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China Joining the Trans-Pacific-Partnership

International trade is a result of comparative advantage, which is when one person or country has a lesser opportunity cost than another in creating a good or service. Some countries have better access to natural resources and technology than other countries when producing certain goods and services, resulting in a lesser opportunity cost. Other countries have an absolute advantage in the production of some goods and services. For example, South Africa has an absolute advantage in mining for diamonds; therefore, it controls the market for diamonds. Because different countries can better produce certain goods and services, it is only logical for a country to, rather than producing every good and service it needs, trade for goods and services from other countries. A dreaded side effect of international trade is trade restrictions: tariffs, taxes on imports, and quotas, limits on the quantity of a good that can be imported or exported. These are all barriers to free trade between countries, and to destroy these barriers, countries form trade organizations and free trade agreements such as the World Trade Organization (WTO), the Trans-Pacific-Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the North American Free Trade Agreement (NAFTA). Each differs in the level of multilateralism and free trade, and each was made for different reasons. The TPP is a trade agreement between twelve countries: United States (US), Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru. They joined to

deepen their economic ties by reducing tariffs and fostering trade to boost economic growth between the US and countries in the Asia-Pacific region. Unlike the other trade organizations and agreements listed above, one major reason the TPP was formed is to ensure the creation of more jobs for US citizens by creating a hedge against China. Also, the TPP's thirty chapters cover all subject areas that the WTO covers, as well as e-commerce, labor laws, pharmaceutical issues, copyright laws, and environmental protection. Like the WTO, the TPP has an Investor State Dispute Settlement (ISDS), which is a corporate tribunal that decides and penalizes countries that supposedly hurt other countries within the agreement's economy. The largest difference is that the TPP covers many issues that are sensitive to countries like China, making the trade agreement seem like an act of containment, trying to prevent an increase in Chinese hegemony in a similar fashion to that of the Cold War. Therefore, China can and should join the TPP because increasing rules-based international trade increases US hegemony while simultaneously preventing global economic decline.

Logistically, there is nothing keeping China from joining in the status quo, other than meeting standards of joining because the TPP is an open architect arrangement, meaning that after the legislation was passed, other members can join the agreement. Congress cannot control who joins, but the anti-China rhetoric surrounding the TPP legislation alienates China, and Chinese officials explicitly view the TPP as a containment strategy. Chinese Foreign Ministry Spokesman Lu Kang responded to the TPP by saying that the "TPP allows America — and not countries like China — to write the rules of the road in the 21st century" (Aneja 2016). China also sees the TPP as a constraint to their foreign trade, pressuring them to pursue aggressive regionalization and other free trade agreements as a result. China could return to creating new

bilateral free-trade agreements or use its ‘One Belt One Road’ plan that connects China to Europe as a “New Silk Road” (Mitchell 2015). The main obstacle for China is that China will have to comply with standards that it has not yet met, but the TPP has allowed some other countries with similar problems to join: Malaysia, Brunei and Vietnam (Greenville 2015). Joining the TPP would force China to comply to those standards, which would actually jump start Xi Jinping’s plans for reforms. Joining the TPP would create a situation similar to when China joined the World Trade Organization. Joining the WTO gave Zhu Rongji enough political capital to facilitate domestic reforms that otherwise would not have passed (Huang 2015). Even though it may be difficult for China to join the TPP by meeting its standards, the standards will not prevent China from joining. The TPP was made in an elastic form to “accommodate economies at different stages of development ... that’s why Malaysia” is in the TPP (Dasgupta 4/22). Another opposing argument is that China will not want to comply to Intellectual Property Standards, but China may see some positive sides to increased Intellectual Property Standards, as China manufactures many pharmaceutical ingredients. China joining the TPP and increasing these IP standards would allow for more innovation by Chinese manufacturers, which would benefit the Chinese economy, an incentive for China to join the TPP (EAF 2016).

China is now considering joining the TPP because, although it is part of the Regional Comprehensive Economic Partnership (RCEP), whose members involve ASEAN countries and Japan, Korea, New Zealand, Australia, and India, there are no high expectations for the RCEP to grow to the level of the TPP. Therefore, China wants to join a free trade agreement with room for growth and expansion. Also, Xi Jinping is currently lacking enough political capital to push domestic reforms, but many of the TPP’s standards are parallel with his ideas; therefore, Xi is

behind joining the TPP as well. Joining the TPP would encourage China's businesses to innovate with the incentive of fewer trade regulations. Removing trade regulations would benefit trade between China and its second largest trading partner, the US, the European Union being China's largest trading partner. Because the two countries are already so economically interdependent, China joining the TPP will allow both countries to continue trading but with fewer barriers (Meltzer 2015). In the status quo, China not being a part of the TPP has made China see the TPP as a constraint, and it has pursued aggressive regionalization as a result. China has increased trade with countries in the Association of Southeast Asian Nations (ASEAN) because it wants to make up for the lost 0.5 percentage points knocked off China's annual economic growth, another result of Chinese exclusion from the TPP (Mitchell 2015). This all undermines global trade because China is the world's largest manufacturer, and it is "central to Asian supply chains." Chinese officials who originally were upset from perceived Chinese exclusion and containment via the TPP now are "drop[ping] hints about wanting to join the" TPP (Economist 2015).

China joining the TPP would not only benefit the Chinese economy, but it would also benefit the US by increasing American hegemony. Hegemony is a country's sovereignty, its leadership and dominance over other countries in the world. If a country has the support of the US, it is automatically seen as more trustworthy by other nations. For example, after the US lifted many sanctions for trade from Cuba, Cuba has been able to increase its trade with other countries around the world (Boyer 2016). Because the US is key to shaping the TPP, America will set the rules and standards to which many Asia Pacific countries will have to comply. If China does not join the TPP, then alternative bilateral free trade agreements will be encouraged, undermining US leadership. This increases US hegemony through "a broader Asia-Pacific

regional framework within which the U.S. and China can manage their relations” to America’s rules (Funabashi 2015). US hegemony is key to economic stability in the Asia-Pacific region because China is not likely to play by the rules, as China values its sovereignty above all else. One may think that an increase in US hegemony may cause China to perceive the US as a threat to Chinese hegemony, but only an increase in rules based trade will keep China from breaking the regulations. The “transition period from British to American hegemony confirms” that China, even during international integration, is likely to pursue policies that undermine the leadership of other countries (Tellis 2014). Dr. Tellis argues that it is only fantasy to think that China would not challenge others’ leadership, especially when China has been perceiving the TPP as containment. Inviting China to join the TPP is the only way to have China play by the rules while not containing China. China joining the TPP would “put China on the same playing field [...] ... making a deal with Japan and four minor economies in Asia ... will not affect China” or its other trade relationships, causing China to no longer perceive the TPP as a US-led containment strategy (Prestowitz 2015). It is the only way to restrain China without becoming a threat.

China joining the TPP would prevent economic decline in China as well as the economies of other countries affected by the TPP. Economic decline is the slowing of the economy, a part of the business cycle which reflects the inevitable upturns and downturns of the economy. Economic decline can be caused by an increase in unemployment rates, less expenditures, inflation, higher taxes, and, at times, government spending. Higher taxes cause economic decline because they cause businesses to produce fewer products and hire less workers. Those businesses may also go to other countries where taxes are fewer, allowing the business to be more profitable. This hurts that business’ home country, causing economic decline. China not being a

part of the TPP increases tariffs, taxes on exports and imports. China joining the TPP would reduce taxes on goods from China. As our second largest trading partner, there are many Chinese goods in the US. Therefore, with less taxes on those products, more people will buy the goods, speeding the economy.

Also, the perception of the US containing China through the TPP destroys Sino-US overall relations. Relations are already declining because of China's 'salami-slicing' in the South China Sea. 'Salami-slicing' refers to how China has been expanding its exclusive economic zone, the area two hundred miles past a country's border to which that country claims exclusive rights to fishing, drilling, and scientific research. Because of the vast amount of oil in the South China Sea, China is building small islands and sending ships out into the South China Sea to intimidate neighbors who supposedly have ancestral claims to the disputed waters like China does. The US is trying to be a mediator, attempting to prevent conflict from escalating between its allies like Malaysia, Brunei, and Taiwan and China. The US has not responded kindly to China's aggression of "ramm[ing] Philippine fishing boats and buzz[ing] a US spy plane"(Ash 2015). The conflict over the South China Sea is on the brink, and the perception of containment via the TPP will not benefit relations.

Declining relations will not allow for the US and China to cooperate over issues of importance like counter terrorism, global warming, and human rights abuses. It is not possible to solve all environmental threats without two of the largest emitters, and the US and China would not be able to work against terrorism, even though China has incentives through its One Belt One Road program, which has some focus on the middle east. The risk of these impacts and that of economic decline all outweigh any arguments against China joining the TPP because these are

all existential threats. For the success of the global economy and global stability, China must join the TPP, restoring US hegemony through rules-based international trade.

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