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WORLD | ASIA

U.S. on Sidelines as China and Other Asia-Pacific Nations Launch Trade Pact

The Regional Comprehensive Economic Partnership will eventually eliminate more than 90% of tariffs on commerce among 15 member countries



Tariffs will be eliminated on many industrial goods exported from Japan to China under the new pact; a Nissan plant in Kaminokawa, Japan.

PHOTO: KIYOSHI OTA/BLOOMBERG NEWS

By [Yuka Hayashi](#) [Follow](#)

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WASHINGTON—China joins U.S. allies including Japan and Australia in a new Asia-Pacific trade agreement that launches Saturday—with the U.S. watching from the sidelines.

The new Regional Comprehensive Economic Partnership, or RCEP, will eventually eliminate more than 90% of tariffs on commerce among its 15 member countries, in what economists say will be a boon to trade in the region.

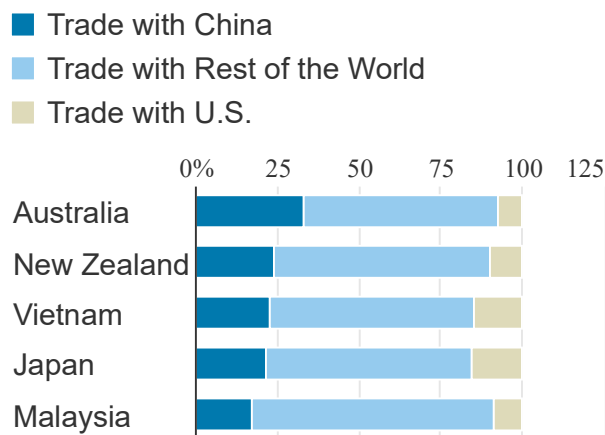
It will also give China a more prominent role in setting rules of trade in the Asia-Pacific region at the expense of the U.S., according to some analysts.

“This will be a grouping of countries that will work together and try to develop new rules and new standards,” said Wendy Cutler, vice president of the Asia Society Policy Institute and a former U.S. trade official. “[The U.S. is] moving in the other direction.”

Reliant on China

China is a more important trading partner than the U.S. for RCEP members

Countries’ two-way trade as a percent of total national trade



Source: Peterson Institute for International Economics

China had been excluded from an earlier trade agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which the U.S. had led to counter China’s influence in the region.

The U.S. withdrew from the Trans-Pacific Partnership in 2017 under former President Donald Trump, who said the agreement hurt U.S. workers. Many lawmakers also opposed the pact, and the Biden administration says it has no plans to rejoin it.

Henry Gao, an Asia trade expert and associate professor of law at Singapore Management University, said the new

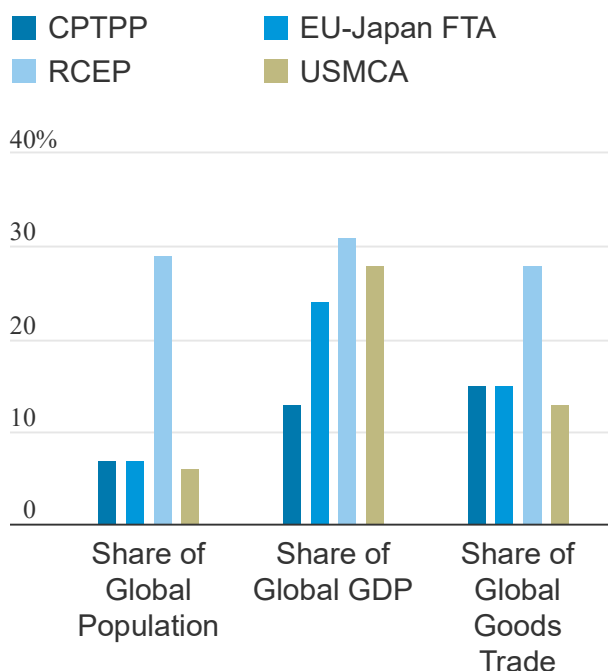
RCEP “could be a wake-up call for the U.S. to rethink its strategy and come back to Asia-Pacific.”

He said the RCEP will benefit China by making its parts and components more attractive to factories that make up supply chains in Southeast Asia, and by boosting trade with Japan and South Korea.

The RCEP was initiated in 2012 by the Association of Southeast Asian Nations to strengthen ties with China and other nations in Asia. Ms. Cutler, who worked with the U.S. Trade Representative’s office at the time, said the U.S. wasn’t invited to participate and said it wouldn’t have joined anyway because the agreement was considered too weak, lacking requirements for labor and environmental standards.

When the RCEP members unveiled the completion of their agreement in November 2020, then-President-elect Biden said the U.S. needed to “set the rules of the road instead of having China and others dictate outcomes because they are the only game in town.”

World’s Largest Regional Trade Pact



Congressional Research Service

A senior Biden administration official said the White House recognizes the need for the U.S. to engage the Asia-Pacific region economically and discussions about how to do so were ongoing.

The other member nations of the RCEP are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand and Vietnam.

So far 10 of the 15 member nations have formally ratified the agreement and the others are expected to do so in the months ahead.

With RCEP members accounting for 30% of global population and gross domestic product, the partnership becomes the world’s largest regional trade agreement, exceeding the U.S.-Mexico-Canada Agreement and the European Customs Union.

The agreement aims to eliminate almost all tariffs on imports between the nations in up to 20 years and establishes common standards on intellectual property rights and e-commerce.

Some trade analysts have said the RCEP falls short by not addressing issues where China could be vulnerable, including labor and environmental standards and its support for state-owned enterprises.

In a Nov. 8 letter, 13 GOP senators led by Mike Crapo (R., Idaho), the top Republican on the Senate Finance Committee, urged Mr. Biden to get involved in new trade rule making in the Asia-Pacific region, saying the absence of the U.S.

“encourages potential partners to move forward without us and ensures China will hold the reins of the global economy.”

As an early indication, they pointed to the launch of the RCEP, calling it “an agreement that comports with China’s interests, including weak rules on intellectual property rights, and none whatsoever on state-owned enterprises.”



Sen. Mike Crapo (R., Idaho) has urged President Biden to get involved in new trade rule making in the Asia-Pacific region.

PHOTO: CHIP SOMODEVILLA/GETTY IMAGES

Liu Pengyu, a spokesman for the Chinese Embassy in Washington, said China is “committed to building an open world economy, rather than forming an exclusive and closed ‘clique,’”

The launch of the RCEP comes at a time when China seeks bigger roles in making trade rules in the Asia-Pacific region while the U.S. remains largely absent.

In recent months, Beijing applied to join the CPTPP and the Digital Economy Partnership Agreement, an ambitious new pact between Chile, New Zealand and Singapore that aims to build common standards in areas like e-commerce and artificial intelligence. Some experts see the DEPA as a model for a future agreement for the broader region.

Emphasizing the progress China has made in opening up its economy in a Nov. 5 speech, Chinese President Xi Jinping pointed out that China was among the first nations to ratify the RCEP domestically. He also pledged to work actively toward joining the CPTPP and the DEPA.

As the first free-trade agreement that links China, Japan and South Korea, the RCEP is expected to help boost trade between the nations significantly.

Tariffs will be eliminated on 86% of industrial goods exported from Japan to China, up from 8% currently. That includes the elimination of levies on 87% of auto-parts exports worth nearly \$45 billion annually, according to the Japanese government.

Some 92% of Japanese industrial products will be exported to South Korea duty free, compared with 19% currently.

The Brookings Institution estimates the RCEP could add \$209 billion annually to world incomes, and \$500 billion to world trade by 2030.

The most notable feature of the RCEP, trade experts say, is flexible origin rules. It requires only 40% of the contents of a product to originate within the RCEP bloc to qualify for duty-free treatment, compared with the 50% to 60% floors for the USMCA.

“That provides a lot of opportunities for building and strengthening intra-Asian supply chains,” said Jeffrey Schott, a senior fellow at the Peterson Institute for International Economics.

Write to Yuka Hayashi at yuka.hayashi@wsj.com

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