



The Pacific grid – Recent Accession round of the Trans-Pacific Partnership Agreement

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While the European Union suffers with its marriage crisis and the member states are busy with their problems, new plurilateral relations are developing on the other side of the globe. Parallel with the changing role of the Atlantic economic region we can witness an emerging economic network in the Pacific region. Dozens of countries are working on a single multilateral free trade agreement that does not include the European Union and China. The story of this treaty began with four member states. And now more and more countries are getting involved in the Trans-Pacific Partnership negotiation process that envisages free trade, tariff cutbacks, the free flow of agricultural products and coordinated intellectual property rights (IP) among the participants. The current negotiation round is being held in Peru from the 19th-28th of October.

The Trans-Pacific Partnership Agreement (TPPA or TPP) is an emerging regional trade agreement among many Asia-Pacific nations such as Australia, Brunei Darussalam, Chile, Malaysia, New-Zealand, Peru, Singapore, the United States of America and Vietnam. The roots trace back to June 2005, when the founding countries signed the so-called Pacific Three Closer Economic Partnership (P3-CEP) agreement. Before the Chilean, New Zealander and Singaporean document became legally binding in May 2006, Brunei had also expressed willingness to join and the name of the FTA quickly became the Trans-Pacific Strategic Economic Partnership Agreement.

Responding to the global economic crisis and the emerging economic role of China are the principal reasons why more and more countries around the Pacific-ocean articulate the desire to become TPPA members. The accession date of the next five members was decided at the 2010

Asia-Pacific Economic Cooperation (APEC) summit. Despite urging from the US administration it is not likely the final accession agreement between the nine countries will be signed at the next APEC summit in November 2011. As is the case of many similar FTA's, the most sensitive issues belong to the agricultural and IP topics.

In spite of the fact that every future TPP country is an APEC member, the TPP is not an APEC initiative and the annual APEC summits only provide informal suggestions for the TPP meetings. Thus the TPPA can be seen as an experiment for an Asia-Pacific Free Trade Agreement (FTAAP). The fact that the United States was not a member of the original P4 fuels US Trans-Pacific activity.

The original goals of the three innovators were to eliminate 90 per cent of the existing tariffs among the members by 2006 and dismantle all trade restrictions, including technical barriers, lift controls from services, remove IP related barriers and even liberalize trade in public procurement by 2015. These were ambitious and realistic targets between the three. But the effects on the national economies (*i.e.* labour) are questionable if the TPPA will be extended to nine or more distinctly developed members.

Brunei was the first to recognize that joining the original TPP could be beneficial for the small, oil-rich country. At that point (2005), the official name of the agreement became the Pacific-4 (P4). Then, in the beginning of 2008, the United States of America and New Zealand, later Australia, Peru and Vietnam also signed the accession request. In the past two years Canada, Japan, the Philippines, South Korea and even the island of Taiwan have begun thinking that becoming a member of the new Pacific

grid could increase their competitiveness in the global economy.

If the country in question is not among the most developed of the group, becoming a member of an FTA can involve risks. However, even the most developed countries are likely to experience hardships in the case of agricultural products. As an example, the accession of Canada is opposed by New Zealand due to the current Canadian agricultural policy. The case of Japan is similar because of agricultural import limits. Therefore the two countries only have observer positions. The American-Korean free trade agreement (KORUS FTA) that was signed in 2007, however, strengthens South Korea's chance of joining the TPP. Since the American counterpart committed to signing the plurilateral agreement in 2008, nine accession negotiation meetings were held by October 2011. This special effort shows the importance of this new FTA. The seventh round was held in Ho Chi Minh city in June 2011 and the eighth meeting followed shortly in Chicago in September. Despite the enthusiasm of the American administration, the Chicago round was accompanied by demonstrations. The local labour unions criticised the policy of the past thirty years of American foreign trade agreements. They questioned the benefits of the FTA's with Asian economies because of their potential negative effect on local jobs. The former New Zealand TPPA negotiation round resulted in similar protests decrying the "sellout of the island". The TPPA process also inspired negative feelings in Australia. Here the multilateral harmonization of IP rights worried citizens due to controversial experiences with a similar agreement with the US (AUSFTA) from January 2005. The recent EU-Korean FTA also came into effect in the wake of some preliminary controversy.

Taking into account that the forthcoming target date for concluding the Trans-Pacific Agreement with the negotiating governments is almost here, the chance of signing the final documents at the upcoming APEC summit in November 2011 is small. According to a report from the Australian government about the Chicago round, the standpoints are getting closer in the case of twenty chapters: *"In particular, solid progress was made in negotiations on Customs, Sanitary and Phytosanitary (SPS) issues, Technical Barriers to Trade (TBT), Telecommunications, Government Procurement."* So-called horizontal issues were also mentioned *"such as*

ways to strengthen the benefits of the agreement for SMEs".

The ninth accession round began on the 19th of October in Lima (Peru) and lasts for ten days. Considering the huge efforts and the frequency of the TPP meetings one might imagine a new FTA will emerge this year and the nine countries make big steps towards strengthening the competitiveness of the Pacific grid. But the agricultural and IP related questions are still waiting for answers. Despite the difficulties of the TPPA, the FTA negotiation process itself is a warning sign for the economies on the European side of the Globe. While the EU — still the most sophisticated example of regional institutional, economic and political integration — is hesitating to act and introduce new ideas to save its achievements, thereby jeopardizing integration, the Pacific region is trying to find the right response to the changing economic power of the world economy. Though while the ongoing economic power shift from the Western world to Asia cannot be denied, the question of whether the recently developed Asian international agreements or formal integrations are credible and sustainable in the long term is yet to be seen.

Does everybody want free trade in the Asia-Pacific rim? The question is appropriate if we take into account the number of FTA ideas over the past couple of years (FTAAP, CEPEA and a few unnamed formations, not to mention the numerous bilateral FTA's in the region). The question could be raised in a different way. Does every nation want to develop its own unique and exclusive FTA with the promising economies in the Asia-Pacific rim? The USA is one of the most active players in this respect. It seeks closer economic relations with the Asian economies as quickly as possible. Harmonised trade procedures and the zero-tariff policy of the TPPA could boost bilateral and multilateral trade volumes and balance the overall trade deficit generated by economies that are not involved in the actual free trade agreement project.

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