

**CHINA STRIVES FOR COMPREHENSIVE
AND PROGRESSIVE AGREEMENT FOR
TRANS-PACIFIC PARTNERSHIP ENTRY**

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Executive Summary

1. On 16 September 2021, China officially applied for Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) membership.
2. Chinese leaders have repeatedly expressed their interest in joining the CPTPP after signing the Regional Comprehensive Economic Partnership (RCEP) on 15 November 2020.
3. While signing free trade agreement has become one of the key drivers for Chinese trade, China's entry to the CPTPP would be as an important event as its entry to the World Trade Organisation.
4. Joining the CPTPP is in line with China's national development strategy of "dual circulation": increasing international economic engagement and pushing forward domestic reform and opening-up.
5. The obstacles to China's CPTPP entry included both the coverage and level of policy areas, and the geopolitical tensions.
6. In terms of policy, state-owned enterprises, labour and environment as well as some advanced provisions on intellectual property and dispute settlement are not covered in the RCEP.
7. Geopolitically, China may meet challenges from US allies, namely Australia, Canada and Japan in the negotiations.
8. The United States led the G7, which includes Japan and Canada, to embark on a *Build Back Better World* Infrastructure Plan, and pushed forward the Quadrilateral Security Dialogue, which includes Japan and Australia, to counter the rise of China.

9. A CPTPP with China will enlarge its membership size and share of global gross domestic product; together with an advanced RCEP, it could converge into a long-awaited Free Trade Area of the Asia Pacific.

CHINA STRIVES FOR COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP ENTRY

KONG Tuan Yuen*

China Readyng Itself for CPTPP Membership

- 1.1 It is now official: China has applied for Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)¹ on 16 September 2021. After months of consultation with CPTPP members, China's Commerce Minister Wang Wentao had a teleconversation with New Zealand's Minister for Trade and Export Growth Damien O'Connor to express China's interest in joining the CPTPP before officially following up on the accession process of submitting a formal application to the CPTPP.²
- 1.2 China has indicated its interest as early as in May 2020 when Premier Li Keqiang expressed that "China has a positive and open altitude toward joining the CPTPP" at the national legislature meeting.³ China has reiterated its desire to join the CPTPP after it signed the Regional Comprehensive Economic Partnership (RCEP) with 14 other Asia-Pacific countries on 15 November 2020. Chinese President Xi Jinping stated that "China...will favorably consider joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership" when he attended the 27th

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¹ The CPTPP, which includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, was signed on 8 March 2018 in Chile. It came into force after more than half meaning six nations ratified it on 30 December 2018.

² "China Formally Applies to Join Asian Trade Deal Trump Abandoned", *Bloomberg*, 16 September 2021. Source: <https://www.bloomberg.com/news/articles/2021-09-16/china-formally-applies-to-join-asian-trade-deal-u-s-abandoned> (accessed 17 September 2021).

³ "Premier Sends 'Powerful' Signal for China to Join Asia-Pacific's Largest Trade Pact", *CaixinGlobal*, 29 May 2020. Source: <https://www.caixinglobal.com/2020-05-29/premier-sends-powerful-signal-for-china-to-join-asia-pacifics-largest-trade-pact-101560855.html> (accessed 1 September 2021).

Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting on 20 November 2020, a week after the RCEP was signed.⁴

- 1.3 On 4 February 2021, China's Ministry of Commerce (MOFCOM) at a regular press conference sent a strong signal to the public that "China is actively looking into the accession to the CPTPP and willing to enhance technical exchanges and communication with all CPTPP members,as part of China's new development pattern of globalization and economic integration".⁵
- 1.4 For the CPTPP, Japanese Prime Minister Yoshihide Suga as the chair in 2021 affirmed that Japan will continue to promote the Free Trade Area of the Asia-Pacific (FTAAP) with the signing of the RCEP agreement and expansion of the CPTPP.⁶ Economies, including China, the UK, South Korea, Indonesia, Thailand and Taiwan, have expressed their interest in joining the CPTPP. When the UK formally submitted its application in February 2021, China began consulting some CPTPP members for the membership.
- 1.5 One month thereafter, Chinese Premier Li Keqiang reiterated China's interest in joining the CPTPP in a government annual report delivered at the *Lianghui* (the two sessions) 2021. China began to conduct feasibility study and exchange views with officials from Australia, New Zealand and Malaysia on the possibility of China joining the CPTPP.⁷ Chinese scholars also examined the pros and cons of CPTPP

⁴ "Full text of Chinese President Xi Jinping's remarks at the 27th APEC Economic Leaders' Meeting", *Xinhuanet*, 20 November 2020. Source: http://www.xinhuanet.com/english/2020-11/20/c_139531308.htm (accessed 1 September 2020).

⁵ "Regular Press Conference of MOFCOM", China's Ministry of Commerce, 1 September 2021. Source: <http://english.mofcom.gov.cn/article/newsrelease/press/202102/20210203037992.shtml> (accessed 22 July 2021).

⁶ Kiyoshi Takenaka and Ju-min Park. "Japan aims to expand CPTPP trade pact as UK, China eye membership", *Reuters*, 20 November 2020. Source: <https://www.reuters.com/article/us-apec-summit-japan-idINKBN2800AF> (accessed 13 August 2021).

⁷ "China Steps Up Efforts to Join Trade Pact Created to Exclude It", *Bloomberg*, 18 May 2021. Source: <https://www.bloomberg.com/news/articles/2021-05-17/china-steps-up-efforts-to-join-trade-pact-created-to-exclude-it> (accessed 22 July 2021).

membership, with some indicating that it would be as an important an event as China's accession to the World Trade Organisation (WTO).⁸

- 1.6 China's MOFCOM emphasised the importance of free trade agreements (FTAs) and the country's interest in joining the CPTPP on 23 August 2021. The deputy minister of MOFCOM pointed out that FTA plays a very important role in expanding Chinese trade. The share of FTA trade in China's total trade surged from 12.3% in 2012 to 35% in 2020.⁹ China is in the midst of upgrading FTAs, such as China-Singapore FTA and China-Korea FTA, while preparing for CPTPP accession.
- 1.7 China's interest in joining the CPTPP has attracted broad attention as joining the CPTPP would mean adjusting its domestic policies, such as the functions of stated-owned enterprises (SOEs), to fulfil CPTPP entry requirements; it would also restructure the geopolitical landscape of the Asia-Pacific region by deepening the partnership with CPTPP members to counteract US intention of decoupling from China. If China joins the CPTPP with the RCEP membership, it will be moving the two largest economic blocs in the world towards a free trade agreement in the Asia-Pacific region (FTAAP). However, MOFCOM also admitted that it will be a long journey towards formal submission for CPTPP membership due to the uncertainty and complexity of the current geopolitical situation.

The Rationale behind China's Changing Attitude

- 2.1 The withdrawal of the United States from the Trans-Pacific Partnership (TPP) negotiation in January 2017 could be a reason for China's possible entry. The early negotiation of the TPP from 2008 to 2017 was a centerpiece in the United States' strategic pivot to the Asia-Pacific region. The United States led the entire process

⁸ "A World Change: Joins Hand to Strengthen Global Governance and Advanced Belt and Road Cooperation", Boao Forum For Asia Annual Conference 2021, 18-19 April 2021. Source: <https://finance.sina.com.cn/china/2021-04-20/doc-ikmxzfink7877082.shtml> (accessed 26 August 2021).

⁹ "Shangwu Bu: Zheng Jiji Kaolu Jiaru CPTPP Fangmian De Gongzuo", Zhongguo Jingji Wang. 23 August 2021. Source: http://www.ce.cn/xwzx/gnsz/gdxw/202108/23/t20210823_36834910.shtml (accessed 24 August 2021).

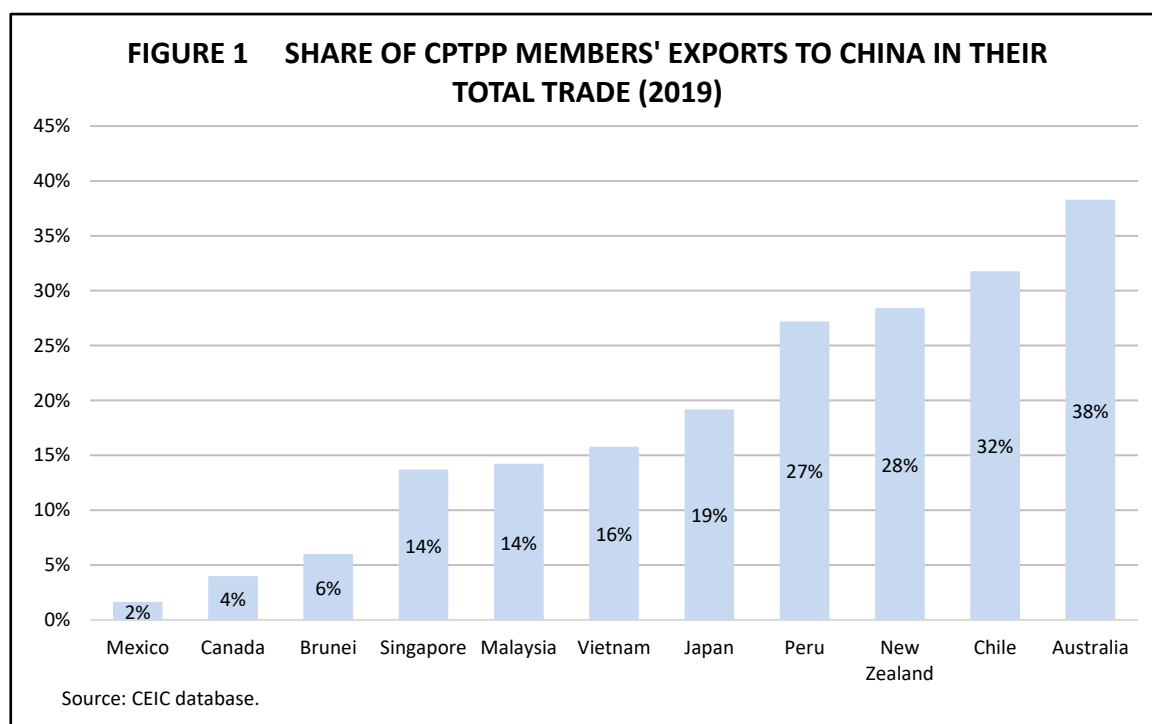
and contributed to its content.¹⁰ Some argued that the purpose of US leadership in the TPP negotiations was to counter China's rise.

- 2.2 After the United States withdrew from the TPP, Japan took over the leadership role and continued to push for the negotiations, which concluded in 2018. TPP was renamed as the CPTPP or TPP-11. CPTPP retained most of the outcome achieved in previous negotiations, many of which were not covered in China's existing trade agreements. At the time, China did not show interest in joining CPTPP because it placed higher priority on RCEP negotiations. After China signed the RCEP in late 2020 and ratified it within half a year, China began to explore the possibility of joining CPTPP.
- 2.3 More importantly, joining the CPTPP is in line with its dual circulation strategy as the it emphasises both domestic and external linkages of China's economic activities. The dual circulation strategy has become a key theme of the Chinese government's 14th Five-Year Plan that pushes China economic development for the next five years or more. Although the dual circulation strategy is to reduce China's over-reliance on foreign resources and technology and to stimulate domestic production and sales distribution, it also emphasises the importance of international economic relations and complementarity with domestic activities.
- 2.4 First, joining the CPTPP helps extend China's access to the global market. In particular, it provides Chinese companies with opportunities in countries that do not have bilateral or multilateral trade agreement with China. Among 11 CPTPP members, four economies, namely Canada, Mexico, Chile and Peru, are not RCEP members. China does not have any bilateral trade agreement with Canada and Mexico which each accounted for less than two per cent of China's total export;¹¹

¹⁰ "What's Next for the Trans-Pacific Partnership (TPP)?" Council for Foreign Relations, 1 February 2021. Source: <https://www.cfr.org/background/what-trans-pacific-partnership-tpp> (accessed 21 August 2021).

¹¹ In 2019, China's major trade partners for exports were the United States, Hong Kong, China, Japan, South Korea and Vietnam and for imports were South Korea, Japan, the United States, Australia and Germany. See China's trade balance, exports and imports by country 2019. *World Integrated Trade Solution*. Source: <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2019/TradeFlow/EXPIMP/Partner/by-country> (accessed 19 August 2021).

conversely, China made up four and two per cent of their total respective trade, the smallest proportion among CPTPP members, in 2019 (Figure 1).

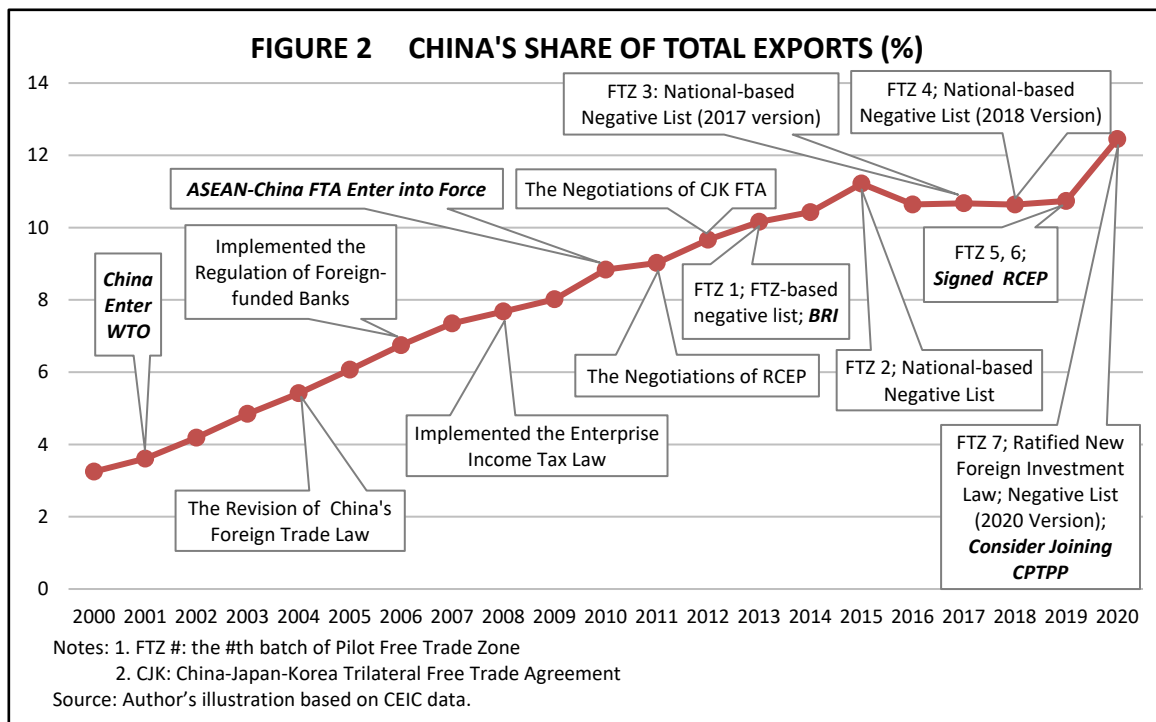


2.5 Strategically, the two economies, especially Mexico, may play an important coordination role between China and United States in the global supply chain. In the China-United States trade war, affected foreign factories such as Japanese automobile manufacturers are expected to move out from China to Mexico for the US market. However, the upstream of these factories remains in China as full decoupling is not easy in the short run. Thus, China's interest in joining CPTPP could strengthen the China-Mexico industrial and supply chain.

2.6 China's CPTPP entry would also allow it to bypass trade restrictions imposed under the United States-Mexico-Canada Agreement (USMCA), an updated version of the North American Free Trade Agreement (NAFTA), in 2020. From the perspective of the Chinese government, the United States has deployed controversial provisions in the USMCA to block Canada's and Mexico's trade with China. The agreement

requested members to inform others if they are in a trade talk with a “non-market” economy,¹² a provision that is considered targeting China.

2.7 Second, China’s CPTPP accession would further accelerate opening up. China has been active in participating in RTAs/FTAs since 2001 to ensure market access for Chinese products. It has established 21 Pilot Free Trade Zones, including Hainan Free Trade Port since 2013, enacted a New Investment Law, released the latest catalogue on encouraged industries and updated its negative list for market access in 2020. These policies for attracting foreign investment and trade have allowed China to maintain its growth momentum. China’s share of global exports increased from 3.3% in 2000 to 12.5% in 2020, tripling its share since entering WTO (Figure 2).



2.8 Moreover, the required domestic reform arising from CPTPP membership is expected to boost foreign investors’ confidence in China’s business environment. Apart from macroeconomic risks such as economic slowdown and China-US trade war, foreign investors are often concerned about the change in the Chinese domestic

¹² “China says USMCA deal will prevent Canada from free trade with Beijing”, *Global News*, 5 October 2018. Source: <https://globalnews.ca/news/4520879/china-usmca-free-trade-canada/> (accessed 19 August 2021).

business environment. Even though investors are aware of the significant changes made in terms of transparency, predictability and fairness of the regulatory environment, as well as the improved intellectual property rights protection, the ambiguous rules and regulations, unfair competition from Chinese private enterprises, non-compliant competitors, market access barriers and investment restrictions are still huge concerns.¹³

2.9 In particular, CPTPP membership would provide incentives to overcome resistance in the reform of SOEs. Many China watchers do not expect China to implement meaningful SOE reform in the short run and some reports even argue that SOEs play a special role in the Chinese economy in Xi's era, particularly in providing public services and supporting industrial policies.¹⁴

2.10 Third, to conform with CPTPP entry requirements, measures would have to be taken to effect changes that could help alleviate concerns over possible forced labour practices in Xinjiang. The West has accused China of establishing "re-education camps" in Xinjiang and forcing detainees to engage in cheap labour, and called for a boycott of products made in Xinjiang. According to the research of Australian Strategic Policy Institute, 82 foreign and Chinese companies were implicated in employing Uighur workers outside Xinjiang through abusive labour transfer programmes.¹⁵

2.11 Although China has denied the accusations and publicised production process in Xinjiang, the accusations have not stopped as foreign media face censorship in China due to a trust crisis. CPTPP membership would entail China to accept labour regulations, including those of the ILO (International Labour Organisation)

¹³ "China's New National Security Screening Rules on Foreign Investment", EAI Commentary, No. 24, 4 February 2021. Source: <https://research.nus.edu.sg/eai/wp-content/uploads/sites/2/2021/02/EAIC-24-20210204-1.pdf> (accessed 20 August 2021).

¹⁴ Nicholas Borst. "Has China given upon state-owned enterprise reform?" *The Interpreter*, Lowy Institute, 15 April 2021. Source: <https://www.lowyinstitute.org/the-interpreter/has-china-given-state-owned-enterprise-reform> (accessed 20 August 2021).

¹⁵ Vicky Xiuzhong Xu, Danielle Cave, James Leibold, Kelsey Munro and Nathan Ruser, "Uyghurs for sale", Australian Strategic Policy Institute, 1 March 2020. Source: <https://www.aspi.org.au/report/uyghurs-sale> (Accessed on 20 August 2021)

agreement, which could add transparency to China's labour practices and place them in line with international standards.

Obstacles (I): The Coverage and Level of Policies

3.1 The RCEP has been touted as a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement for its inclusion of many advanced provisions.¹⁶ However, these provisions do not pave the way for China's CPTPP entry as many CPTPP chapters on SOEs, designated monopolies, labour and environment, as well as some advanced provisions on intellectual property and dispute settlement are not covered in the RCEP. RCEP does not have a chapter on transparency and anti-corruption even though it was briefly mentioned in other chapters (Table 1). Another huge obstacle is Article 30.4 of the CPTPP which addresses accession prerequisites such as APEC membership, consensus of CPTPP members and compliance with the full set of CPTPP rules and obligations.

TABLE 1 MAJOR POLICIES IN CPTPP NOT OR LIGHTLY COVERED IN RCEP

Policies	CPTPP Chapter	RCEP Chapter
SOEs and Designated Monopolies	17	Not included
Labour	19	Not included
Environment	20	Not included
Intellectual Property	18	Chapter 11 with annex for party-specific transition period
Dispute Settlement	28	Chapter 19, but lacking the Investor-State Dispute Settlement mechanism
Anti-corruption	26	Only one article covered in Chapter 17
Transparency	26	Distributed across several chapters

Source: Author's comparison based on the text of both agreements.

3.2 While Chapter 17 of CPTPP acknowledges the legitimate role of SOEs and designated monopolies in every economy, it plays a regulatory role in activities of these institutions which affect fair trade and investment among members as well as adversely impacting the market of non-members. Nevertheless, it is not all

¹⁶ "Joint Leaders' Statement on the Regional Comprehensive Economic Partnership (RCEP)", 15 November 2020. Source: <https://www.dfat.gov.au/trade/agreements/not-yet-in-force/rcep/news/joint-leaders-statement-regional-comprehensive-economic-partnership-rcep> (accessed 1 September 2021).

encompassing as it does not apply to some financial services, government procurement and services rendered.

- 3.3 Chapter 19 addresses the provision of labour based on *International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and its Follow-up (1998)*. Members are to provide acceptable work conditions, including minimum wages, hours of work and occupational safety and health, eliminate forced labour practices, shoulder corporate social responsibility, promote public awareness of labour law and provide procedural guarantee.
- 3.4 Chapter 20 covers environmental policies that promote mutually supportive trade and the authority to address trade-related environmental issues through cooperation. While members could set their own priorities on domestic environmental protection, these priorities should not come in the way of an environment law for supporting trade and investment. Members also agree to adopt measures for protecting the ozone layer, preventing pollution of the marine environment and establishing a cooperation framework on trade-related issues such as biodiversity, aquatic invasive alien species and marine capture fisheries.
- 3.5 Both the RCEP and CPTPP included a chapter on intellectual property. The two agreements contain similar objectives and principles relating to the protection and enforcement of intellectual property rights based on the *WTO Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement* and *WTO Doha Declaration on the TRIPs Agreement and Public Health*. However, RCEP recognises different levels of economic development and capacity, and differences in national legal systems of member countries for improving IPR protection and enforcement. RCEP urged members to adopt appropriate measures to prevent the abuse of intellectual property rights that could adversely impact the international transfer of technology.
- 3.6 Both RCEP and CPTPP provide a dispute settlement mechanism to interpret or enforce provision when a dispute arises between members. Beyond the general provisions of dispute settlement, CPTPP also has in place the Investor-State Dispute Settlement mechanism (ISDS) to deal with disputes between investors and members.

- 3.7 On the other hand, China needs to not only further reduce tariff on merchandise trade, but also comprehensively transform the positive list to the negative list for the service trade. CPTPP members are obliged to abide by the “negative list” meaning they should fully open up to service suppliers from CPTPP members unless the sectors are included in this list.¹⁷ The implementation of a negative list for cross-border service trade for China’s Hainan Free Trade Port on 26 August 2021 was a good start,¹⁸ even though the Chinese government has yet to announce its implementation nationwide.

Obstacles (II): Geopolitical Factors

- 4.1 Apart from policy areas that are not included or lightly covered in the China’s regional free agreement, China’s CPTPP entry would have to go through complicated negotiations with CPTPP members. The 11 CPTPP members could be divided into four groups in terms of the degree of friendliness to China.
- 4.2 The groups are classified based on (i) geopolitical tensions with China and (ii) Belt and Road Initiative (BRI) membership. Chile, New Zealand, Peru and Singapore (the first group) are BRI members who do not have g geopolitical tensions with China. Mexico (the second group) is not a BRI member but does not have geopolitical tensions with China. Brunei, Malaysia and Vietnam (the third group) have sovereign issues with China in the South China Sea, but are BRI members. Australia, Canada and Japan (the fourth group) are US allies who are not a member of the BRI and are concerned with China’s expansion.
- 4.3 Among the four groups of CPTPP members, China will apparently face more challenges when negotiating with members of the fourth group. Even though the third group take a different position with China on the South China Sea issue, they are not only members of BRI, but also members of ASEAN-China Free Trade

¹⁷ “How to read the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)”, Government of Canada, 12 February 2020. Source: https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/chapter_summaries-sommaires_chapitres.aspx?lang=eng (accessed 17 September 2021).

¹⁸ “China’s first negative list of cross-border trade in services comes into effect in Hainan”, *The Global Times*, 26 August 2021. Source: <https://www.globaltimes.cn/page/202108/1232507.shtml> (accessed 17 September 2021)

Agreement and the RCEP. China has accumulated years of cooperative economic relationships with these countries, which could be helpful for its CPTPP negotiations.

- 4.4 In the fourth group, Japanese Prime Minister Suga did not expect it to be light work for China's quest for membership.¹⁹ He argued that as China runs many businesses under the state, it would not be able to join CPTPP in the very near future. The chapters on SOEs, labour and environment are particularly incompatible with China's current business structure. Simply put, Japan will not ease the high-standard CPTPP for China.
- 4.5 Some Japanese officials urged China to conclude the trilateral free-trade deal with South Korea and Japan based on RCEP before vying for CPTPP membership.²⁰ The China-Japan-South Korea Trilateral Free Trade Agreement (CJK FTA) was proposed in 2002 and began official negotiation 10 years after. In 2019, the three countries agreed to raise the level of trade and investment liberalisation based on RCEP standards and to further incorporate high-standard rules to create a RCEP Plus free trade agreement.²¹
- 4.6 Australia has a bilateral free agreement with China which entered into force in 2015. The agreement has improved the business environment for Australians doing business with China. China has become the largest export destination for Australia and accounted for one third of the exports (Figure 1). As RCEP members, both Australia and China will benefit from new provisions such as the rule of origin and ecommerce. Australia was initially expected to support China in its quest for CPTPP membership to further open the Chinese domestic market, but it became the first economy to object to China's application.

¹⁹ "With eye on China, Japan refuses to ease TPP rules for new members", *Nikkei Asia*, 18 December 2020. Source: <https://asia.nikkei.com/Economy/Trade/With-eye-on-China-Japan-refuses-to-ease-TPP-rules-for-new-members> (accessed 16 August 2021).

²⁰ "China Steps Up Efforts to Join Trade Pact Created to Exclude It", *Bloomberg News*, 18 May 2021. Source: <https://www.bloomberg.com/news/articles/2021-05-17/china-steps-up-efforts-to-join-trade-pact-created-to-exclude-it> (accessed 13 August 2021).

²¹ "The 15th Round of Negotiations of China-Japan-ROK FTA Held in Tokyo", China FTA Network, China's Ministry of Commerce, 17 April 2019. Source: http://fta.mofcom.gov.cn/enarticle/chinarihen/chinarihennews/201904/40325_1.html (accessed 16 August 2021).

- 4.7 Australia-China economic relations have deteriorated since the US-China trade war. China has banned Australia's agricultural exports such as lobster, barley, wine and beef while Australia aligns with Western countries to condemn China for the repression of its Uighur minority and other alleged human rights abuses.²² Some Australian business groups and industry groups are pushing the Australian government to offer the CPTPP membership to Taiwan, not China, due to Taiwan's commitment to rule of law, human rights and intellectual property standard.²³
- 4.8 The biggest obstacle for China is without doubt the United States. Since Trump took office in 2017, China-US relations had been mired by talks of the two superpowers decoupling in trade and technology, and by the suspension of many economic cooperation and personnel exchanges. Although the United States is not a CPTPP member, many members such as Japan and Australia are likely to take directions from the United States.
- 4.9 After Biden came to power, he has strongly expressed his interest in international engagement and to keep in active contact with like-minded countries in countering China's rise. Recently, the United States led the G7, which included Japan and Canada, to embark on a "Build Back Better World" (B3W) Infrastructure Plan, pushed forward the Quadrilateral Security Dialogue, which included Japan and Australia, and launched AUKUS Alliances with Australia and the UK to counter China.
- 4.10 If China were to join the CPTPP earlier than the United States, it will have the right to veto US application, a scenario the United States and Japan would want to avoid. Therefore, China's accession to CPTPP will be slower than or take place at the same time as that of the United States.

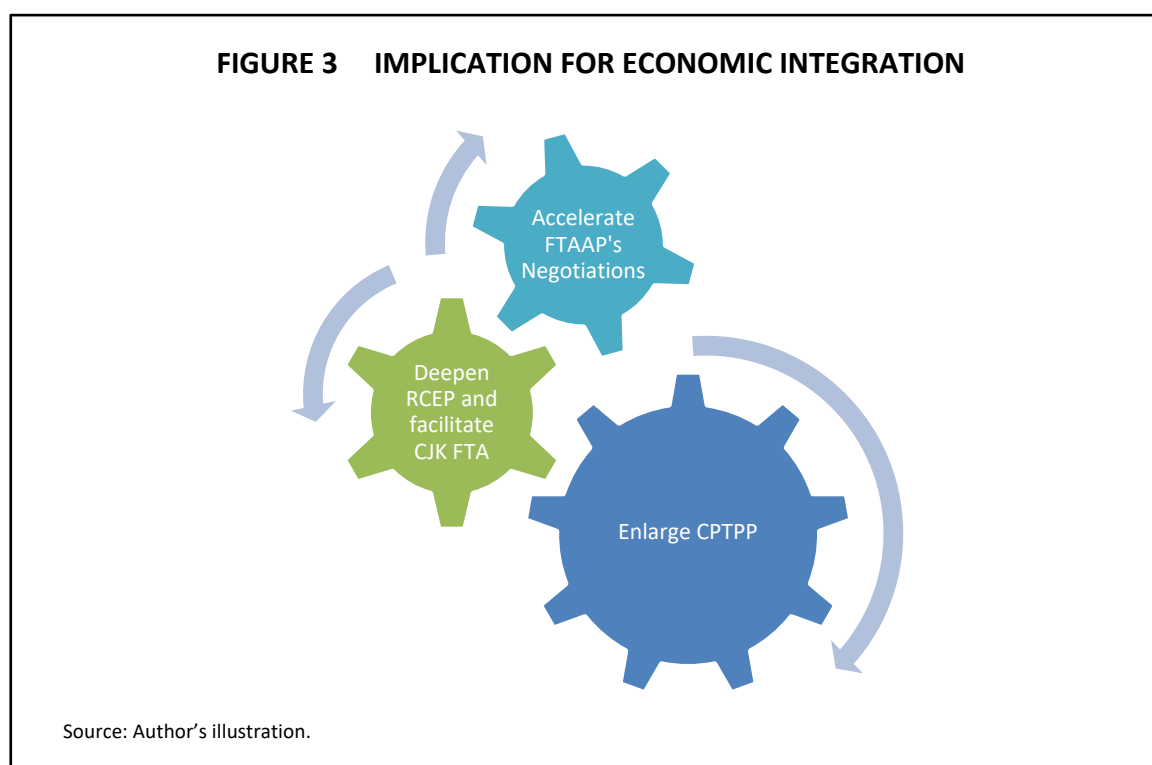
²² "Australia embraces U.S. and pays price with China as trade war hits bottom line", *NBC News*, 20 June 2021. Source: <https://www.nbcnews.com/news/world/australia-embraces-u-s-pays-price-china-trade-war-hits-n1270458> (accessed 17 August 2021).

²³ "Taiwan should join Australia in trans-Pacific trade bloc, Canberra told", *South China Morning Post*, 24 June 2021. Source: <https://www.scmp.com/economy/china-economy/article/3138450/taiwan-should-join-australia-trans-pacific-trade-bloc> (accessed 17 August 2021).

- 4.11 The same applies to Taiwan's application to join the CPTPP. Taiwan is also actively consulting CPTPP members and gaining their support in its quest to join. However, the application for membership of both China and Taiwan will be taken as one as China will not allow Taiwan to participate in international contracts or would have its accession decided by Taiwan if Taiwan becomes a CPTPP member ahead of China.

Implication for Regional Integration

- 5.1 The impact of China's CPTPP accession could be enormous particularly in enhancing economic integration in the Asia-Pacific region (Figure 3). China's inclusion would increase the size of the CPTPP. The TPP accounted for over 30% share of the world's GDP while the CPTPP or TPP-11 without the United States is less significant, at only 13% of the total share.²⁴ China's participation could make up for this gap, which is approximately equal to the scale of RCEP. The participation of the United States and China will transform the CPTPP into the world's largest economic bloc.



²⁴ "Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)", Institute for Government, UK, 2 February 2021. Source: <https://www.instituteforgovernment.org.uk/explainers/trade-cptpp> (accessed 23 August 2021).

- 5.2 Moreover, China's interest in joining the CPTPP is likely to push the United States to return to the negotiating table of the CPTPP. Japan has, on several occasions, invited the United States to renegotiate for CPTPP membership as CPTPP members are largely unable to resist Chinese pressure for membership.²⁵ This in all likelihood will drive the United States to return and lead the CPTPP to counterbalance a rising China in the Pacific Rim.
- 5.3 China's quest for CPTPP membership may also accelerate negotiations for China-Japan-Korea Trilateral Free Trade Agreement. In the 16th round of negotiations in November 2019, the three countries agreed to continue negotiating for a comprehensive, high-level and mutually beneficial agreement based on the progress of the RCEP.²⁶
- 5.4 However, Japan and Korea's preference is to not only access the Chinese market, but also receive fairer business treatment vis-a-vis Chinese SOEs and private enterprises not covered in the RCEP. CPTPP membership could help clarify such concerns from Japan and Korea for a high-level trilateral free trade agreement with China.
- 5.5 RCEP is expected to move into its second phase of negotiations to upgrade the currently signed agreement if China joins the CPTPP. Eight RCEP members in the CPTPP will account for more than half of the total trade of RCEP by the time. The advanced RCEP may not be the same as the CPTPP as most RCEP members are still more concerned about the role of SOEs in their economic structure; some are also not likely to abide by a strict industrial policy on environmental protection as that could hamper their economic development in the short run.
- 5.6 In 2021, India is expanding its free trade network with a number of countries. India's Commerce Secretary BVR Subrahmanyam said that the government is fast-tracking

²⁵ "The U.S. Shouldn't Let China Take the Lead on Trade", *Bloomberg*, 26 May 2021. Source: <https://www.bloomberg.com/opinion/articles/2021-05-26/u-s-should-join-cptpp-trade-deal-before-china-does> (accessed 23 August 2021).

²⁶ "Sixteenth Round of Negotiations on a Free Trade Agreement among Japan, China and the Republic of Korea", Press Releases, Ministry of Foreign Affairs of Japan, 29 November 2019. Source: https://www.mofa.go.jp/press/release/press4e_002715.html (accessed 23 August 2021).

six of the 20 bilateral FTAs as India needs to engage with the outside world on trade.²⁷ China's interest in CPTPP participation may prove to be a driver. Compared with the CPTPP, it is easier for India to join the RCEP as it was a member of the RCEP drafting committee and RCEP members have provided a fast-track accession process for India to rejoin RCEP in the future.

- 5.7 APEC endorsed the *Beijing Roadmap for APEC's Contribution to the Realisation of the Free Trade Area of Asia-Pacific* in November 2014 and APEC leaders have agreed to expedite on the conclusion of a potential building bloc called the FTAAP. A CPTPP with China will enlarge the membership size of the CPTPP and share of global GDP; together with an advanced RCEP, it could also converge into the long-awaited FTAAP.

²⁷ "Commerce Secretary: Need more FTAs or will be shut out of global markets", *The Indian Express*, 12 August 2021. Source: <https://indianexpress.com/article/business/economy/commerce-secy-need-more-ftas-or-will-be-shut-out-of-global-mkts-7449571/> (accessed 24 August 2021).