial opposition to the trade pact has softened recently, the Ministry of Commerce issued a statement on Tuesday saying that the accord was “one of the important free trade agreements in the Asia-Pacific region.” Early in the negotiations, Beijing criticized the pact as an American effort to contain China, an argument that is still frequently heard from Chinese analysts.

“Initial Chinese hostility toward TPP has moderated dramatically,” Mr. Lardy said. But if China contemplated becoming a member, as some reform-minded Chinese economists have suggested, the government would need to work harder at economic reform in order to meet the pact’s standards, Mr. Lardy said.

In a surprising statement in Japan, Prime Minister Shinzo Abe, whose relations with China have been poor, suggested China should become a member of the pact. “If China joined TPP in the future,” Mr. Abe said, “it would contribute greatly to our country’s security and the stability of the Asia-Pacific region, and that would have an extremely large strategic significance.”

But Peter Drysdale, emeritus professor of economics at the Australian National University in Canberra, said it was almost certain that China would stay outside the TPP, and therefore work even harder at cementing its economic ties in East Asia through other means.

“Even with growth two or three percentage points lower than its current rate,

there's not a major business anywhere in the region, including in Japan, that doesn't have to factor China in," Mr. Drysdale said. "With China out of TPP for the foreseeable future, the incentive for China and its East Asian partners to ramp up their economic ties will be more powerful."

Australia's prime minister, Malcolm Turnbull, greeted the deal with enthusiasm, saying it offered "unprecedented new opportunities" for new markets in Asia and Latin America, as Australia faced the end of its mining boom. Mr. Turnbull, a proponent of close ties with Beijing, did not mention China in his comments.

Mr. Abe also hailed the accord, saying, "The curtain is finally rising on a new Asian century." Japan was a latecomer to the negotiations, joining only in 2013, and demands by its influential farm lobby that it keep in place tariffs on rice, beef, milk and other agricultural products proved to be one of several major stumbling blocks.

Mr. Abe championed the deal against considerable domestic opposition, including from many members of his own conservative party, large numbers of whom represent rural constituencies. But Japan's Parliament was widely expected to approve the accord.

Although the conclusion of the negotiations were broadly welcomed among America's friends in Asia, the United States should not view Asian nations as wanting to decide between Washington and Beijing, Mr. Kausikan said.

"No one sees the TPP as an alternative to China," he said. "The U.S. is important, and China is important. We're capable of doing things simultaneously. China is a huge economic factor that cannot be wished away."

Michael D. Shear contributed reporting from Washington, and Jonathan Soble from Tokyo.

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