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Weekly analysis

THE U.S. WITHDRAWAL FROM THE TPP: NEW OPPORTUNITIES FOR CHINA

The Trans-Pacific Partnership (TPP) is one of the Obama Administration's ambitious economic initiatives aimed to form new guidelines to govern trade and investment opportunities among the member countries, namely, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam. These countries present more than 40% of the world GDP. The TPP involves the creation of more comfortable environment for trade and investments across 12 countries by reducing trade tariffs and setting commonly-agreed rules with the possibility to establish the Pacific single market. The TPP was a pillar of former U.S. President Barack Obama's policy to Asia. It was expected that the establishment of the TPP would allow the U.S. to enter new markets, while setting standards to protect workers and preserve the rights of the environment limiting China's ability to shape the rules of the global economy. The parties signed an agreement to establish the TPP on February 4, 2016, which was supposed to come into force after ratification by all member states. However, on January 23, 2017, following his election campaign promises the U.S. President Donald Trump signed an executive order withdrawing the U.S. from the TPP. Despite the fact that the U.S. Congress has not yet ratified the agreement and the U.S. withdrawal from the TPP was more of a symbolic importance, the abandonment of the Pacific trade deal by Washington has generated some controversy and debate about the China's joining the TPP.

It should be mentioned that China has long been neutral for joining the TPP focusing mainly on strengthening economic linkages and enhancement of trade within the framework the Regional Comprehensive Economic Partnership (RCEP). The RCEP embodies 10 members of the Association of Southeast Asian Nations (ASEAN) and other six partners, with which ASEAN has existing free trade agreements (FTA), namely, China, India, Japan, South Korea, Australia and New Zealand. In this sense, it is viewed as an alternative to the TPP that excludes China and India. Thus, the Australian Prime Minister, Malcolm Turnbull, after consultations with his Japanese, New Zealand and Singapore counterparts, Shinzo Abe, Bill English and Lee Hsien Loong, respectively, indicated that the TPP members are considering the possibility to encourage China and other Asian countries to join the trade pact.

After more than 30 years of rapid economic growth Beijing feel the need to ensure the innovative development, green growth and modernization of the country's economy. The long-term development plan is closely connected with the Chinese Going Outside Strategy, which is mainly focused on strengthening competitive ability in the world economy and enhancing its political engagement in the global geopolitics. Since the South-East Asia is a resources-rich region with growing markets and high investment attractiveness, China pays special attention to the region, which is of strategic importance for the Chinese Belt and Road Initiative (BRI). Since the establishment of the RCEP in 2010, ASEAN became the largest trading partner of China. In fact, the trade between the parties has grown at an annual rate of 18.5% from \$7.9 billion in 1991 to \$472 billion in 2016. In 2015, the two sides signed an agreement to expand trade within the framework of the FTA expecting to increase the total bilateral trade to \$1 trillion by 2020.

During the Davos World Economic Forum held in January 2017, the President of China, Xi Jinping, called on promoting trade and investment, liberalization and facilitation through opening up, and rejecting protectionism. This statement was immediately interpreted as readiness to fill the place of the United States after their withdrawal from the TPP. However, the prospect of China's joining the TPP is directly connected with the U.S.-Chinese relations' issue. In the past few decades, China has emerged as the U.S. largest trading partner building up the largest trade surplus. According to the Office of the U.S. Trade Representative, China is currently ranked first among the U.S. largest trading partners with \$578.6 billion in goods trade in 2016. Since the U.S.-Chinese trade accounts for 40% of the global economy, the two world's leading trading nations have become increasingly interdependent. Both parties recognize that despite existing political disagreements, the economic cooperation is of great importance, which was widely confirmed during Xi Jinping's official visit to the U.S. on April 7, 2017. Therefore, it is in Beijing's interests not to harm the economic partnership with Washington, which makes it even more complicated to decide upon its joining the TPP taking into account the fact that this action could trigger the U.S.-Chinese trade wars and protectionism policies.

Furthermore, there is still lack of clear support for China's joining the TPP among the member countries. It is worth to note that some TPP participants might not be as convenient with China-led regional trade integration project as they were with the U.S. As a result, time will come when the TPP participants should have to decide on the issue of China's involvement in the Asia-Pacific deal, however, there is no guarantee that the parties could reach the consensus on this issue.

In conclusion, since the TPP aims to extend an open trading system with fair rules, it would be hard for China to meet the agreement's standards that would require Beijing to open up its trade and investment. However, if China joins the TPP, India, South Korea and ASEAN members could also be attracted to become the members of agreement that would create new opportunities for the establishment a new trade mechanism and strengthen the chain among a large number of countries in Asia.

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Politics, Foreign Affairs and Security

- The President of Turkmenistan, Gurbanguly Berdimuhamedov, signed a decree on creation of a state service for combating economic crimes. It was noted that the document was signed in order to improve the activities in identifying, investigating and preventing crimes related to corruption.
- The Parliament of Uzbekistan adopted the law on ratification of a strategic partnership agreement between Uzbekistan and Turkmenistan, which was previously signed by the Presidents of the two countries during a state visit of the President of Uzbekistan, Shavkat Mirziyoyev, to Ashgabat.
- During his official visit to Ashgabat, the Deputy National Security Adviser of India, Arvind Gupta, and high-ranked officials of the Foreign Ministry of Turkmenistan exchanged views on a number of issues of mutual interest focusing on migration, regional stability and security, cooperation in cyber-security, combating illicit drug trafficking and extremism.
- During his official visit to Astana, the Deputy Prime Minister of Turkey, Tugrul Turkes, and the Prime Minister of Kazakhstan, Bakytzhan Sagintayev, discussed the development of further cooperation between the countries in trade, economic and investment. In particular, issues related to the continuation of creating joint industrial zones with Turkey in Kazakhstan, boosting supplies of Kazakh grain to Turkey, expansion and improvement of transit transport corridors, as well as the participation of Turkish investors in the development of Kazakhstan's tourism infrastructure were discussed.
- The Foreign Ministry of Uzbekistan reported that the issues of delimitation and demarcation of the Uzbek-Kyrgyz border were discussed in the city of Jalal-Abad, Kyrgyzstan. During the talks, the governmental delegations of the two countries held a field data analysis on the Uzbek-Kyrgyz border areas. The delegations also reviewed the issues of preparation of the interim agreement on delimitation of the Uzbek-Kyrgyz borders.
- The Aide to Commander of Russia's Central Military District, Colonel Yaroslav Roshchupkin, announced that the country for the first time used its Iskander-M tactical ballistic-missile systems outside the country during the military exercises in Tajikistan. It was noted that the exercises were held under the supervision of the State Committee for National Security of Tajikistan.
- According to the Chief of the Staff of the Flotilla Rear of Russia, Admiral Nikolay Yakubovski, the country's Caspian Flotilla has conducted anti-terror exercises in the Caspian Sea. It was also stated that 200 servicemen and over 10 military equipments were involved in the exercises.

Economy, Finance and Energy

- The Deputy Chairman of the state-owned energy company of Turkmenistan, Turkmengas, Myrat Archayev, reported about the country's plans to increase natural gas exports to China to 38 billion cubic meters this year from 35 billion cubic meters in 2016. It was also noted that after settling the gas dispute, Turkmenistan plans to maintain supplies of natural gas to Iran at 7 billion cubic meters this year, which is the same as in 2016.
- The Oil Minister of Iran, Bijan Zanganeh, announced about the signing of an initial agreement with the Russian state-owned energy company, Gazprom, on the development of the Farzad B gas field. The Farzad B is estimated to contain over 350 billion cubic meters of natural gas with a productive life of 30 years.
- During his visit to Baku to take part in the 24th International Caspian Oil & Gas Exhibition and Conference 2017, the Chairman of the Board of the state oil company of Uzbeskistan, Uzbekneftegaz, Alisher Sultanov, and the President of state oil company of Azerbaijan, SOCAR, Rovnag Abdullayev, signed a Memorandum of Understanding (MoU) to further strengthen Azeri-Uzbek energy cooperation.
- The Minister of Finance of Tajikistan, Abdusalom Kurbonyon, and the Country Manager of the World Bank, Jan-Peter Olters, signed an agreement on a $225.7 million loan for rehabilitation of the Nurek Hydropower Plant (HPP). The Nurek HPP with the project capacity of more than 3,000 MW is a key asset of Tajikistan's energy system. It generates about 70% of the total annual electricity demand of the country.
- Kazakhstan's national railways company, Kazakhstan Temir Zholy, reported that another container train along the route China-Kazakhstan-Turkmenistan-Iran will be launched in June 2017. The decision was made following the meeting of representatives of the railway administrations of Kazakhstan, Iran, the Ministry of Railway Transport of Turkmenistan, and the Coordination Center for International Container Trains of the China Transport and Communications Association. It is planned that container trains from China to Iran will run on a regular basis by the end of 2017.
- On the sidelines of the 21st St. Petersburg International Economic Forum, Russia and India signed the master framework agreement on building two units at the Kudankulam Nuclear Power Plant, which would be constructed under Russia's $4.2 billion loan. The parties also inked the agreement on a feasibility study for a high-speed link between Nagpur and Secunderabad and the MoU between Russia's joint stock company ALROSA and India's Gem and Jewellery Export Promotion Council.
- The Asian Development Bank (ADB) announced that it approved a loan of $500 million to support the construction of up to 29,000 new affordable housing units in nine regions across Uzbekistan. It was also noted that the ADB expects that the investment would generate up to 220,000 jobs in the Uzbek economy.
- The Deputy Prime Minister for Economy and Finances of Turkmenistan, Bashim Khojamamedov, reported that the country's GDP growth rate reached 6.3% in January-May 2017. It was noted that the growth rate in transportation and communication sector and trade amounted to 10.8% and 9.5%, while in construction and agriculture the growth reached 4.1% and 3.6%, respectively.
- The Central Bank of Azerbaijan reported that the country's currency reserves increased by $541.1 million (12.63%) to $4,825.4 million in May 2017 as compared to May 2016. It was also noted that the reserves decreased by more than $1 billion in 2016 as compared to 2015.

Society and Culture

- According to the Global Peace Index 2017 published by the Institute for Economics and Peace, the majority of the Central Asian countries improved their positions in the index. For instance, Kazakhstan and Uzbekistan improved their ranks to 72 (from 75) and 101 (from 109), while Kyrgyzstan and Tajikistan to 111 (from 123) and 118 (from 122), respectively. Only Turkmenistan's position worsened (from 106 to 119). Syria is the least peaceful country in the world for the fifth year, while New Zealand, Portugal, Austria, and Denmark are the most peaceful countries.
- The CEO of the Center for Ground-based Space Infrastructure Operation of Russia, Rano Dzhurayeva, announced that the construction of the first stage of the Vostochny spaceport in the Russian Far East to create infrastructure for Soyuz-2 carrier rocket launches would be completed in 2018.
- According to the Foreign Ministry of Azerbaijan, the Embassy of Peru started functioning in the country. The newly appointed Charge d'Affaires of the Peruvian Embassy, Luis Chang Boldrini, noted that he would make an effort to develop bilateral cooperation between the two countries during his tenure.

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