It’s China’s Choice to Join In or Stay Out

By Takashi Terada

IS THE TRANS-PACIFIC Partnership (TPP) intended to thwart China? My initial answer is “No,” since it is up to China whether to participate, something that the United States cannot prevent. However, given that some of the current participants view the TPP as a means of strengthening their strategic relations with the US — the key nation for maintaining regional stability — the answer taking this into consideration might arguably lean toward “Yes.”

China can join the TPP at any time, if it sees a reason to do so. Although China once complained that it had yet to receive an “invitation” to the TPP, the fact of the matter is that any member of the Asia-Pacific Economic Co-operation (APEC) forum is entitled to join, although a newcomer does need to establish bilateral negotiations with all existing members individually to obtain approval for entry. Therefore, the US might require China to deal with areas that are of specific interest to the US, such as guaranteeing that foreign companies get equal treatment with China’s state-owned companies, an issue that China is highly unlikely to go along with. This means, in effect, that the US has.veto power over the TPP newcomer.

But does this mean the US is targeting China? Not necessarily. In preliminary bilateral negotiations, the US, for example, has established three major conditions for Japan’s entry to the TPP, and one of them is that Japan’s state-owned life insurance company, Kampo, should not expand its insurance operations. So, even if the US demanded that China deregulate its service sector on behalf of American companies, this would be in line with how it approaches other countries, as seen in the case of Japan. This strongly suggests that the US isn’t specifically blocking China from entering the TPP.

The TPP is generally considered to be a high-standard trade arrangement aligned with the American template for its own free-trade agreements (FTAs), which, for instance, aim to allow virtually no exceptions to tariff elimination. This is an approach that China finds difficult to accept, given the high tariffs it currently imposes on some key products such as automobiles (25 percent). Other factors that make it politically impossible for China to join the TPP are provisions relating to labor standards and environmental regulations. The former would potentially require members to abide by standards set by the International Labor Organization, including freedom of association and collective bargaining. Even the prohibition on forced and child labor would not be acceptable to China, since these “gold-standard” agendas have not been included in any of China’s FTAs with other countries. The crux of the argument is that the US has consistently pursued these agendas in the FTAs it has signed so far, so its inclusion of them in the TPP negotiations cannot rightly be seen as targeting China.

Yet China’s concerns about the negative impact the TPP might have on its regional integration policy were so strong that when Japan initially expressed an interest in joining the TPP, China quickly became more flexible in its own talks.
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so far hasn’t really happened. China is clearly concerned about the possible negative impact of exclusion from preferential access to the American market. The dilemma that China faces is straightforward: it is difficult for it to join the TPP, because it includes a range of so-called 21st century issues such as regulatory convergence, treatment of state-owned enterprises, the issue of supply chains, intellectual property rights and so on. On the other hand, the cost of not participating in the TPP could quickly escalate as more countries, especially major economies like Japan, sign on and begin to create a critical mass toward a truly Asia-Pacific trade arrangement. But again, it is up to China to join or not.

If the TPP is regarded as a key component of US President Barack Obama’s “pivot” to Asia, whose primary aim is to check China’s aggressive behavior in maritime territorial disputes in the South China Sea, it could be argued that the TPP is a political tool intended to assist this American strategic objective. To my knowledge, however, the US has never officially acknowledged the linkage between regional security concerns and its interest in regional economic integration. Maritime claimants such as Vietnam, which disputes China’s claim to the Spratly and Paracel Islands, welcomes America’s commitment to the TPP because it will assist members to strengthen their relations with the US.

Japan, which has its own dispute with China over the Diaoyu/Senkaku Islands, also considers its participation in the TPP partly from a strategic viewpoint. Japan’s initial expression of interest in the TPP was announced by Prime Minister Naoto Kan during a policy speech on Oct. 1, 2010, just a few weeks after the Diaoyu/Senkaku dispute with China flared up again.

Adding to Japan’s security concerns, of course, are North Korea’s recent satellite rocket launch and its interest in its own dispute over the islands with China. The coastal country has a long history of. China’s regional behavior.

This can be viewed as a way for China to greatly limit America’s regional influence, a significant outcome of Washington’s push for, and Japanese participation in, the TPP. The extent of China’s concerns about the TPP is evident in the frequent requests it has made to participants, especially the US, to be open and transparent about the TPP negotiations — something that official negotiations for the trilateral free-trade agreement and the ASEAN Regional Comprehensive Economic Partnership (RCEP), or ASEAN + 6 FTA, in 2013.

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While I do not believe the TPP is targeted at a rising China, the fact that it caused China to quickly make concessions that enabled the trilateral FTA talks with Japan and South Korea, as well as RCEP, to commence supports the argument that the TPP is a useful means to influence China’s regional behavior.

after a Chinese frigate locked weapons-targeting radar on Japanese Self Defense Force vessels in January. This implies that the escalation of territorial disputes with China is one of the motives behind Japan’s participation in the TPP, which was officially announced in mid-March. If the Philippines, one of the least FTA-oriented nations in Asia, were to join the TPP, all claimants to the South China Sea from ASEAN would then be members of the TPP, illustrating the significance of America’s commitment to Northeast and Southeast Asian stability and highlighting the effectiveness of the TPP as a mechanism for coalition-building.

It is safe to assert that everyone would welcome China’s participation in the TPP, because transparency about business activities in its state-owned companies, for instance, would be

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