

Trade-led Growth in Times of Crisis
Asia-Pacific Trade Economists' Conference
2-3 November 2009, Bangkok

Session 2

From the P4 to the Trans-Pacific Partnership Agreement (TPP): Explaining Expansion Interests in the Asia-Pacific

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November 2, 2009

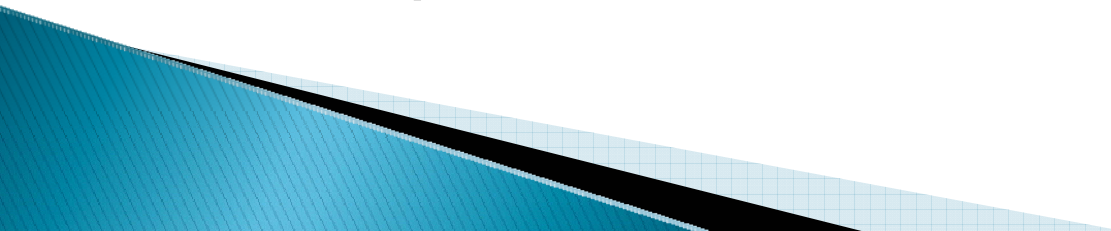
The Research Puzzles

- ▶ Why would four, small open economies with limited trade sign the original P4 agreement?
 - Singapore, New Zealand, Chile, Brunei
 - Consume scarce resources
 - Talks ran for five rounds (and still unfinished)
 - Minimal economic gains
 - ▶ Why would other states want to join expanded TPP agreement?
 - United States, Australia, Peru, Vietnam
 - Overlapping bilaterals already
 - Trade outcomes modest
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Two Key Reasons for Interest

- ▶ TPP might become Free Trade Area of the Asia–Pacific (FTAAP) with 21 member economies of APEC
 - Serious economic gains from FTAAP (or even subset of APEC if NE Asia joins)
 - But: agreement might never expand past first 7 or 8
- ▶ Political reasons
 - Keeps states anchored in Asia
 - Avoid exclusion of ASEAN+3 or ASEAN+6
- ▶ Note: Even political agreements have economic consequences

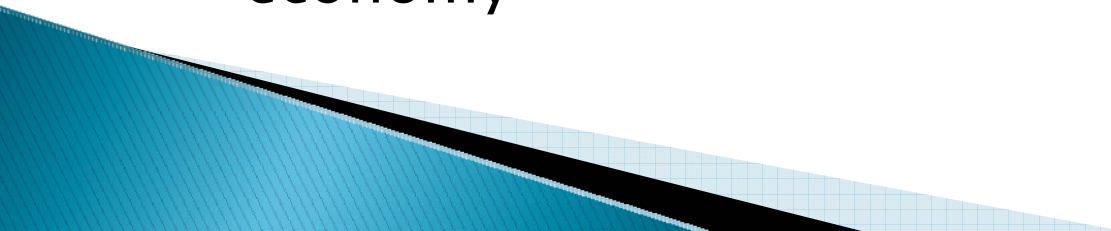
P4 Interests

- ▶ Gains from trade modest
 - New Zealand/Singapore already had bilateral
 - Can use provisions of either agreement
 - ▶ Element of “practice” for negotiators
 - ▶ Assumptions that using U.S. FTAs as template for P4 will make later accession easier for others
 - ▶ Financial services and investment talks (that include U.S.) not going well
 - ▶ No way to tell how effective P4 is for business
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Americans Want to Join–2008

- ▶ Flurry of interest after announcement
 - ▶ Bilateral deals already with:
 - Singapore, Chile, Peru, Australia
 - These FTAs serve as model for P4 chapters
 - ▶ Limited economic benefits from current partners (except, perhaps, Vietnam)
 - ▶ Getting in to TPP early
 - ▶ Anchors U.S. in Asia (fears of + groupings)
 - ▶ Business not out in front on this issue–may be changing by late 2009
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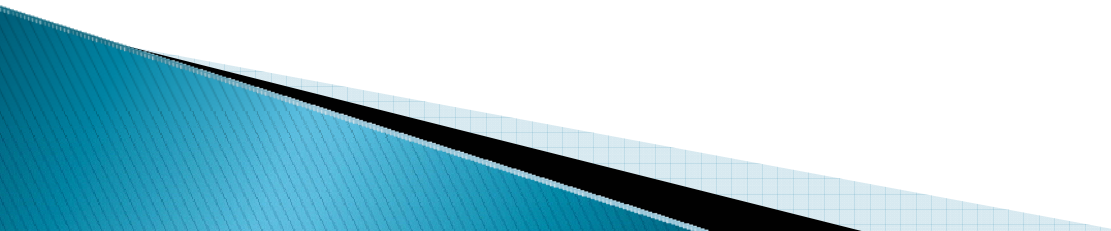
Primary Sources of Concern for U.S. Business

- ▶ Services
 - ▶ Intellectual property and IPR enforcement
 - ▶ Standards and other technical barriers to trade
 - ▶ Rules of origin (esp. textiles)
 - ▶ Labor and environment
 - ▶ New Zealand agriculture (dairy, beef)
 - ▶ Vietnam
 - Esp: textiles, footwear, human rights, non-market economy
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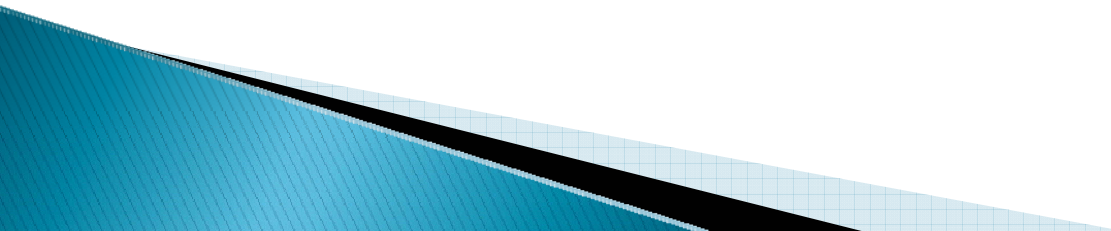
Broader Problems for U.S.

- ▶ Best platform for engagement with Asia?
 - Split on TPP between USTR and White House
 - ▶ KORUS FTA still not ratified by Congress
 - Concerns over EU–Korea FTA
 - ▶ Obama's trip to Asia for APEC in two weeks
 - Will need to make some announcement
 - US heads up APEC in 2011
 - ▶ Michuad's TRADE Act Bill in House
 - ▶ Trade–promotion authority missing
 - ▶ Domestic agenda issues (healthcare, etc.)
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Australian Interests in Joining

- ▶ Bilaterals already with:
 - New Zealand, Singapore, United States, Chile, Brunei (in ASEAN)
 - ▶ Building block for further regional integration
 - ▶ Hedge against being caught out by more FTA deals
 - ▶ Business especially keen on new members being added over time
 - ▶ Concern over further U.S. requests beyond FTA commitments
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Australian Business Concerns

- ▶ Agriculture
 - Problems of sugar specifically
 - Dairy
 - ▶ Financial services
 - ▶ IPR
 - ▶ Labor and environment
 - ▶ Rules of origin
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Broader Problems for TPP Negotiations

- ▶ Caught in larger trade debates
 - Doha at the WTO
 - Weak American agenda for liberalization
 - ▶ If TPP does not expand, little interest
 - ▶ TPP will not rationalize overlapping FTA deals
 - Every state committed to existing arrangements
 - ▶ Negotiations will have sticking points
 - Deep concerns over further American demands
 - Meant to be template for larger deal
 - Existing coalitions may collapse
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