



# BULLETIN

No. 104 (557), 2 October 2013 © PISM

Editors: Marcin Zaborowski (Editor-in-Chief) • Katarzyna Staniewska (Managing Editor)  
Jarosław Cwiek-Karpowicz • Artur Gradziuk • Piotr Kościński  
Roderick Parkes • Marcin Terlikowski • Beata Wojna

## Trans-Pacific Partnership Negotiations: Lessons for the TTIP Talks?

**Damian Wnukowski**

*The United States and its partners in the Asia-Pacific region are making efforts to advance negotiations on a comprehensive, high-standard free-trade agreement called the Trans-Pacific Partnership (TPP), the progress of which will be presented during the Asia-Pacific Economic Cooperation (APEC) Summit scheduled for 5–7 October in Bali. Negotiations should be finalised by the end of 2013. TPP could boost member states' economies and support them in tackling the effects of the global economic crisis. The course of the TPP talks could also significantly affect global trade negotiations in the WTO framework as well as give insight to the recently started talks between the U.S. and EU on the Transatlantic Trade and Investment Partnership (TTIP).*

At the next APEC Summit (5–7 October 2013 in Bali), the framework of a major trade agreement will be presented. The Trans-Pacific Partnership (TPP) is regarded as one of the most ambitious, comprehensive and high-standard free-trade arrangements of the 21<sup>st</sup> century and could be a model for other FTAs. Currently, 12 countries are taking part in the TPP negotiations: Canada, Mexico, the U.S., Chile, Peru, Japan, Singapore, Vietnam, Malaysia, Brunei, Australia, and New Zealand. TPP evolved from a free-trade agreement (FTA) between New Zealand, Chile, Singapore and Brunei that came into force in 2006. The impetus for enlargement of these agreement was given in late 2009 by U.S. President Barack Obama's administration, which perceives the Asia-Pacific region as one of the U.S. main areas of interest and the TPP negotiations as an important element of America's so called pivot to Asia.

**TPP's Significance.** TPP is the second-largest free-trade agreement under negotiation (after TTIP) in terms of the total GDP of its members (\$27 trillion, nearly 40% of the world's GDP). Moreover, TPP's parties play a considerable role in international trade—in 2011, they exported goods worth \$4.3 trillion (23% of the world's total) and services of more than \$1 trillion (25% of global services exports). According to estimates made by The Peterson Institute for International Economics and experts with the East-West Center, TPP would be especially beneficial for smaller economies, such as Vietnam, the GDP of which could additionally rise by \$80 billion by 2025. Industrialised countries would also benefit, e.g., Japan's GDP could increase by \$15 billion and the U.S. economy could rise by \$40 billion in the next 12 years due to TPP. However, for the U.S., TPP is not only an economic matter but also an important political tool for strengthening its presence in East Asia.

What distinguishes TPP from other FTAs is the fact that the negotiations include not only the standard topics of trade liberalisation, such as customs tariffs and non-tariff trade barriers (NTB), but also regulation issues concerning i.e., intellectual property rights (IPR), environmental standards, trade in services, and intra-industry supply chains. Given the parties' economic potential and the wide-ranging negotiations, solutions agreed under TPP could have an impact on discussions within the WTO Doha Round, especially in terms of upgrading provisions on trade in services enclosed in the GATS agreement.

TPP could be a stepping stone to a broad Free Trade Agreement in Asia-Pacific (FTAAP), as South Korea, Indonesia, Thailand and the Philippines are highly interested in joining TPP. China's stance on TPP has been ambivalent. Although it is not taking part in the current negotiations and supports the Regional Comprehensive Economic Partnership (RCEP), which is fashioned as a counterbalance to TPP, China realises that if it does not take part in the creation of

the world's two largest FTAs—TPP and TTIP—that could undermine the country's position in world trade. Therefore, Beijing recently expressed “cautious interest” in joining the TPP project.

**The Course of the Negotiations.** Since March 2010, when formal negotiations began, 19 rounds of talks have been held and 29 chapters aimed at reducing trade barriers have been discussed. Although the details of the negotiations have not been fully revealed, there are several sticking points that have been intensely discussed. The U.S. approach is particularly important, as it is also engaged in the TTIP talks.

As average Most Favoured Nation tariffs for TPP members range from 0% to 10%, regulatory differences and NTB are considered among the most significant problems in enhancing trade relations in the Asia-Pacific region. Therefore, regulatory coherence is the crux of the negotiations and embraces various aspects. One area of concern is rules on the activity of state-owned enterprises (SOE). The U.S. is exerting pressure on the parties to ensure equal competition between private entities and SOE, i.e., by eliminating public subsidies for the latter and creating free access to government procurements at certain financial thresholds. It is connected with U.S. support for broad provisions on investment protection, embracing such things as non-discriminatory treatment and investor-state dispute-settlement procedures. Success in these areas could be hard to achieve given the significance of SOE in some Asian economies, such as Vietnam (where they account for 40% of total GDP). Moreover, there is strong opposition in the U.S. to drop the “Buy American” programme, which gives domestic companies preferential access to government procurements. Objections to dropping the programme have also been expressed by the authorities in some U.S. states and a group in Congress that wants support for domestic industry.

Another moot subject is provisions on IPR. Such protections are sought especially by U.S. companies involved in such sectors as pharmaceuticals or telecommunications. The administration's stance also reflects the strong position of industry lobbies, especially pharmaceutical makers. Tight IPR regulations are mainly opposed by the less-developed Asian countries, where generic drugs and counterfeit products are still popular, mostly because they are offered at lower prices and are thus more affordable. Moreover, geographical factors connecting IPR and agriculture in the negotiations is another topic of contention. While some TPP parties, including Canada and Singapore, insist on strong protection for their exceptional agricultural goods (e.g., dairy products), the U.S. along with Australia and New Zealand are striving for more relaxed regulations that would allow sales of products with a common name (that is, not connected to particular source country).

Tough negotiations are expected in agriculture also because several countries want strong protections for their domestic sectors—Japan is trying to save local rice production and its fisheries sector. This is also a sensitive area for the U.S., where the farmers' lobby wants to implement strict restrictions on imports of several goods, including Australian and New Zealand dairy products. At the same time, it is striving to improve export conditions for domestic products such as poultry and cotton.

The Americans also put an emphasis on broad-based and high-standard provisions regarding market access for services, including financial, telecommunications and legal services. The significance of these issues grew with Japan's entry into the negotiations, as it is a large U.S. trading partner in services. The services provisions also touch on some delicate matters, such as data transfers that are affected by or may violate privacy laws in some countries.

**Conclusions and Recommendations.** Given its complexity, TPP is quite similar to that of TTIP. Therefore, the EU's attention should be focused on the TPP negotiations and the U.S. approach, which could affect the ongoing TTIP talks. As with Asia-Pacific agreement, the U.S.–EU negotiations should start on less-controversial issues (such as cars or pharmaceutical safety standards) then advance to more contentious topics.

Some areas of the TTIP talks are as highly contentious as in the TPP negotiations, such as equal access to government procurements for foreign and domestic companies. IPR could also be a sticking point depending on domestic laws on copyrights on the internet, which was reflected in recent European reactions to the ACTA legislation. Given the significance of the agricultural lobby in the U.S. and the EU, market access for food products, especially those containing GMOs, could be in dispute as well. Moreover, data flows, often connected with the services trade, seem as controversial in TTIP as TTP, especially when taking into account reactions in Europe to the U.S. National Security Agency's surveillance programme (PRISM). The Polish government should follow the TPP negotiations, focusing on discussions related to public procurement, investment protection rules and trade in agricultural products, as those could give an insight into the U.S. approach to these matters in the TTIP.

As the TPP negotiations show, frequent negotiation meetings are advisable for building mutual trust and sustaining the pace of the talks. Although briefings for stakeholders have been organised during the TPP negotiation rounds, many observers perceive them as not being sufficient. Therefore, the TTIP talks should ensure greater transparency and stakeholder participation, including public hearings and use of media to facilitate better understanding of seemingly intractable issues and to increase public support for an agreement. The U.S. Congress and European Parliament should be kept abreast of the state of the negotiations, as acceptance by these institutions is required for TTIP to enter into force. EU Member State governments as well as European entrepreneurs should also be active and submit proposals to ensure positive solutions for EU businesses.