AMERICAN FOREIGN
POLICY COUNCIL

Time to revisit trans-Pacific trade

December 11, 2020 **Joshua Eisenman**, **Sean King** *The Hill*

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Last month, in an about-face that was as astonishing as it was abrupt, Xi Jinping told Asian leaders that China is “actively considering” joining the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP), which President Trump pulled the U.S. out of in 2017. China’s prospective bid, which comes on the heels of signing the 15-nation Regional Comprehensive Economic Partnership (RCEP) trade agreement, bolsters Beijing’s claims that it supports multilateral free trade arrangements and ostensibly demonstrates its commitment to regional economic integration. Beijing, it seems, is taking the waning days of “America First” to advance its global economic position.

Indeed, under the Trump administration, multilateral economic cooperation has emerged as the tender underbelly of U.S. foreign policy in Asia, and provided Beijing a potent opening through which to pressure U.S. allies.

Beijing continues to wield its growing economic weight as a cudgel against those it perceives as challenging its political interests — and does so without consequence.

South Korean firms, for instance, lost billions when China retaliated against them over Seoul’s decisions to deploy a U.S. missile defense system. Other foreign companies have had their websites blocked for what China deems “illegal content,” such as how they refer to Hong Kong, Macau, Tibet or Taiwan. And most recently, Beijing has used trade tariffs and other economic penalties against Australia in retaliation for Canberra’s calls for an investigation into the origins of the COVID-19 pandemic.

These punitive actions come even as Washington and its strategic partners in Tokyo, New Delhi, and Canberra have strengthened security and political cooperation via the Quadrilateral Security Dialogue (the Quad), and intelligence sharing via the U.S.-led Five Eyes network, which includes the UK, New Zealand, Australia, and Canada. In October, the Quad’s foreign ministers met in Tokyo for their second-ever ministerial meeting, and last month Five Eyes countries issued a joint statement on the ongoing campaign to silence critics in Hong Kong and called on Beijing to reverse course.

Increasingly, partners see the potential for overlap between the two groups: "Japan can get closer even to the extent of it being called the ‘Six Eyes,’" Japan's Defense Minister Taro Kono recently outlined. Now, some in New Delhi are calling for India to join as the Seventh Eye. This year, India and France held their 17th Indo-French naval exercises, on “an unprecedented scale,” the British navy's aircraft carrier Queen Elizabeth will conduct joint exercises with the U.S. Navy and Japan's Self-Defense Forces in Japanese waters, and even Germany will soon dispatch a frigate to patrol the Indo-Pacific — a portent of potential future Quad-NATO collaboration.

These and other moves to expand collective security are not surprising, given Beijing’s rising regional belligerence. But while the Quad and Five Eyes are evolving into a bulwark of Asian political, security and intelligence cooperation, U.S. leadership on the economic front remains weak.

That’s where the CPTPP comes in. The grouping’s eleven members — Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam — are chafing under Beijing’s aggressive economic embrace, and looking for partners that adhere to the same economic rules and norms. They now face the difficult choice of whether to begin negotiations with China, knowing full well from the start that they will not be able to enforce the agreement’s provisions on environmental protection, labor, human rights, transparency and freedom of information standards on Beijing. Moreover, given the dominant role of state-owned banks and enterprises in advancing Beijing’s political agenda, Beijing simply cannot meet the CPTPP’s “rules for state-owned enterprises that promote a level playing field with privately owned businesses, transparency and sound business practices.”

This situation represents both a crisis and an opportunity for the incoming Biden administration, because only with the U.S. on board will CPTPP partners have the leverage they need to rebuff Beijing’s advances. U.S. support for multilateral economic arrangements, specifically the CPTPP, give bite to collective enforcement mechanisms that, as many Asian countries and the U.S. have seen, no individual country can unilaterally enforce.

For these reasons, CPTPP members want the U.S. in — but the negotiations won’t be easy. First, they will want assurances that the U.S. is in to stay. Then comes the hard task of renegotiating the nearly two-dozen U.S.-specific provisions that were dropped, along with the many others that have since been added. In particular, two sticking points are likely to be the patent periods for pharmaceuticals and the rules for encrypted satellite transmissions.

Nonetheless, there is reason for optimism. Significant portions of last year's U.S.-Mexico-Canada Agreement, which replaced NAFTA, came from the TPP's text, as did agricultural elements of President Trump's Phase 1 trade deal with Japan. American farmers, an important GOP constituency currently losing out in Japanese markets to their Australian and Canadian counterparts, are positioned to take advantage of the CPTPP's rice and dairy provisions. The CPTPP also protects both intellectual property rights and market access in traditional manufacturing, as well as in cutting-edge sectors like financial services and digital commerce, where American firms are market leaders. Even conservative Brexiteer Boris Johnson has expressed an interest in joining the pact, which could give free trade Republicans added political cover to work with the Biden administration to score a badly needed bipartisan win.

Rejoining CPTPP offers the most simple and direct path to ensuring a sustainable and equitable, rules-based economic order in Asia.

With U.S. support, collective bargaining can provide members with viable alternatives and enforceable mechanisms that blunt China's economic castigations and compel Beijing to either adhere to international standards or risk being economically sidelined. Over the last four years, real progress has been made in strengthening the Quad and Five Eyes networks. Now is the time to solidify these political and security gains by fortifying the economic leg of the stool — a process that should begin with the U.S. rejoining the CPTPP.

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