

Getting to the FTAAP via the TPP Turnpike

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Overview

- The Bogor Declaration envisioned a long term goal of free open trade and investment in the Asia-Pacific region.
- Multiple pathways to a Free Trade Area of the Asia Pacific (FTAAP):
 - ASEAN-centric: 10+1/10+3
 - Japanese hybrid: 10+6(add Australia, New Zealand, India to 10+3).
- Trans-Pacific Partnership (TPP): agglomeration of intra-Asian and Asia-Pacific integration arrangements.
 - Initial core of 8 participants: March 2010.
 - Likely new entrants: Malaysia (joined talks in October 2010), Japan, Korea, Canada and Mexico.
 - FTAAP likely to evolve by melding intra-Asian initiatives into expanding TPP.

TPP summary data: development indicators

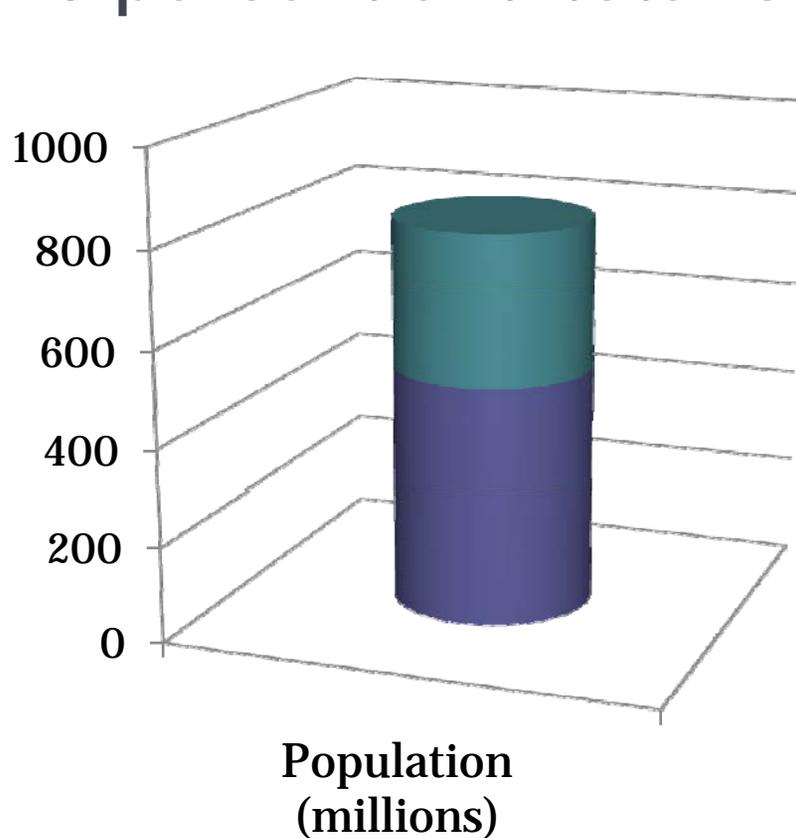
	Population (millions)	Per capita GDP (US \$) 2008	HDI Index 2008	2008 Economic Freedom in the World
Australia	21.6	48,499	0.970	1.0
Brunei	0.4	30,391*	0.920	5.5
Chile	16.8	10,167	0.878	1.0
New Zealand	4.3	27,045	0.950	1.0
Peru	28.7	4,477	0.806	2.5
Singapore	4.7	39,950	0.944	4.5
United States	304.7	47,210	0.956	1.0
Vietnam	86.2	1,051	0.725	6.0
Canada	33.3	45,003	0.966	1.0
Japan	127.7	38,268	0.960	1.5
Korea	48.6	19,162	0.937	1.5
Malaysia	27.3	8,187	0.829	4.0
Mexico	106.7	10,249	0.854	2.5
Source: World Bank, UNDP, Fraser Institute				

* 2006 data

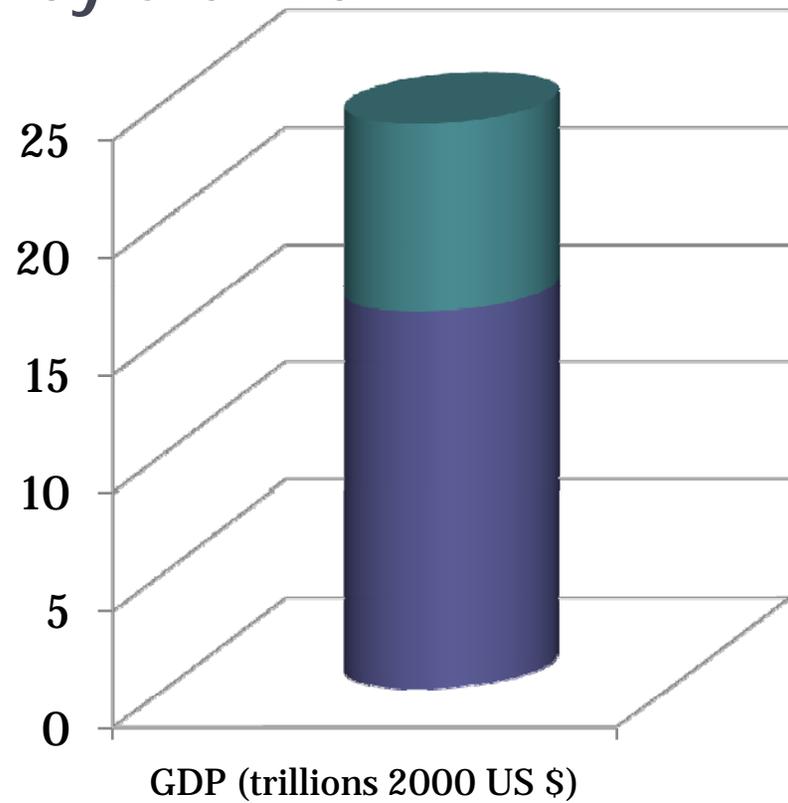
TPP participants

- TPP encompasses countries of varying size, level of development, and attitudes towards political rights / civil liberties.
- Mostly high income + several upper middle income countries (Chile, Korea, Malaysia, Mexico); Vietnam is the outlier in all categories except population.
- Varied “economic freedom” scores: key challenge regarding obligations on transparency, public participation, dispute settlement, labor and environment.

Enlarging the core expands consumer base by 40 percent and total GDP by a third



■ Core ■ Extended Core



■ Core ■ Extended Core

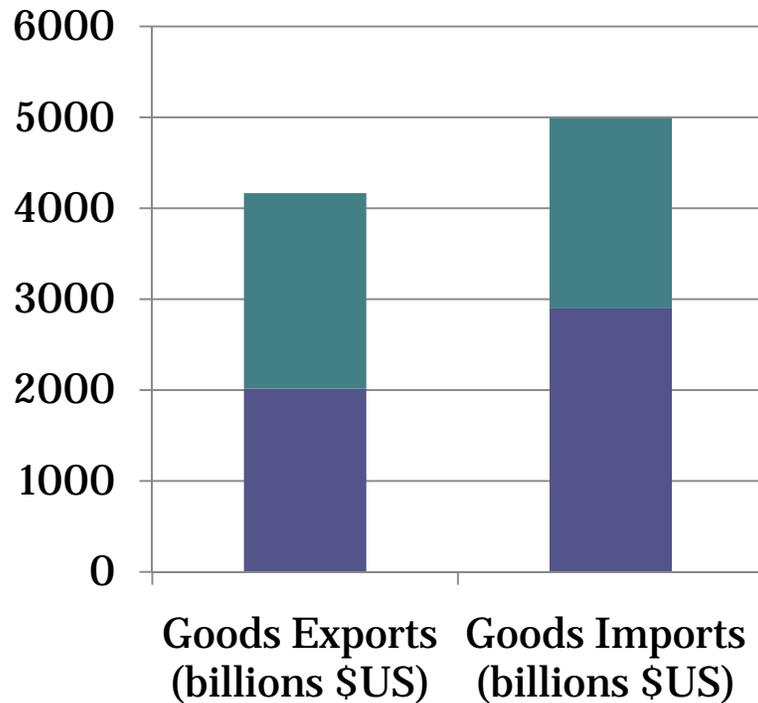
TPP summary data: 2008 trade indicators

	Trade /GDP	Goods Exports (billions \$US)	Goods Imports (billions \$US)	Services Exports (billions \$US)	Services Imports (billions \$US)
Australia	38	187	200	45	48
Brunei	81	11	3	1	1
Chile	77	66	62	11	11
New Zealand	50	31	34	9	10
Peru	48	32	30	4	5
Singapore	362	338	320	97	86
United States	25	1287	2169	518	365
Vietnam	158	63	81	7	8
Subtotal: TPP - Core		2015	2899	692	534
Canada	58	456	419	66	88
Japan	31	782	763	147	163
Korea	92	422	435	76	93
Malaysia	161	200	157	30	30
Mexico	57	291	318	18	25
Subtotal: TPP - Extended		2151	2092	337	399
Total :TPP - 13		4166	4991	1029	933

Source: World Bank WDI and WTO International Trade Statistics Database

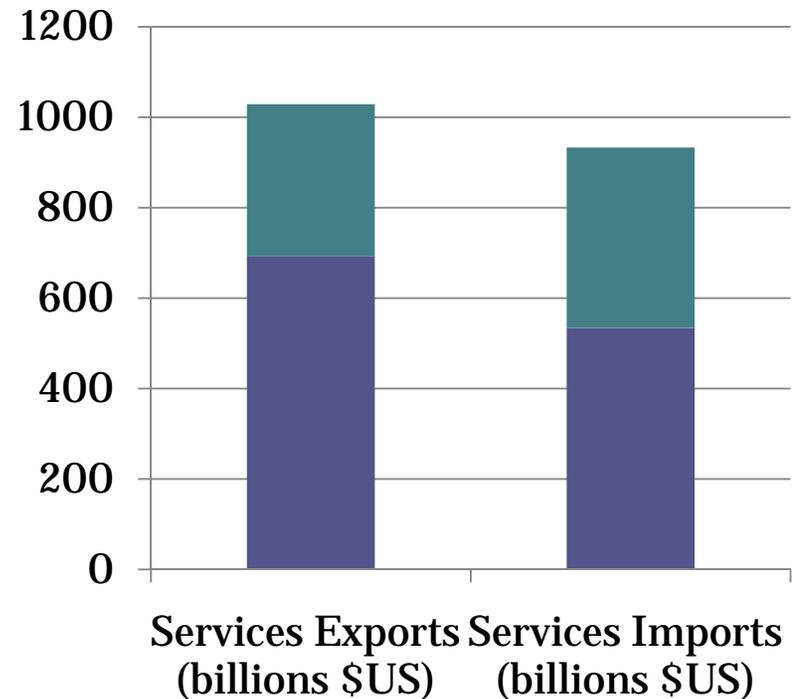
Expanding the core significantly increases value of trade covered by TPP

Goods exports double and imports rise by 40 percent



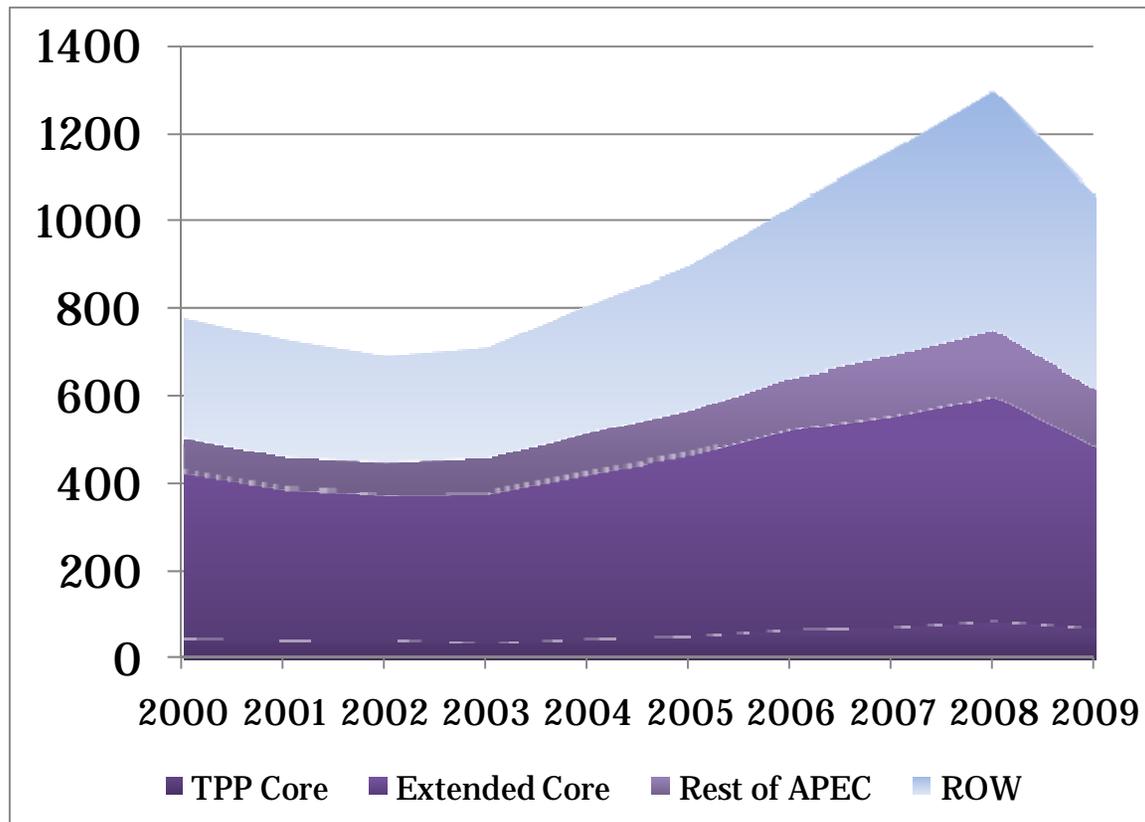
■ Core ■ Extended Core

Services exports rise by a third and imports by nearly 45 percent



■ Core ■ Extended Core

TPP share of US merchandise exports



The TPP core represents 6% of US export markets. The extended core represents 46%. Adding the rest of APEC brings this to 60%.

Source: USITC

Crafting a TPP

- Substantial progress is already being made through extensive network of existing pacts... but how to “meld” them together?
- ‘Big bang’ negotiations unlikely to work given diversity in size, development, priorities of Asia-Pacific countries.
- Agglomeration strategy a la EU?
 - How to meld TPP with ongoing intra-Asian pacts?
 - How to add new members?

The path to the FTAAP

- **All of APEC or APEC – X ?**
 - Merging intra-Asian integration schemes with Asia-Pacific will require decisions regarding the broader TPP membership.
 - What role is there for non-APEC members or future APEC members in the FTAAP?
 - ASEAN 10 (Cambodia, Laos, Myanmar).
 - India.
 - Latin American members: Brazil, Costa Rica, Colombia.

FTAs Among the Core and Expanded TPP

	Australia	Brunei	Chile	New Zealand	Peru	Singapore	US	Viet Nam	Canada	Japan	Korea	Malaysia	Mexico
Australia		*	A	A		A	A	*		D	D	A	
Brunei	*		A	A		A		*		*	*	*	
Chile	A	A		A	A	A	A		A	A	A	B	A
New Zealand	A	A	A			A		*		E	D	A	E
Peru			A			A	A		A	D	B		D
Singapore	A	A	A	A	A		A	*	D	A	A	*	D
US	A		A		A	A			A		B	D	A
Viet Nam	*	*	D	*		*				*	*	*	
Canada			A		A	D	A			E	D		A
Japan	D	*	A	E	D	A		*	E		D	A	A
Korea	D	*	A	D	B	A	B	*	D	D		*	D
Malaysia	A	*	A	A		*	D	*		A	*		
Mexico			A	E	D	D	A		A	A	D		

A: in effect; B: signed; C: negotiations completed; D: under negotiation; E: in preparation;

* ASEAN; ASEAN+1 agreements

What's the recipe for a 21st century FTA?

- Start with existing network of FTAs: already large stock of liberalization commitments.
- Include FTA-plus provisions in areas such as food safety/security, environment, labor, climate change.
- Commit to best practices / most trade promoting provisions from pool of existing pacts.
 - Limit exceptions.
 - Harmonize rules of origin.
 - Improve transparency of policies affecting trade and investment.

Environmental Commitments in FTAs Among the Core TPP

	Environmental Commitments in Bilateral FTAs Among TPP Participants							
	Australia	Brunei	Chile	New Zealand	Peru	Singapore	United States	Viet Nam
Australia		C	C	C		C	A	C
Brunei	C		B	B		B		C
Chile	C	B		B	C	B	A	
New Zealand	C	B	B			B		C
Peru			C			C	A	
Singapore	C	B	B	B	C		A	C
United States	A		A		A	A		
Viet Nam	C	C		C		C		

A - chapter; B – side agreement; C – no commitments (explicit provisions / obligations).

Labor Commitments in FTAs Among the Core TPP

	Australia	Brunei	Chile	New Zealand	Peru	Singapore	United States	Viet Nam
Australia		C	C	C		C	A	C
Brunei	C		B	B		B		C
Chile	C	B		B	C	B	A	
New Zealand	C	B	B			B		C
Peru			C			C	A	
Singapore	C	B	B	B	C		A	C
United States	A		A		A	A		
Viet Nam	C	C		C		C		

A - chapter; B – side agreement; C – no commitments (no explicit provisions / obligations);
 All TPP participants are ILO members.

Environmental and Labor Commitments

- Recent US FTAs include environment and labor provisions in the core text; most others do not.
- Chile, New Zealand and Singapore include side agreements in their FTAs.
- The US model can provide a template for environmental and labor provisions in the TPP:
 - Environment:
 - Market access for environmental technologies, goods and services.
 - List of Multilateral Environmental Agreements to be included.
 - Labor:
 - Enforcement of domestic labor laws.
 - Recognition of international labor standards.
 - Technical assistance.

Can Japan join? Can Japan afford not to?

- Japan already has an extensive trade network among the extended TPP:
 - FTAs in place, under negotiation, or in preparation with 12/13 countries (all except the US).
 - But TPP will require commitments on sensitive farm products and services.
- TPP membership can provide a channel for:
 - Advancing Japan-China and Japan-EU trade pacts over the next 5 years.
 - Resumption of suspended Japan-Korea negotiations.
 - Managing adjustment in agricultural sectors.
- Japanese membership is time-sensitive:
 - Will lose key market access if Korea joins (most likely once KORUS is ratified) and if the Korea-Australia FTA is successfully concluded.

Whither China?

- Ultimately, FTAAP needs to include China to be credible link for Asia-Pacific integration.
- Why China should be interested in Asia-Pacific initiative:
 - Strong economic relationship with TPP core and expanded membership.
 - China is already an active member of Asia-Pacific pacts: Bilateral pacts already in force with 4 of 8 current TPP participants plus broader deal with ASEAN. Negotiations in progress with Australia.
 - Better channel to resolve bilateral disputes with United States.
 - Complements collaboration with United States on North Korea.
 - Complements the Cross-Straights deal with Taiwan.
- TPP participation unlikely prior to 2015 – Include as observer? Invite Hong Kong as observer?

China's bilateral trade agreements

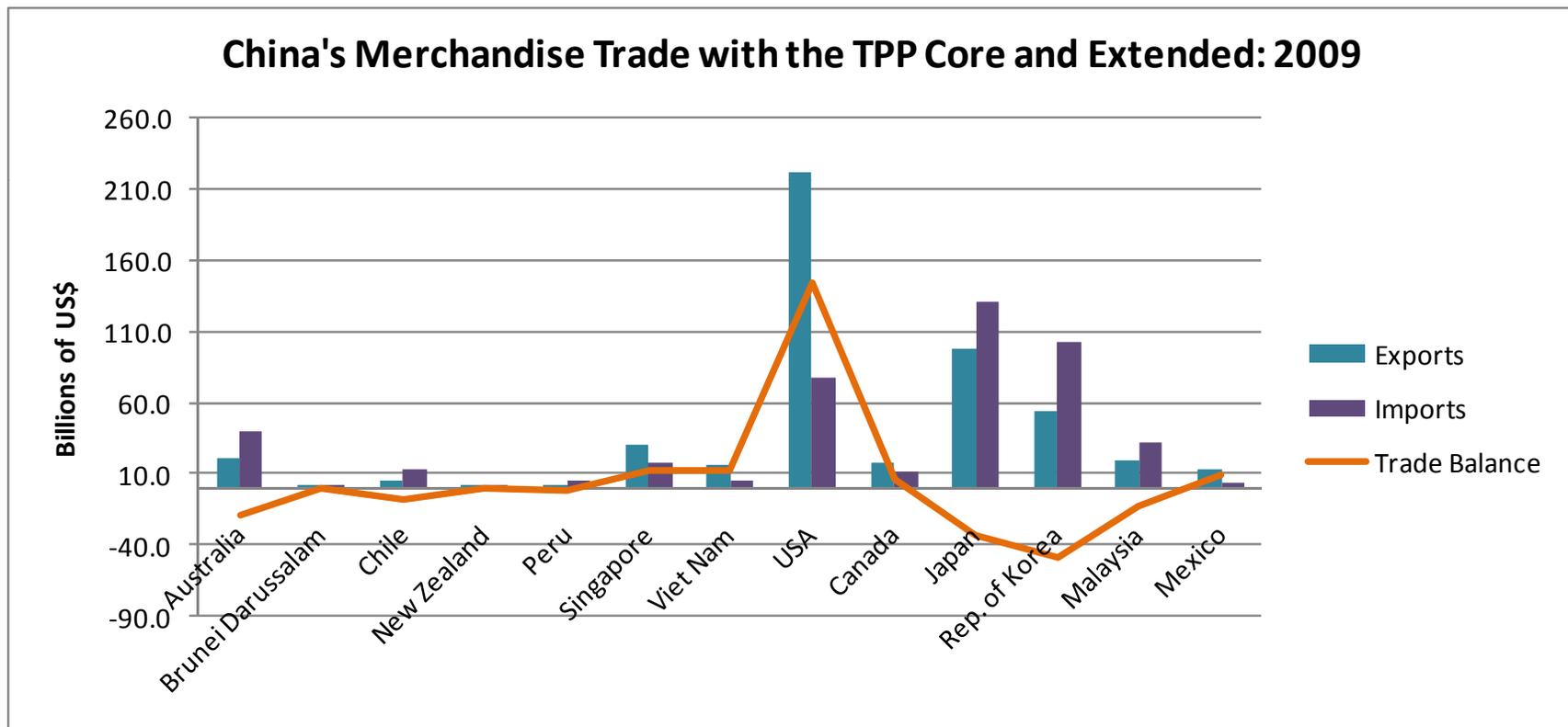
Implemented	Under Negotiation	Feasibility Study
China-ASEAN *	China-Australia *	China-India
China-Chile *	China-GCC	China-Japan-Korea *
China-Costa Rica	China-Iceland	China-Korea *
CEPA-Hong Kong	China-Norway	China-Switzerland
CEPA-Macao	China-SACU	
China-New Zealand *		
China-Pakistan		
China-Peru *		
China-Singapore *		

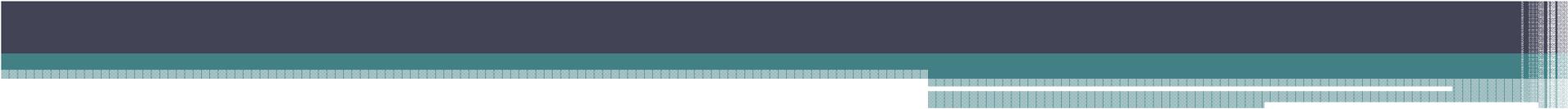
* = TPP 13 participants.

Source: China Ministry of Commerce

Economic Factors

The TPP (core + extended) account for 41.5% of total Chinese exports and 43.9% of total imports.





Conclusions

- **TPP will likely evolve significantly over the next year in terms of membership.**
- **Substantive coverage will include extensive new provisions in areas not included in many intra-Asian pacts.**
- **But inclusion of 21st century issues will put pressure on countries to revisit exceptions in previous bilateral pacts.**
- **In short, countries will have to liberalize their barriers if they want others to do so.**