



CARNEGIE-TSINGHUA
CENTER FOR GLOBAL POLICY

Transcript

CHINA IN THE WORLD PODCAST

Host: **Paul Haenle**

Guest: **Tim Stratford**

Episode 26: The TPP and RCEP: Regional Trade
Agreements with Tim Stratford

July 29, 2014

Haenle: You're listening to the Carnegie–Tsinghua “China in the World” podcast, a series of conversations with Chinese and international experts on China’s foreign policy, international role and China’s relations with the world, brought to you from the Carnegie–Tsinghua Center in Beijing. I’m Paul Haenle, the director of the Carnegie–Tsinghua Center, and I’ll be your host.

Today I’m joined by my friend Tim Stratford, managing partner in the Beijing office of the law firm Covington and Burling. Tim focuses on advising international clients doing business in China and assisting Chinese companies seeking to expand their business globally. Tim was previously the assistant U.S. Trade Representative in the Bush and Obama administrations, responsible for developing and implementing U.S. trade policy for mainland China, Taiwan, Hong Kong, Macao, and Mongolia. Prior to his work at USTR, Tim worked in China for more than 25 years, including serving as General Counsel for General Motors China Operations, as Minister Counselor for Commercial Affairs at the U.S. Embassy in Beijing, and as Chairman for AmCham China.

Tim, I’m thrilled to join you today here in your Covington and Burling office here in Beijing and look forward to discussing trade and economic issues with you.

Stratford: Thank you, Paul. It is great to be with you.

Haenle: Tim, I’d like to begin by mentioning the new U.S. ambassador, former Senate Finance Committee chairman Max Baucus, who, you know, has a deep background in trade and finance issues, has said since arriving in Beijing that his top agenda is building a stronger economic relationship between the United States and China. Ambassador Baucus believes that a strong geopolitical relationship can be born out of a strong economic relationship, which often begins with trade. I want to start by asking if you share this view.

Stratford: I do, and I think it’s terrific that we have a former chair of Senate Finance here as the ambassador. I hope that we will soon have some trade agreements between the United States and China that can be considered by the Senate, and I think that Ambassador Baucus’s experience there can be very helpful in communicating to both sides the value of these types of economic agreements. I think that economic agreements can bring the benefit of the relationship to individual households and companies, they can help create jobs, and they can help expand the level of interaction between the peoples of both countries. I think that sort of person-to-person, company-to-company interaction helps grow understanding and helps alleviate a lot of mistrust that currently might be in place.

Haenle: Now, Tim, you worked in the U.S. government in great detail on many of these trade agreements. Obviously one thing that people are talking about today, is that the government is working on is the Trans-Pacific Partnership, or TPP. This has been promoted as the cornerstone in the Obama Administration’s rebalancing to Asia. President Obama had hoped to get an agreement here during his recent stop in Tokyo this past April, but talks were stalled amid Japanese concerns over agriculture protections for beef and rice. Recently, however, it appears that momentum has picked up as Japan has agreed to make further cuts in protection for two agricultural sectors, and President Obama and Prime Minister Abe confirmed their commitment to an early conclusion of the trade pact, hopefully, by the end of this year, maybe at the G-7 meeting in Brussels. The TPP was not well received here in China, as you and I have discussed. Initially, it was seen perhaps as part of a policy or strategy to keep China down, to contain China. But, recently there appears to be

a warmer reception, at least by some in China toward the TPP. I wanted to ask if you could explain this apparent shift here in China, in their attitude toward the TPP, and how you think China now views the agreement.

Stratford: Sure. Let me say first of all that I think that TPP is an extremely important initiative. I think that breaking down trade barriers between the United States and countries in the region can really help to bring economic benefits and greater interaction between the United States and these various countries. TPP was launched toward the end of the Bush Administration as an effort to try to put more momentum in global trade talks when we were concerned about the Doha Round of the WTO lagging. The idea was that if we could demonstrate what a next generation trade agreement would look like and show that the participants were really receiving benefits from that, that it could help spur more interests in trade liberalization. And I think that's what we are seeing with China now. I think China initially looked on the negotiations with a little bit of suspicion because they weren't being involved. Frankly, the aspirations of TPP were so high and at a different level than what China had been prepared to commit to in other trade negotiations, that the idea was that the United States could join talks already taking place between Brunei, Singapore, New Zealand, Australia, and so on. So, the United States joined that, and it's picked up momentum. And, I think now that China has seen some progress, they are looking to say, 'gee, maybe this could be beneficial for China as well.' So, I think that's a very positive direction. I think that if TPP can be concluded and can demonstrate benefits, it may be a great catalyst for trade liberalization in the region.

Haenle: I think it's an important point that you make and I think it is a clarification that is needed here in China, that this in fact was not part of the pivot announcement or the rebalancing strategy. In fact, as you say, this was an initiative created by four other countries outside of the United States, the United States agreed to join it during the Bush Administration. So, this in fact was initially supported by the Bush Administration and carried over to the Obama Administration.

Stratford: The idea that this is a containment strategy strikes me as odd because if the United States was really trying to contain China, I doubt that the choice would be to go to agreements with Singapore, Brunei, New Zealand, Australia, Chile, and so on. I mean, that's not really the economic block you would be trying to assemble. The reason they were chosen was not because they could contain China but rather because these were countries that were really showing an interest in trade liberalization. The United States wanted to work with them to see how far we could really go with that. When I was at USTR, my thought was that if we could really demonstrate some success with TPP, that would give folks in China a chance to look at it, sort of kick the tires to see if it was really doing some good, and then based on some hard data, they would be able to decide for themselves, 'hey, these would be good commitments for us to make, and it would be good for us to join as well.' So to me, it was seen as kind of a pilot project that others could study, and then based on data and facts, they could decide it was in their own interests to participate.

Haenle: In addition to the TPP, there is also the RCEP, the Regional Comprehensive Economic Pact. The RCEP, the Chinese are actively involved in, but not the United States; the TPP, the United States is actively involved in, and the Chinese are not. Looking to the future and looking at the regional economic integration, could the TPP and the RCEP coexist? Could they even

converge? Is that something that we should look out into the future to see happen? Is it realistic to imagine a U.S.-China joint effort to create a single trade and investment system for the Asia Pacific that could potentially draw these two pacts, the TPP and the RCEP efforts together with the goal to potentially establish a WTO Plus standard for the region? Is that something that in your view is viable? Is it important to try to do that? What's your sense on this?

Stratford: I think that would be a very constructive and positive goal to aim towards that would be in everyone's interest. It would take a number of years to put in place. The TPP negotiations, as I've indicated, are intended to be quite ambitious in terms of how deep and broad the liberalization is that they would bring into place. I think that RCEP is not as ambitious in that respect, but that's okay. Let TPP get established. Let's see how well it works, and I think that other countries would look at that and say, 'Hey, that's working pretty well, we would like to be involved in that too.' And, in the meantime, with RCEP, if that can continue to get countries to be making progress from where they are right now... I mean, not every country is ready to be talking about the TPP commitments. So, if there is another platform for people to talk about what they are able to do now, as long as everyone is moving in the right direction, then it would be very nice to see convergence at some point. Certainly there would be a lot of economic benefits.

Haenle: Yes, and I think that your point is important. Even those that I talk to in China that are supportive of China joining the TPP efforts are concerned about the timing and are concerned that China might not be ready today and might be overextending itself. But, as they look out over several years' period, they think that China may be ready and perhaps RCEP may be an important point in that process that may build them towards that.

Stratford: Right. I think timing is going to be a challenge. I mean, on the one hand, countries that may be lagging behind in trade liberalization are maybe feeling a little bit threatened by all that. But, on the other hand, to have some group go ahead and to demonstrate the benefits, hopefully that will spur greater confidence on the part of others that they would be better served carrying out those sort of reforms. Also, you have to say that if some countries are ready to open themselves up further, should they slow themselves down because others are not ready? I mean, that's a little bit hard to justify as well. I mean if there are benefits that countries could have if they are willing to liberalize, I think we need to let them liberalize and then demonstrate to others the benefits of doing so.

Haenle: Great. Well, thank you very much. It's been a pleasure to talk with you about these issues, and thank you for spending time with me today and for doing the Carnegie-Tsinghua Podcast. That's it for this edition of the Carnegie-Tsinghua "China in the World" podcast. I encourage you to explore our website at www.carnegietsinghua.org and see the work of all our scholars at the Carnegie-Tsinghua Center. Thank you for listening, and be sure to tune in next time.