Obama’s absence boosts China trade deal

By Demetri Sevastopulo in Hong Kong, Shawn Donnan in London and Ben Bland in Jakarta

With President Barack Obama stuck in Washington last week Li Keqiang, China’s premier, used his absence to urge leaders at the East Asia Summit to conclude a regional trade deal that rivals the US-led Trans-Pacific Partnership.

“Many East Asian countries use chopsticks. Anyone who uses chopsticks knows it is very hard to eat with one, and that you need a pair. And if you bundle chopsticks together, they are hard to break,” said Mr Li, who added that China would strive to complete the so-called Regional Comprehensive Economic Partnership by 2015.

Some experts say the failure to attend by Mr Obama – who also missed the Asia-Pacific Economic Cooperation summit in Indonesia attended by Chinese President Xi Jinping – gave the RCEP negotiations a boost over the TPP.

“Obama not coming here means that the TPP probably didn’t get the big push it was to get,” said Ganeshan Wignaraja, director of research at the Asian Development Bank Institute. “[China] probably now sees it as a major opportunity.”

RCEP is being negotiated by the Association of Southeast Asian Nations and six countries with which it has bilateral free trade agreements: China, Japan, India, South Korea, Australia and New Zealand. It would create the world’s largest trade bloc, accounting for 40 per cent of global trade.

The US is pushing the TPP, an ambitious pact involving 12 Pacific Rim countries, including Japan but not China, that represents 30 per cent of world trade. Mr Obama has made the TPP a second-term priority, in an effort to create jobs that also serves as the economic plank of the US “pivot” to Asia aimed at neutralising the rise of China.

Patrick Low, joint vice-president of research at the Fung Global Institute and former World Trade Organisation chief economist, said the TPP has a “heavy dose of geopolitics” and that there was “an element of rivalry” between the two trade deals.

John Wong, an expert on China and Asean at the National University of Singapore, said China became more interested in RCEP “partly because TPP at one point wanted to exclude China”.

Tan Khee Giap, a professor at the National University of Singapore and chairman of the Singapore National Committee for Pacific Economic Cooperation, said the Chinese enthusiasm partly stemmed from mounting tensions with Vietnam and the Philippines over disputed territory in the South China Sea that have helped spark renewed US interest in the region.

Mr Tan said China was investing heavily in infrastructure across Asia, which was crucial to economic integration, and that Mr Xi had floated the idea of creating an Asian infrastructure bank during his visit to Indonesia. “China is dearly in need of friends in her neighbourhood as the USA continues to ‘gang-up’ with China’s big neighbours including Japan and Australia,” he said.

Gregory Domingo, the Philippines’ trade minister, said RCEP would be difficult to complete but that it would have great significance, and that “China is pushing very hard”. He said Manila was also looking “very seriously” at joining the TPP, but that the outcome would depend on “how much flexibility the TPP members will allow future members”.

While the TPP and RCEP may be geopolitical rivals, analysts say some of their goals are different. Shen Minghui, a trade expert at the Chinese Academy of Social Studies (Cass), said the TPP aims to create the next generation of trade rules, while RCEP was trying to construct a unified market that reduces operating costs by eliminating the complexity of the “spaghetti bowl” of trade agreements in Asia.

Critics of the RCEP say it will be much weaker than the TPP since its standards will be less onerous, and as it does not include labour rights and environmental protections. But others counter that the TPP bar is too high, and that a gradual approach to liberalisation is more appropriate for developing countries in Asia.

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RCEP get integrated and it’s also connected to the EU, then the size of the [global] economy covered will be almost 80 per cent.

- Akira Amari, the Japanese minister for economic revitalisation

“Once TPP and RCEP get integrated and it’s also connected to the EU, then the size of the [global] economy covered will be almost 80 per cent,” said Mr Amari.

Additional reporting by Gu Yu

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