

Asia looks to Beijing for new trade deals after Trump quits TPP

Australia open to trade pact going ahead with China instead of US but Tokyo doubtful

by: Robin Harding in Tokyo, Jamie Smyth in Sydney and Michael Peel in Bangkok

Australia has called for the Trans-Pacific Partnership to go ahead without the US after president Donald Trump's withdrawal from the 12-country free-trade deal forced Asian capitals to rethink a decade of international economic policy.

Malcolm Turnbull, prime minister of Australia, vowed to keep TPP alive and said he was open to China joining the pact instead of the US — a sign of how withdrawal could damage American interests in the region, even with its closest allies.

But trade negotiators from several countries said it would be hard to sustain TPP in its current form. Instead, big players such as China and Japan are likely to engage in intensive diplomacy as they try to shape a new regional deal.

“Losing the United States from the TPP is a big loss, there is no question about that,” said Mr Turnbull. “But we are not about to walk away from our commitment to Australian jobs.”

“Certainly there is the potential for China to join the TPP,” he added. “There is also the opportunity for the TPP to proceed without the United States and I’ve had active discussions with other leaders as recently as last night with Prime Minister [Shinzo] Abe about that.”

On Tuesday, China's foreign ministry declined to say whether Beijing would consider any invitation to join the TPP. A ministry spokesperson instead cited two rival trade pacts, saying that the rival Regional Comprehensive Economic Partnership, which unlike TPP includes Beijing, “should be concluded at an early date.” The ministry also said the Chinese government would continue to promote a free trade area of the Asia-Pacific.

Mr Trump made withdrawal from TPP, which the US has not ratified, one of his first acts as president on Monday, vowing to negotiate bilateral deals instead. The TPP is a signature regional agreement for President Barack Obama's “pivot” to Asia, covering Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam.

Japan is in no mood to abandon the pact and hopes Mr Trump will eventually come round to its merits. Officials in Tokyo poured cold water on Mr Turnbull's idea of going ahead without the US.

They noted Australia already had a bilateral trade deal with Washington and thus relatively little to lose from Mr Trump's withdrawal. Japan, on the other hand, offered to slash agricultural tariffs in TPP to gain better access to the US market for goods. It has little reason to grant the same concession to Canada and Australia.

Attention in the region has begun to turn to RCEP, which covers Australia, Brunei, Cambodia, China, Indonesia, India, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand and Vietnam.

A tug of war is heating up between Japan and Australia on one side, who want a "high-quality" RCEP which would be similar to TPP, covering areas such as intellectual property and China on the other, which is promoting a simpler deal focused mainly on tariffs and market access.

"While the other 11 TPP members could create a parallel agreement without the US and move forward, the economic benefits will be significantly reduced without the US participating," said Rajiv Biswas at IHS Global Insight in Singapore. "Therefore, some TPP member countries may prefer to refocus on the RCEP as an alternative large-scale regional trade liberalisation initiative."

Vietnam and Malaysia are the other big players in TPP, and their manufacturing sectors stood to make big gains from the deal. For example, Vietnam would have gained access to North American markets, particularly in sectors such as textiles.

Vietnamese officials and business people have given little public indication that they expect the agreement to be revived without the US and have focused instead on talking up the future without it. Many argue that the TPP process helped by galvanising companies and the government to improve competitiveness and regulation.

In a recent article in Asia-focused news site The Diplomat, Nghia Trong Pham, a UK-based academic who worked on TPP as a Vietnam labour ministry official, has said that the end of the agreement would be a "huge loss" to his country and could make it more dependent on trade deals set up by China.