

China Touts Its Own Trade Pact as U.S.- Backed One Withers

Nations begin to coalesce around China-led trade group

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China is moving swiftly to capitalize in Asia on the apparent collapse of a landmark U.S.-backed Pacific trade agreement, saying it hopes now to conclude its own Asia-wide trade pact in a step to broaden its influence as priorities shift under a new administration in Washington.

Asian leaders are pressing ahead with talks on the 16-nation Regional Comprehensive Economic Partnership, which China has promoted as an alternative to the U.S.-led Trans-Pacific Partnership.

The push to conclude the RCEP underscores the region's embrace of free trade and pushback against growing skepticism in the U.S. and in Europe. The China-led deal is focused on lowering tariffs in a trade landscape in which tariffs have broadly fallen over the past two decades.

Beijing's statement came a day after President-elect Donald Trump vowed to withdraw from the TPP. Mr. Trump, who criticized free-trade deals throughout his election campaign, said the TPP would be a disaster and hurt U.S. jobs. He said he would consider negotiating bilateral deals.

The developments signal the unraveling of President Barack Obama's vision to make the TPP the cornerstone of U.S. strategic engagement in a region being transformed by China's growing economic might and expansionist aims.

"This is a good opportunity for China to be more powerful on the global stage starting with economics, and to gain a larger voice," said Zou Zhengfang, an economics professor at Renmin University of China.

Japanese Prime Minister Shinzo Abe said on Tuesday that the Trans-Pacific Partnership deal would be "meaningless" without the U.S., after President-elect Donald Trump promised in a video to withdraw from the trade pact. Photo: EPA

China's leader Xi Jinping, speaking at an Asia-Pacific conference in Lima, Peru, this past weekend, sought to position himself as a leader in global commerce, vowing to support trade.

On Tuesday, Vice Premier Wang Yang said Beijing is taking a wait-and-see attitude to a Trump presidency, and is optimistic U.S. business interests will help preserve a strong economic relationship between the two countries.

"Everyone is interested in what kind of trade policy the new government will take with China and also what is the prospect of China-U.S. economic cooperation," Mr. Wang said at an event alongside U.S.-China trade talks in Washington.

Mr. Trump's plan to pull the U.S. out of the TPP has drawn criticism from pro-traders in the U.S., including some within his own party. Sen. John McCain of Arizona said on Tuesday that the decision will give China an opening "to rewrite the economic rules of the road at the expense of American workers."

House Speaker Paul Ryan has supported the push for a Pacific trade agreement but has said for months that TPP as crafted wouldn't come up for a vote this year. A spokeswoman said Tuesday that he and Mr. Trump "agree that America needs to secure good trade deals" and are working on "the agenda for next year."

For the Obama administration, the most important part of the TPP was the liberalization of services trade and the deal's rules on matters such as intellectual property, environmental and labor standards, state-owned enterprises and the internet.

"Unlike TPP, [RCEP] doesn't raise labor and environmental standards, impose disciplines on government-owned corporations, strengthen intellectual property rights enforcement, or maintain a free and open internet," U.S. Trade Representative Mike Froman wrote in an opinion piece published in newspapers last month.

Most economists expected the TPP to provide only a small economic boost to the U.S. Washington officials said the deal would have significantly boosted other economies, from Japan to Vietnam, and helped safeguard U.S. investment in the region.

The TPP would cut or reduce some 18,000 tariffs for a group of Pacific Rim nations in the Americas, Asia and Oceania—an area accounting for 40% of the global economy.

The China-led pact would be less ambitious in reducing tariffs. The tariffs of RCEP countries have already fallen by four-fifths in the past two decades due to World Trade Organization and other agreements, and now average just 3.1%, according to trade-weighted estimates from the World Bank.

The RCEP comprises the 10 members of the Association of Southeast Asian Nations and the six countries with which Asean has bilateral free-trade agreements—Australia, China, India, Japan, South Korea and New Zealand.

Singapore's Prime Minister Lee Hsien Loong, a TPP supporter, is now calling on Asian-Pacific nations to boost trade by backing the RCEP and other initiatives. Vietnam and Malaysia, also TPP signatories, said they were shifting their focus to the China-backed group, according to their trade ministers.

Among the economic effects of RCEP could be an erosion of some U.S. business in Japan. White House economists say 35 American industries that export \$5.3 billion annually to Japan would lose ground to Chinese competitors if the China-led deal is completed and the TPP doesn't re-emerge.

Japan still holds hope the TPP will be revived in some form, and Prime Minister Shinzo Abe plans to continue to try to change Mr. Trump's thinking on its merits, a spokeswoman for Japan's Foreign Ministry said.

Mr. Abe said "the TPP would be meaningless without the United States" shortly before Mr. Trump's statement disavowing the trade pact.

Withdrawing from the TPP would be part of a broader effort by Mr. Trump to rework other deals he has criticized, such as the North American Free Trade Agreement with Canada and Mexico.

New Zealand's trade minister, Todd McClay, said Tuesday that if the Trump administration was willing to look at new bilateral agreements, "we would be keen to be near the front of that queue."