

# New China-led trade bloc sets stage for further tensions with the US

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Eight years after negotiations began, a regional trade and economic agreement—the Regional Comprehensive Economic Partnership (RCEP)—was signed by 15 Asia-Pacific nations on Sunday, including China, Japan, South Korea, Australia, New Zealand and all 10 members of the Association of South East Asian Nations (ASEAN).

While relatively limited in scope, the deal is a further blow to US ambitions for economic domination of the region. After President Trump pulled the United States out of the Trans-Pacific Partnership (TPP), the world's largest economy is not part of either of the two main economic blocs.

ASEAN, rather than China, initiated the push for the RCEP agreement, but the very size of the Chinese economy—the world's second largest—ensures that it will be the predominant influence within the grouping. Whether Joseph Biden or Trump is finally installed as the next US president, both have signalled a further ramping up of Washington's confrontation with Beijing, including in the economic sphere.

The agreement is being billed as the world's largest trade deal, with the countries involved accounting for some 30 percent of global economic output. Even without the involvement of India, which pulled out of the talks last year, the region covered has a population of 2.2 billion. According to American-based professors, Peter Petri and Michael Plummer, cited by the *Financial Times*, RCEP will contribute \$186 billion to the size of the global economy and 0.2 percent to the economies of its members.

The Asia-Pacific region is already covered by a multitude of bilateral and multilateral trade deals, which the RCEP arrangements will seek to rationalise. The agreement will broadly cover goods and services, investment, intellectual property and electronic

commerce. It is regarded as a step towards creating a more coherent trading zone like the European Union or North America, but is not expected to result in large tariff reductions as many of the items are already covered by existing trade deals. It does, however, set standards throughout the region that at present vary considerably.

Currently, for instance, the rules of origin that determine where a product is considered to be made differ between the various trade agreements. An item produced in one country, containing components produced elsewhere, might be eligible under a free trade agreement with Japan, but not South Korea. Now if a product is eligible under RCEP, it will have the same status in all 15 members' states.

RCEP is also the first time that the three major North East Asian economies—China, South Korea and Japan—are part of the same trading bloc. Previous attempts by the three governments to reach an accord had repeatedly failed. By Japanese government estimates, the new trade agreement will eliminate tariffs on 91 percent of goods between the three countries. Some 92 percent of Japanese items exported to South Korea will now be tariff-free, as compared to only 19 percent previously, as will 86 percent of items exported to China, up from 8 percent.

The limited character of the deal is underlined by the fact that it allows countries to keep tariffs on imports in sectors regarded as particularly important or sensitive. As a result, agriculture is for the most part not included in the agreement and the coverage of services is also restricted.

The underlying geo-political tensions remain.

Beijing no doubt regards the agreement as a welcome counter to the escalating trade war by the Trump administration, which has imposed tariffs on two thirds

of Chinese consumer goods. China's premier Li Keqiang described the agreement as "a victory of multilateralism and free trade."

A comment in the hawkish state-owned *Global Times* was headlined "RCEP will end US hegemony in West Pacific." The new agreement, it declared, "sends out the message that Asian countries do not want to choose sides between the US and China" and "represents the failure of the Trump administration's attempted encirclement of China in the western Pacific."

The presence of formal US military allies—Australia, Japan and South Korea—in the economic grouping underscores the fact that all three are heavily dependent on trade with China, and have attempted a precarious balancing act between Beijing and Washington.

The Australian government, which has backed Trump's confrontational stance and increasingly whipped up anti-Chinese sentiment to justify draconian anti-foreign interference legislation, has faced Chinese trade measures in response. It welcomed the RCEP agreement as a means of warming frosty relations with Beijing.

India withdrew from the negotiations last year citing concerns that its manufacturers would not be able to compete with Chinese goods. India already has a \$60 billion a year trade deficit with China. While the door remains open for India to join the agreement, relations with China have deteriorated further amid border clashes this year.

The next US administration will not simply accept a growth of Chinese economic influence in Asia. Biden was vice-president under President Obama who launched the "pivot to Asia" aimed at undermining China economically and diplomatically and preparing for war. The TPP was pushed by Obama as a means of isolating Beijing by establishing an exclusive economic grouping that included major Asian economies such as Japan but excluded China.

In the course of the US election campaign, Biden and the Democrats attacked Trump for being too soft on China. Asked at a press conference yesterday about the signing of the RCEP agreement, Biden declared that he would not discuss US trade policy because he had not taken office and "there's only one president at a time."

Nevertheless, in a comment aimed against China, Biden declared: "We make up 25 percent... of the economy in the world... We need to be aligned with the

other democracies, another 25 percent or more so that we can set the rules of the road instead of having China and others dictate outcomes because they are the only game in town."

Biden has not indicated whether he would seek to rejoin the TPP, which was renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership after Trump withdrew the US. It is clear, however, that a Biden administration will continue the aggressive stance towards China initiated under Obama and escalated under Trump.

US imperialism is engaged in a desperate effort to stem its historic decline and is prepared to use all methods—military, as well as diplomatic and economic—to shore up its position against any potential rival, chief among them being China. As in the 1930s, the sharpening trade war is leading to military conflict involving nuclear-armed powers.



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