The Strategic Case for South Korea to Join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

Kyle Ferrier
Korea Economic Institute of America

Abstract

South Korea is at a critical crossroads. The future of the liberal international order, a major source of strength for Seoul, is unclear. President Donald Trump has repudiated the longstanding American role of upholding the liberal order. While Beijing has been quick to capitalize on this policy shift, the norms China seeks to promote either fall short of or run counter to the advancement of an open and rules-based international system. Although South Korea may be caught between these two great powers, it is by no means powerless to influence how international economic norms are advanced. To best meet its economic and even strategic interests, the Moon administration should begin negotiations to have South Korea join the remaining countries in the Trans-Pacific Partnership, known as the CPTPP.

Keywords: China, South Korea, United States, liberal international order, Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Regional Comprehensive Economic Partnership, Free Trade Area of the Asia Pacific, East Asian regionalism, Belt and Road Initiative, great power rivalry, Donald Trump, Moon Jae-in

Introduction

In the context of great power rivalry, South Koreans often employ an old proverb to describe themselves as a "shrimp" at the mercy of aggressive "whales."[1] This is an ill-fitting characterization of the Republic of Korea's (ROK) position in today's world. South Korea is not the small power its dynastical predecessors might have been, geographically destined to be the front line of a Sino-Japanese power struggle for regional dominance. Its rise is largely tied to the establishment of the post-World War II liberal international order, a framework that continues to empower Seoul in world affairs. Although South Korea's interdependence with the two major global powers, the United States and China, has increased, thereby granting each one greater potential leverage over the ROK, Seoul is by no means powerless to shape its own destiny or even the competition between these powers. Given the possibly drastic consequences of recent shifts in great power influence, South Korea's understanding of the situation could not be more important.

Developments in the bilateral relationships with the United States and China will merit much of South Korean President Moon Jae-in's attention, particularly as they relate to the North Korean nuclear issue. Yet it is imperative that the Moon administration understand how these fit within the larger context. The U.S. long upheld the postwar liberal international order, as it was instrumental in its creation. However, President Donald Trump threatens to undermine America's commitment to liberalism, and thus the rules-based order itself. The foremost example of this in Asia is President Trump's decision to withdraw the U.S. from the 12-member Trans-Pacific Partnership (TPP) trade agreement. Acknowledging this shift in Asia, noted *Financial Times* columnist Martin Wolf asked, "Will what takes its place be chaos and confusion or a new order built around China?"[2] For Korea, neither outcome is acceptable.

While the liberal order was constructed to accommodate the rise and fall of great powers through the shared benefits of a rules-based system, it is unclear if Beijing is willing to take up this mantle. Even if it were, based on its approach to regional economic integration, China seems unlikely to do so in a manner reflective of many current international norms. How regionalism is advanced may not only be the most critical economic consideration for South Korea, but also the most strategic, given the implications for both the liberal global order, from which much of its strength is derived, and Beijing's influence over decision-making in Seoul. Thus, it is vital to the interests of South Korea for the Moon administration to uphold the values the U.S. has turned its back on by balancing against China economically. The most viable way to accomplish this would be to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

This paper will argue the case for Seoul to join the CPTPP by first outlining the significance of the recent shift in how Washington views its commitment to the liberal international order, and then examining Beijing's claims to uphold the order in response to this shift against the implementation of its regional integration agenda. It then delineates the challenges that the confluence of these factors poses to South Korea, before illustrating how joining the CPTPP is the most effective means to address these challenges.

America’s Role in the post-War Liberal Order

In the aftermath of back-to-back world wars, the United States led the effort to create an international relations framework to prevent the re-emergence of devastating conflicts. While interdependence may not have prevented both world wars, it would be central to the post-war order, funneled through new rules-based multilateral institutions designed to maximize the benefits of ambitious interstate cooperation. By incentivizing openness and mutual gains within the bounds of internationally accepted rules-based norms, the system was designed to accommodate the relatively smooth rise and fall of major powers.

Key to facilitating the promised benefits of this new global framework were the international economic regimes. The International Monetary Fund (IMF) and World Bank formed in 1944 were the backbones of the international finance and development regimes, respectively. The General Agreement on Tariffs and Trade (GATT), which would later evolve into the World Trade Organization (WTO), was formed in 1947 and embodied the trade regime.

Though an increasingly complex global economy outgrew many of the original functions of these institutions, countries sought to advance the core values underwriting the liberal order by adapting these institutions and creating complementary ones. In the financial regime, for example, President Nixon’s closure of the gold window in 1971, a decision based on domestic economic pressures, effectively ended the dollar to gold peg, which was the foundation of the global financial system at the time. Though this consequently changed macroeconomic adjustment policies, international coordination thereafter was no less extensive.[3] The IMF rewrote some of its Articles of Agreement to maintain its relevance. The G7—subsequently the G8—was established, as well as the G20 in later years.

In trade, liberalization was pushed through the GATT in a series of multilateral trade rounds. The first five rounds of negotiations, including the Kennedy Round (1962 to 1967), targeted tariffs. Beginning with the Tokyo Round (1973 to 1979), participants shifted to address more ambitious issues such as non-tariff barriers. The launch of the WTO in 1995 brought a legal framework to the trade regime. Around this time, the momentum for trade rules shifted from the multilateral level to the bilateral and regional level through free trade agreements (FTAs). These agreements, while not negotiated multilaterally, are still within the confines of the post-war framework via GATT Article XXIV and remain at the forefront of shaping international trade norms, particularly mega-FTAs such as the CPTPP and the Transatlantic Trade and Investment Partnership.

Although the U.S. share of global GDP declined from the inception of the liberal order in the mid-1940s through 2016,[4] Washington was no less central to the advancement of this system. The U.S. reaped absolute gains from the liberal order, as well as projected American values.[5] From Franklin Roosevelt to Barack Obama, successive administrations—Democratic and Republican—recognized that to advance the economic well-being of its allies was to advance its own security interests, and vice versa.

In the early stages of the Cold War, the Marshall Plan was the clearest example of the nexus between allies' economic issues and America's security interests. The U.S. gave over $13 billion in aid to European allies from 1948 to 1951 to rebuild war-torn countries.[6] The Marshall Plan was hailed as a strategic success for checking the spread of communism in Europe. At the same time, the plan ensured stable markets for American exports, which contributed to the post-war economic boom at home. Even after the collapse of the Soviet Union, Washington furthered its network of trade arrangements, particularly through FTAs and mega-FTAs, acknowledging their dual importance. Ashton Carter, President Obama's Secretary of Defense, praised the TPP for its economic and security benefits, stating that the deal was as strategically important to the U.S. as an aircraft carrier.[7]

Significance to the ROK

The ROK was able to thrive within this global environment. While military ties with the U.S. played a pivotal role in helping South Korea off its feet after the Korean War,[8] its strength thereafter was largely built on its ability to maneuver in the American-led international order. In 1960, South Korean GDP per capita was only $105; by 2016 it had risen to $36,532 (on a purchasing power parity basis).[9] This rapid economic growth, known as the Miracle on the Han River, was the result of decades of government policy promoting export-led industrialization,[10] made possible only because of market openings brought on by international trade liberalization. South Korea is now the world's eleventh largest economy. It is an active leader in international organizations such as the OECD, the G20, and the Green Climate Fund, as well as in trade: its 15

FTAs represent 75 percent of global GDP and are recognized for their high ambition.[11]

Perhaps the starkest reflection of the extent to which South Korea has benefitted from the liberal order is its progression against North Korea. Both were simultaneously created by the two major factions of the Cold War, yet the North remained in the Sino-Soviet sphere of influence until the collapse of the Soviet Union in 1991 and has been heavily reliant on Beijing since. In terms of political and economic standing, the two Koreas today could not be more different. The South is a vibrant democracy, while the North is run by one of the most repressive regimes in the world; the South has a thriving economy, while the GDP per capita in North Korea looks like that of the South's in the 1960s.

This is not to say Seoul's reliance on the international system is not without risk. Financial liberalization exposed South Korea to major economic crises in 1997 and again in 2008. Its growth through trade objectives have concentrated trade in a relatively small number of large companies heavily reliant on global value chains. Exports account for just under half of GDP, tying the domestic economy to global demand and granting outsized influence to countries it has a large trading relationship with. On the whole, however, it is difficult to contend that these risks have outweighed the rewards of the international framework. Yet, President Trump's divergent views on foreign policy undermines the future of U.S. leadership of the liberal order, threatening the continued benefits of this system for South Korea and exacerbating its vulnerability to external shifts, especially increased protectionism.

The Trump Administration: A Potential Challenge to South Korean Strength

President Trump's break with many of the longstanding principles behind U.S. foreign policy over the past 70 years potentially has enormous implications for the conduct of international relations. His "America First Foreign Policy" fundamentally rejects the value of mutual gains and cooperation.[12] Driving this change is President Trump's assertion that America is in decline due to ineffectual leadership that has signed trade deals unjustly benefitting other countries and allowing military strength to atrophy. Former White House National Security Adviser H.R. McMaster and former Director of the National Economic Council Gary Cohn characterized this approach as a, "clear-eyed outlook that the world is not a ‘global community’ but an arena where nations, nongovernmental actors and businesses engage and compete for advantage.”[13]

Where his predecessors saw opportunities to pursue the philosophical tenets of John Locke, forming the basis for free market ideals, President Trump sees a Hobbesian jungle. In such an environment, wherein relative gains are paramount and absolute gains are all but irrelevant, Trump perceives leading the United States and the liberal international order as antithetical in many ways. He has issued new tariffs on imports worth billions of dollars annually and is threatening to pursue more, greatly undermined the role of the WTO, and started the process for the U.S. to withdraw from the Paris Climate Agreement, notably stating he was “elected to lead the citizens of Pittsburgh, not Paris,” among other examples within the same vein.[14]

Moreover, while it was once accepted that advancing security and economic ties did not come at the expense of the other, President Trump has decoupled the two by suggesting allies are taking advantage of the U.S. economically. This idea is clearly laid out in the president’s first two trade agendas[15] and is a driving force behind his decisions to pull out from or renegotiate FTAs with allies as well as impose tariffs on them. The negative repercussions of these actions are unfortunately greater than the sum of their parts, as increasingly ambitious U.S. bilateral and regional FTAs with allies and like-minded countries have been the key drivers of international trade standards over the past two decades.

President Trump’s decision to withdraw the U.S. from the TPP is perhaps the most consequential break with Washington’s leadership of the liberal order to date.[16] He deemed the trade deal—aimed at increasing trade liberalization standards and economic growth among 12 economies across the Asia-Pacific—an economic “disaster” for the U.S.[17] Discounting the lost economic benefits to allies in the region but acknowledging the American withdrawal would raise security concerns, the administration introduced a plan to increase U.S. Naval forces to counter a growing Chinese navy.[18] Peter Navarro, then-campaign advisor and now director of the newly created White House National Trade Council, claimed the mere initiation of this program “will reassure our allies that the United States remains committed in the long term to its traditional role as guarantor of the liberal order in Asia.”[19] Whereas security and economic matters were traditionally complements in advancing shared interests with allies, this plan is emblematic of how the Trump administration views them as substitutes. America’s allies, however, do not see eye to eye with the administration. After over a year of this approach, they are anything but reassured of Washington's commitment to the rules-based order in Asia.[20]

Renouncing regional trade agreements, President Trump has embraced bilateralism as his trade policy agenda through which he hopes to employ U.S. market power to receive better concessions in negotiations. Not only have the initial results of this approach been underwhelming, it is incompatible with U.S. leadership in the international trade regime.[21] In the absence of American leadership, the country taking its place at the table would have tremendous power to rewrite the rules of international trade. Beijing is the largest and seemingly most eager player to assume the role Washington has rejected. It is leading two major initiatives in Asia with the potential to incrementally spread its own values regionally and ultimately have them adopted multilaterally.[22] The shift in U.S. foreign policy brought on by President Trump has cleared the path for China to forge ahead with this strategy. Yet the underlying norms of these initiatives are not necessarily in the best interest of others in Asia, including South Korea.

Discerning What a China-led Order Would Look Like: RCEP and FTAAP

Negotiations for the Regional Comprehensive Economic Partnership (RCEP) opened in 2013 and were originally scheduled to be completed by the end of 2015, but the deadline has been pushed back each year since. Founded on ASEAN centrality, the RCEP attempts to bridge two separate ASEAN trade arrangements, incorporating China, India, Japan, New Zealand, Australia, and South Korea. Bringing together such a large group of countries with diverse interests for an FTA based around ASEAN norms—consensual decision-making and noninterference in the domestic affairs of other states—has naturally resulted in low standards, despite the breadth of issues discussed.[23] Whereas U.S.-backed FTAs have more recently focused on non-tariff barriers—e.g., a domestic legal framework that may discriminate against international competitors—the RCEP only targets tariffs. Even so, it is not expected to cut tariffs as much as is stipulated in the CPTPP. Events following the U.S. withdrawal from the TPP highlight the challenges for the RCEP achieving its stated objectives.

In the aftermath of the U.S. decision to withdraw from the TPP, Japan and Australia (members of both agreements along with New Zealand, Brunei, Malaysia, Vietnam, and Singapore) led the charge to make RCEP a higher quality deal by incorporating aspects of the TPP. The suggested provisions included stricter intellectual property rights and strengthening other areas such as services and the digital economy. China and India, however, were not receptive to such endeavors. Beijing was silent on the possibility of joining the TPP after the U.S. withdrawal, despite public suggestions from member countries that they would be open to its participation. Beijing seemed to be committed to the RCEP's original and simpler focus of tariffs and market access.[24] On the other hand, India was reluctant to even concede on tariff eliminations without major concessions from China—a key reason why an agreement was not reached in previous years and is yet to be resolved in 2018.[25]

How the liberalization standards of the RCEP are shaped holds importance beyond the deal itself, as China looks to spearhead an even larger regional trade agreement. While Beijing was quiet on the possibility of joining the TPP in the wake of the U.S. withdrawal, Chinese President Xi Jinping was quick to promote an alternative. Just weeks after Donald Trump's election, President Xi advocated for the Free Trade Area of the Asia-Pacific (FTAAP) at the Asia-Pacific Economic Cooperation (APEC) summit in Peru.[26] Originally proposed by China a decade ago, FTAAP would include all 21 member states of APEC and was seen as a means to bridge the TPP and the RCEP.[27] However, President Xi's renewed promotion of the FTAAP in light of a perceived U.S. leadership vacuum in Asia is indicative of China's desire to take advantage of the new environment to further its momentum in writing trade rules. The low standards it is promoting in the RCEP, as well as its aversion to TPP, suggest the FTAAP would also be of limited value. Even if the RCEP talks were to fall through and the FTAAP does not come to fruition, Beijing has another avenue to advance a regional framework.

Belt and Road Initiative

China's Belt and Road Initiative (BRI) is by far its largest economic endeavor, incorporating massive land and maritime infrastructure projects designed to increase China's trade linkages across Asia and as far away as Western Europe. Officially launched in 2013, the BRI sets out to invest over $1 trillion in 65 countries that represent approximately 40 percent of global GDP and 60 percent of the global population.[28] Distancing itself from how the U.S. traditionally supported the liberal order, Beijing has framed BRI as win-win cooperation through economic partnerships, not alliances. China has repeatedly argued that these partnerships will usher in a new wave of globalization through the rapid economic development of emerging and developing economies.[29] However, the BRI's implementation strongly suggests its purpose is to advance Beijing's own interests, especially as economic gains serve a strategic purpose.

The economic projects encompassed in the BRI are ultimately a means through which Beijing can meet its broader national goals. The chief preoccupation of Beijing is political and social stability, both at home and within its neighbors; it fears a nearby separatist movement could spark a similar movement at home and lead to the collapse of the state. Among other things, the BRI helps to mitigate these risks by attempting to boost economic growth at home and in neighboring countries.[30] Beijing may also be opening new markets, but by directing capital abroad through favorable contracts with partner governments, it is propping up state-owned enterprises (SOEs) and reducing domestic overcapacity. In short, by strengthening its position as the center of regional economic gravity, China is hoping to achieve its own strategic objectives, which often involves bringing neighbors around to its way of thinking.

Beijing's willingness to leverage its economic weight for political gain through the BRI has been most visible in how it has linked investment to support for its position in the South China Sea. In July 2016, an arbitral tribunal in The Hague ruled against China's claim to the South China Sea. The longstanding case brought by the Philippines was a serious legal blow to China's regional ambitions. Regardless, Beijing stated it would not accept or recognize the ruling.[31] Instead, China doubled down on efforts to break up ASEAN opposition to its claim through economic incentives. In late October 2016, President Xi travelled to Manilla, offering Philippine President Duterte $15 billion in new investment. Before the trip was over, both governments agreed to re-open bilateral talks on their dispute in the South China Sea.[32] In February 2017, a month after China pledged an additional $3.7 billon, the Philippine foreign secretary stated his government's official position was that the "disputed part of the South China Sea has never belonged to anyone," leading to the possibility of sharing resources in the previously disputed area.[33] Manilla also used its turn as the ASEAN chair during that year to minimize discussion of South China Sea claims in ASEAN-related conferences. Since assuming the chair in 2018, Singapore has reinserted the issue to ASEAN meetings. Nonetheless, the growing importance of regional economic ties with China is preventing shared security concerns over the South China Sea from being more prominently addressed.[34]

Additionally, the network of new economic linkages provides strategic advantages against China's largest regional competitor, India, and its largest global one, the U.S. Perhaps the most geo-strategically important aspect of the BRI is the China-Pakistan Economic Corridor, a $65 billion rail and port project that would connect China by rail to the Pakistani port of Gwadar. Most of the oil consumed by China is imported from the Middle East and must be shipped through the Strait of Malacca, a strategic chokepoint that would leave Beijing vulnerable during a conflict. China's deal with Pakistan provides a second access point to Middle Eastern oil, as well as the opportunity to build a naval base on the Arabian Sea.[35] These maneuvers are of great concern to Washington and New Dehli.[36] Beijing's maritime expansion in the region is seemingly aligned with the geopolitical "string of pearls" theory, referring to its ambition to develop ports from Hainan across the Indian Ocean to the Middle East and Africa.[37] While this may be viewed as a geographically-determined inevitability in Beijing, New Delhi fears it is being boxed in.[38]

President Trump's "America First" foreign policy has breathed new life into the BRI, despite questions about its sustainability.[39] At the first ever Belt and Road Forum held in May 2017—attended by 130 countries and 29 heads of state—a running theme was the rejection of protectionism, mirroring President Xi's efforts to recite principles that resonate with multilateral groups such as the G20 and ASEAN+3.[40] However, the implementation of the BRI so far suggests that it is not as open as it is being portrayed, which should be of major concern for a country as structurally dependent on the global economy as South Korea.

The Great Power Challenges for South Korea

The radical and abrupt shift in American foreign policy that Beijing is seeking to exploit in Asia is just as much a security issue as it is an economic one for Seoul. For decades, the ROK's export-led economic growth strategies have been tailored to complement the liberal international order: total trade today accounts for over 75 percent of GDP and exports around 40 percent of GDP.[41] Seoul recognizes its overdependence on trade, particularly in light of the downturn in global demand that decreased its exports by 14 percent and total trade by 18 percent between 2014 and 2016.[42] Yet, building a stronger domestic consumer market to diversify growth has proven elusive to South Korean leaders. While this issue is at the core of Moon Jae-in's economic agenda, it will only grow more difficult over time as South Koreans are faced with a demographic dilemma. Arguably the most concerning aspect of this overreliance on trade is that it is disproportionately concentrated with China, making Seoul vulnerable to political influence from Beijing. China demonstrated its willingness to use its leverage its economic leverage in security issues when it retaliated against the ROK's decision to deploy the Terminal High Altitude Area Defense (THAAD) missile defense system.

China received approximately $142 billion of the $570 billion in goods South Korea exported in 2017. These goods constituted a quarter of all South Korean exports, placing China at the top of the list of export destinations. Among its peers in the top 16 largest economies, only Germany exceeds the ROK in terms of total exports as a portion of GDP. Among these countries, South Korea's exports to China in terms of the country's top export partner as a percentage of its total exports are second only to Australia's 29.5 percent. However, this pales in comparison to Canada and Mexico's exports to the U.S., which constitute 76 and 80 percent of exports, respectively. Excluding the unique circumstances of North America, South Korea's dependence on trade with China is second only to Australia, yet Australia is only half as reliant on exports.[43] This is mitigated to some effect by trade content with China, being over 50 percent processing trade, meaning final demand originates in third-party markets, not China.[44]

The potential implications of a finalized RCEP for South Korea should not only be viewed in terms of the deal itself, but also through the lens of this bilateral trade relationship. Despite the relatively low goals of the deal, the RCEP would still be a boon for the South Korean economy. Government estimates have the deal increasing real GDP by 1.21 to 1.76 percent over ten years, which is not inconsequential.[45] However, because of diminishing growth opportunities elsewhere, the operational question for governments engaged in trade negotiations is not "will we benefit," but "will we benefit enough?" The South Korean export base primarily specializes in technology-intensive and high-quality products including increasingly important digital content. High-quality rules are therefore necessary to ensure the continued competitiveness of Korean companies. The chapters in the RCEP fall short of this, which would further increase economic interdependence with China without ensuring a level playing field for Korean firms.

The lack of strong rules and China's willingness to leverage economic ties for political gain are major risks to innovative Korean firms. Absent from the RCEP are important technology transfer rules that would prevent

Korean companies from being required to share their intellectual property to foster Chinese competitors. Also missing are non-discrimination clauses on digital content, which would have prevented Beijing from targeting the Korean entertainment industry over THAAD—potentially costing the industry $7.5 billion.[46] Although a dispute-settlement mechanism is being discussed, without the relevant rules its effectiveness would inherently be constrained. By design, the RCEP could increase the scope of Beijing's political influence over the Korean economy through economic integration and low-ambition rules—especially if reforms to grow the domestic economy have a minimal impact. This influence could be further solidified if low-standard rules are adopted in an FTAAP. Although the RCEP would also make Korean firms more competitive in other Asian markets, it would ultimately complement Beijing's goal of being the center of regional economic activity advanced by the BRI.

South Korea may not currently feature within the BRI framework, and its potential incorporation presents a significant challenge. Beijing's core interest on the Korean Peninsula is to limit American influence, which it achieves with North Korea acting as a buffer state.[47] Although the "3 Nos" agreement may have officially resolved the THAAD issue—the jury is still out on the numbers to back it up—Seoul must realize it still risks being subject to Chinese coercion as long as the U.S. remains a key military ally.[48] Whereas Beijing employed sticks over THAAD, the BRI could be used as a carrot to strain the U.S.-South Korea alliance, similar to the approach used with the Philippines in regard to the South China Sea ruling. This could be done by proposing to link South Korea to China's expanding infrastructure network through North Korea with limited considerations for Pyongyang's nuclear and missile programs.

As the U.S. pulls out of its regional leadership role and President Trump questions bilateral ties by prompting the renegotiation of the KORUS FTA as well as by raising concerns about the costs of the alliance with Seoul, a deal with Beijing to connect to its sprawling infrastructure network through North Korea could now be more attractive—particularly as South Korean and Chinese businesses are eager to open the North Korean market.[49] Each administration since Roh Moo-hyun has had a major Central Asia-focused economic initiative. Each failed to meet its stated ambitions, largely due to the geographic challenge posed by North Korea.[50] President Moon is hoping his "New Northern Policy" will overcome the challenges faced by previous administrations.[51] He has also stated the BRI will only be completed "when North and South Korea are linked by railroad," suggesting this would be his ultimate goal if South Korea were to participate in the BRI.[52] UN sanctions on North Korea currently prevent such economic projects despite the growing interest in them, but Beijing and Seoul could begin talks even before sanctions are lifted. If Beijing perceives a widening gap in ROK-US relations, it may try enticing President Moon to succeed where his predecessors have faltered and, in the process, severely complicate ties with Washington.

CPTPP as the Solution

With South Korea's core interests potentially at stake in the medium-to-long term, it is vital for the Moon administration to balance against China by advancing the liberal order without American help. While necessary to address an array of social issues and to decrease the ability of its economic partners to exert leverage over Korea, solely focusing on strengthening the domestic economy it is not enough. Although there is an opportunity to grow domestic demand, South Korea's population of approximately 50 million is dwarfed by other large economies in the region, particularly China's 1.3 billion people. Combined with an aging society and the difficulty of successfully implementing major structural reforms, there are clear limitations to the extent to which Seoul could decrease its dependence on China by building a more domestically-oriented economy.

As trade will realistically continue to be a major portion of economic growth, Moon must pursue large, high quality trade agreements to meet the needs of export-oriented industries in the short- to medium-term, as well as to balance against China through the combined economic weight of its members—ensuring high trade standards will continue to underpin international trade norms in the long-term. Current bilateral FTA negotiations with Mexico, Israel, and Ecuador are not large enough to meet these criteria. Talks with the Eurasia Economic Union and MERCOSUR, the expected restart of negotiations with the Gulf Cooperation Council, discussions to upgrade the FTA with ASEAN, and the recent conclusion of negotiations with six Central American countries represent larger trade initiatives. However, they are still insufficient to offset Chinese influence, as well as being unlikely to include high enough standards.[53]

During his campaign, Moon pledged to conclude the prolonged negotiations of the ROK-China-Japan FTA. Yet the deal would likely increase Korean economic dependence on China while failing to include high quality trade rules.[54] It is also unclear if such a deal could be struck, considering the re-emergence of contentious historical issues. The best available option for Seoul to safeguard its core interests linked to the liberal order is joining the CPTPP.

While the U.S. withdrawal from the TPP was a serious blow, the remaining members still managed to reach a high-quality deal. Washington's departure essentially nixed the agreement signed in October 2015: The combined size of the 11 remaining economies was not enough to meet the requirement that countries representing at least 85 percent of the combined GDP of the original 12 members had to ratify the agreement before it could go into force. However, after a year of additional meetings, many of which Seoul observed, the remaining members signed the CPTPP on March 8, 2018—largely because of Japan's leadership. The new agreement is the same as the TPP, except for 22 provisions that were suspended or changed, mostly relating to investment and intellectual property. While these changes watered down stipulations inserted into the agreement by the U.S, the CPTPP still provides advanced rules in these areas, particularly for protection of intellectual property.[55]

Although the combined GDP of TPP member countries dropped from 40 percent of global GDP to around 12.5 percent when the U.S. left the agreement, the CPTPP is still the largest coalition of countries currently seeking to advance liberal trade norms outside of the European Union.[56] Seoul originally did not join TPP negotiations because it was seen as redundant, since South Korea had FTAs with most member countries. It also had limited working capacity to take on new negotiations.[57] With so much now at stake for its strategic long-term interests, Seoul must elevate its interest from attending meetings to joining the finished deal.

Joining the CPTPP would not only engender economic gains through trade, but also catalyze a shift towards a more service-oriented domestic economy that most economists agree is necessary for sustained economic growth. Since the 1970s, advanced economies have shifted their focus from manufacturing to services to drive growth. The share of employment in the South Korean manufacturing sector has steadily declined since reaching its peak in 1989, yet productivity in the services sector is stagnating, largely because the focus has not been high-value knowledge service industries.[58] The CPTPP—particularly the chapters governing cross border trade in services, telecommunications, and e-commerce—would impose new legal requirements that have been difficult to enact domestically, shifting incentives to grow high-value knowledge service industries.

Although the combined GDP of the CPTPP economies is still less than China's 15 percent and the RCEP's 24 percent of the global economy, it would nonetheless provide a framework to bring the U.S. back in to the agreement should American policies change. President Trump may have been hoping to extract better deals from TPP countries through bilateral agreements, but many of these governments have repeatedly stated they couldn't offer terms better than those included in the TPP. Some have also stated they wouldn't be able to offer as good of terms without the complex overlapping framework that allowed for greater market access in other countries. Some politically important U.S. industries have also been voicing their concerns that withdrawal from TPP will hurt their bottom line.[59] If the current administration's attempts at bilateralism continue to be less than fruitful, the following administration may see the benefits of the CPTPP and seek to re-enter the deal.

Whether the U.S. rejoins or not, the CPTPP would essentially force China to bridge the agreement with the RCEP, if concluded, in creating an FTAAP. However, the degree to which the principles of each deal would be incorporated skew towards the RCEP should the U.S. or China fail to join the CPTPP. The end-goal of the CPTPP and its predecessor was not to contain or encircle China, as some have criticized, but rather influence Beijing to adopt norms aligned with the liberal order. The clearest evidence of this is the SOE section in the TPP, written with China's potential entry in mind.[60] A CPTPP underpinned by America's economic strength would exert greater pressure on China to adopt more liberal norms. While the U.S. absence exerts less pressure on Beijing, pressure from the CPTPP would still influence beneficial change for member states and South Korea.

Momentum seems to be shifting away from the RCEP towards the CPTPP, and Seoul's accession to the agreement would greatly build on that progress. In the immediate aftermath of the American withdrawal from the agreement, many countries were reluctant to move forward on a deal without the U.S., including Japan, which had been approached by the Trump administration about the possibility of a bilateral FTA. Yet, with the deal signed in March and member ratifications soon expected to follow, interest in the agreement is growing. Countries such as Indonesia, Columbia, and even the United Kingdom are exploring membership in the CPTPP.[61] In these new circumstances, Korea is not the marginal player it would have been if it joined the TPP under U.S. leadership. Korea's 1.6 percent share of global GDP would have originally been a 4 percent increase of the total GDP of the TPP. However, in the absence of Washington, Seoul would raise the combined GDP of the CPTPP by about 13 percent. Joining would also not be as burdensome a decision as entering a completely new FTA considering the KORUS FTA is in many ways the blueprint for the CPTPP. Additionally, as negotiating a bilateral deal or even a trilateral trade deal with Japan has proven onerous though necessary considering the increasing North Korean threat and pressure from China, the CPTPP may be an ideal forum to improve trade relations with Tokyo and an opportunity to agree on a set of rules to transpose to the ongoing trilateral discussions with Beijing.

Conclusion

The change in U.S. foreign policy under President Trump potentially undermines the foundations of South Korean strength. The administration's protectionist policies not only endanger South Korea's bilateral economic interests, they also threaten Seoul's broader economic ties due to America's central role in shaping international trade norms. Beijing's assertions that it is ready to assume a broader leadership role in response to changing American policy are undermined by its actions and initiatives. The RCEP is not of high enough ambition, and BRI emphasizes China's reliance on coercion for its own political and strategic reasons rather than mutually beneficial cooperation. South Korea's overdependence on trade makes it susceptible to external forces and its large trading relationship with China makes it particularly vulnerable to influence from Beijing, as already demonstrated by China's retaliation over the deployment of THAAD. If the U.S. continues to repudiate its position as the head of the liberal international order and Beijing's ambitions to write economic rules are not counterbalanced, Seoul should only expect this vulnerability to increase.

At such an important moment in Korean history, President Moon must realize his country is not a powerless shrimp in the great power context. South Korea still has room to shape the future of the international economic order if it moves quickly and strategically. Of all the possible options, the best decision the Moon administration can make would be to join the CPTPP. The agreement is sufficient in scale and quality to balance the rules Beijing is advocating in Asia. The CPTPP best fulfills South Korea's long-term economic and strategic interests. With momentum building for the CPTPP, there is no better time to join than now.

Notes:

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