

China Should Join the TPP

The TPP was President Obama's trade pact designed to be a counterbalance to the surging influence of China. It was designed to exclude China. When President Trump decided to turn away from TPP he provided China with a strategic opening. China has been building bridges as the US was busy building walls, or trying to anyway.

China could wrongfoot the US easily by joining the TPP and help in driving it to conclusion. It would win as much prestige as the US would lose. Then perhaps President Trump will see that an insular and nationalistic policy is counterproductive and opt for a more open and engaging stance. If it did, it could spark a wave of competitive engagement which would be more productive than the current competitive insularism.

Of course, China's SOEs present the biggest practical hurdle to China ever joining the TPP. For now at least, SOEs are an important policy apparatus in the management of the Chinese economy. Yet with time this may change as China continues to reform and deregulate. Already it has decided to open its banking and asset management industry to foreign ownership, which is a big step in the right direction. If China could find itself ready to procure that its SOEs comply with international commercial standards, there is a chance.