

**Trade Implications of the Trans-Pacific Partnership
for ASEAN and Other Asian Countries**

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Paper to be presented at the
2nd 2013 Asian Development Review Conference
01-02 August 2013
Manila

July 24, 2013

ABSTRACT

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The Trans-Pacific Partnership (TPP) aspires to become a state-of-the-art trade agreement linking 12 countries on both sides of the Pacific. In addition to establishing a Free Trade Agreement (FTA) among these countries, negotiators are pursuing a long list of other issues, both trade-related and non-trade related. This paper examines the likely effects of the TPP on trade alone, taking into account the fact that all of the potential members of the TPP are already participants in other FTAs. Using information from the World Trade Organization on the existence of these FTAs, plus data on the identities of countries' major trading partners for both exports and imports, I discuss the likely effects on a list of countries in terms of trade creation, trade diversion, and the reversal of trade diversion that has already occurred due to existing FTAs. The list of countries includes all of the members of the TPP as well as of ASEAN. In addition it includes ten additional Asian economies that are not part of either.

Keywords: Trans-Pacific Partnership
Free Trade Agreements

JEL Subject Code: F13 Commercial Pol.

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Trade Implications of the Trans-Pacific Partnership for ASEAN and Other Asian Countries*

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I. Introduction

Negotiations have been underway for several years towards the formation of the Trans-Pacific Partnership (TPP), which aims to be a “next generation” trade agreement linking countries on both sides of the Pacific. Originating as the Pacific 4, or P-4 agreement among New Zealand, Singapore, Brunei Darussalam, and Chile, which was started in 2006, the TPP negotiations now include the twelve countries indicated in Table 1, with Japan just now in the process of joining. My purpose in this paper is to explore the potential implications of the TPP for countries of Asia, especially those who are members of ASEAN and its ASEAN FTA (AFTA). Table 1 lists the countries I will consider, including their membership in AFTA as well as their potential membership in the TPP.¹

The TPP is of interest in part because it is large, mainly due to the presence of the United States, but also with the potential addition of Japan. It is of interest also, however, for two other reasons. First, as a free trade agreement (FTA), it will overlap numerous other FTAs, so that its economic effects are not just the effects that have long been

* I have benefited in writing this paper from conversations with and other inputs from two students, both of whom volunteered their assistance. Mindy Shaw helped me to track down data about the countries and their FTAs, and she produced the maps that appear as Figures 1 and 2. Dani Litovsky shared with me much that she had learned studying the TPP when working with William Krist at the Wilson Center and she also directed me to a number of valuable sources of information.

¹ Their membership is potential, since it is possible that the TPP may never be completed, or if it is, some countries may not then approve their membership.

studied for trade agreements that are free-standing, without such overlaps. The economic effects therefore go beyond the simple trade creation and trade diversion introduced by Viner (1950).

The TPP is also of interest because of its ambition to extend well beyond the limits of trade and trade policy, including a host of other issues. Some of these, such as trade in services, technical barriers to trade, and intellectual property, have been included previously both in the World Trade Organization and in other regional agreements such as the North American Free Trade Agreement (NAFTA), but the TPP intends to go further in these directions than ever before. At the same time, the TPP negotiators are addressing new issues that have never, or hardly ever, been part of trade agreements, such as competition policy, regulatory coherence, and standards for labor and environment. All of these issues will take the included Asian countries well beyond what they have included previously in their existing trade agreements.

One might object that the TPP is not the most important trade agreement on the horizon that will matter for Asian countries. Just this year, negotiations have begun between the United States and the European Union on a Transatlantic Trade and Investment Partnership, TTIP. Although TTIP includes only two partners, the US and EU, it will encompass a larger part of the world economy than currently envisioned for the TPP. Therefore, while the TTIP will not include any countries of Asia, it will surely matter a great deal for them. That, however, is a topic for another paper. And in some ways, the TPP's overlap with both Asian countries and various existing Asian trade agreements makes it a more interesting case.

I will divide this discussion into three parts. First, in Section II, I will provide some description of the TPP itself, including a list of the many issues that are being discussed in addition to tariffs and that may become apart of an agreement when and if it is reached. Since my focus in the rest of the paper will be on the trade effects of the TPP, and these are influenced by the presence of trade agreements that already exist, I will then in Section III provide a picture of the relevant agreements involving ASEAN and other Asian economies. Finally, in Section IV, I will use this information together with data on the bilateral patterns of trade to discuss how the TPP might be expected to benefit or harm the economies of the TPP, of ASEAN, and of selected other Asian countries.

II. TPP, AFTA, and Other Asia

Both the TPP and AFTA are, or propose to be, FTAs. That is, the member countries reduce to zero all tariffs on imports from other member counties of all, or almost all, products. Their agreements do not involve any commitments about external tariffs – that is, the tariffs on imports from countries outside the FTA. These typically remain at the levels that they were prior to the FTA, although countries are free to, and often do, negotiate additional FTAs with other countries. To varying degrees, member countries of FTAs identify “sensitive sectors” in which they do not fully and/or immediately eliminate tariffs. The more trade is covered by these sensitive sectors, the smaller are the economic benefits and the larger are the economic costs of the FTA, but the smaller also are the internal dislocations that the FTA is likely to cause.

The ten countries of AFTA include six – Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand – that have already reduced tariffs among themselves to almost zero. The remaining four – Cambodia, Laos, Myanmar and Vietnam – because of their lower per capita incomes were granted a slower schedule for reducing tariffs to below 5%, but they are on track to do so. However, both sets of countries are allowed to exempt sensitive sectors – most significantly rice – from these tariff reductions, so that the fraction of potential trade covered by the FTA is well below what it could have been.²

The TPP will also be an FTA, and it seems likely that the tariff reductions among the TPP countries will be more complete and general than those of AFTA, although that of course remains to be seen. The TPP will also exempt some sensitive sectors, and the negotiations on which those will be, and how many, are already contentious.

In addition to tariffs, both trade agreements include some restrictions on the use of nontariff barriers (NTBs). These are, by their nature, harder to identify and even harder, in most cases, to quantify, which makes including them in a trade agreement difficult.³ The AFTA aspires to eliminate NTBs, but to my knowledge it has not so far made much progress on doing so. The TPP seems likely to achieve much more in this regard, as its negotiation already includes groups addressing such NTBs as customs valuation and procedures, government procurement practices, and sanitary and phytosanitary measures.

As this already indicates, the TPP aspires to be far more than just a trade agreement or an FTA. Table 2 lists the issues that I have seen mentioned as being subject to negotiation in the TPP. I include my own take on what some of these issues entail,

² The fraction of actual imports that is covered can of course be very high if the tariffs on sensitive imports are so high as to almost eliminate those imports entirely.

³ See Deardorff and Stern (1998).

while for others I quote either from a USTR document or from other commentators. Especially for the former, these descriptions reflect only the US position on what should be included in the TPP, although it seems likely that the US will dominate the negotiations, so that these will turn out to be accurate. It is the non-trade issues, if the negotiations are successful, far more than the tariff reductions, that will transform more than just the trading system, but also the domestic economies, of many of the member countries.

The significance of the TPP for both the world economy and the countries of Asia can be seen to some extent by looking at the map. Figure 1 shows the world, with the countries of TPP and AFTA identified, and those in both – Brunei Darussalam, Malaysia, Singapore, and Vietnam – shown in red. Clearly the AFTA countries occupy far less land than the TPP countries, and the four that are in both are smaller still. Figure 2 zooms in on just the AFTA countries, and again the countries in both TPP and AFTA are geographically small.

Geographic size is of course less important than economic size, but in this case the message is the same, as shown in Figure 3. The total GDP of the TPP countries (on a Purchasing Power Parity basis) is almost ten times that of the AFTA countries, and the countries in both are small parts of each. Figure 3 also includes the Other Asia countries from Table 1, for comparison. As a group (which includes both China and India), they are only slightly smaller than the countries of the TPP.

III. The TPP in an Environment of other FTAs

In what follows, I will be particularly interested in the effects of the TPP that arise from the fact that it overlaps with AFTA. That is, TPP will form an FTA with some countries that are themselves already a part of another FTA among the countries of ASEAN. From the figures, it is clear that the countries within this overlap are small relative to both TPP and AFTA, both geographically and economically. However, they are just an example of a more common phenomenon, in which the TPP will establish free trade agreements with countries that already participate in other FTAs.

To see this, Figure 4 shows the countries of Table 1, grouped by their membership or non-membership in TPP and AFTA. It then shows for each pair of countries their current memberships in FTAs (denoted “f”) and in “FTA + Economic Partnership Agreements” (denoted “E”) as reported to the WTO. The display shows each pair of countries twice, and is therefore symmetric around its diagonal, where countries are paired with themselves and the cells are empty.

The heavy rectangle in the top-left outlines the pairs of countries of the TPP, which if it succeeds will fill in all of its cells with “E”. The lighter rectangle outlines the countries of AFTA, which is reported to the WTO as only an FTA, and the cells within this rectangle all contain “f” (or “E” for Brunei-Singapore, which also reports a bilateral Economic Partnership Agreement).

Figure 4 provides the following messages:

- The countries of the TPP are already heavily linked by numerous existing FTAs, most of which are reported to the WTO as Economic

Partnership Agreements (EPAs). Of 66 possible pairs of countries in the 12-country TPP,⁴ 40 have FTAs, all but 6 of which are EPAs.

- Of the six pairs of countries in both AFTA and the TPP, only one (Brunei-Singapore) has an EPA. The rest have only FTAs, and will therefore necessarily be subject to greater economic integration as a result of the TPP.
- On the other hand, these same four countries are included in FTAs with the other eight countries of the TPP in 17 of a possible 32 pairs, and all but one of these (Chile-Malaysia) is an EPA. This suggests that they may have already committed to greater integration to some extent.
- But of these four countries, only Singapore has an EPA with the United States, which may demand the most rigorous and far-reaching integration.
- The six countries that are part of AFTA but not part of the TPP already have FTAs with three of the non-AFTA TPP countries – Australia, Japan, and New Zealand – negotiated between them and ASEAN as a group.
- Among the ten countries included here as Other Asia, three of them (China, India, and South Korea) have FTAs with the AFTA countries and at least one with the non-AFTA TPP countries.

⁴ 12×11/2

Together, these observations make the compelling point that the TPP will interact with a host of other existing FTAs, including many that are already classed as EPAs. This fact motivates the discussion of the effects of the TPP in the next section.

IV. Trade Effects of the TPP

Theoretical analysis of an FTA is usually based primarily on the concepts of trade creation and trade diversion, introduced by Viner (1950). Most simply we imagine a world of three countries that each initially levies identical tariffs on any given good against imports from each of the other countries. Then two of them form an FTA, reducing their tariffs against each other to zero, while continuing to levy tariffs against imports from the third country. In this situation, two possibilities emerge.

Trade creation occurs when a member of the FTA begins to import from its FTA partner a good that it previously produced for itself. Since it would do so only if the partner produces it more cheaply than it can itself, both it and the partner benefit from this exchange in terms of the cost of the country's total consumption.⁵ The third country is not affected at all by trade creation, at least in terms of any direct effect.

Trade diversion occurs when a member country imports from the partner a good that it previously imported from the third country. Because both countries previously faced the same tariff, we can assume that imports from the third country were due to its lower cost. Switching to importing from the partner country therefore means purchasing a higher cost good. The partner country presumably benefits from this change, but the

⁵ This gain, like the gains that arise from multilateral free trade, is a net gain for the country, but it involves what can be a considerable loss to some individuals within it. The net gain is based on the fact that those who gain could in principle compensate those who lose and still remain better off. Since this compensation seldom if ever happens, it is precisely this harm to the losers from trade creation that may motivate resistance to the formation of an FTA, or exemption of sensitive sectors. Thus, while trade creation provides the economic rationale for an FTA, it also provides the political resistance to it.

importing country loses due to this higher cost, as does the third country whose exports fall. The loss to the importing country is not obvious to consumers, who find the higher-cost product cheaper due to the absence of tariff. But the country loses, with that loss taking the form of lost tariff revenue.⁶

The implication of Viner's analysis is that both partners of an FTA may be made worse off by it. Any FTA will inevitably involve some trade diversion, and it is theoretically possible for the economic costs of trade diversion to outweigh both the economic benefits from trade creation and the benefits to exporters of trade-diverted imports. Such a loss may not be likely, but I am not aware of any plausible conditions that will rule it out.⁷

The possibility of a loss for the importing country due to trade diversion was novel and even counter-intuitive when Viner explained it, and it therefore has tended to play a central role in economists' discussions of the welfare effects of FTAs. However, there is a much more intuitive welfare cost due to trade diversion that is sometimes ignored: to the outside country from whom trade is diverted. One does not need subtle theoretical analysis to realize that outside countries are harmed by an FTA, to the extent that the markets for their exports are reduced. This effect of an FTA is arguably more important than any loss to partner countries, since it is both inevitable and potentially large.

⁶ For the same reasons explained in the previous footnote, it is usually trade diversion, not trade creation, that motivates an FTA politically. Both buyers and sellers perceive themselves to be better off, and they are unaware of the importance of the lost tariff revenue.

⁷ My colleagues and I have used a computable general equilibrium (CGE) model to analyze quite a number of free trade agreements over the years. To the best of my recollection, only once have we had the model tell us that a country would lose from an FTA, even though our model incorporated the effects of both trade creation and trade diversion. That was in Brown et al. (1997), where we examined a trade agreement between Tunisia and the European Union. And even there, it was only under one of several scenarios that we found a loss in welfare for Tunisia, a loss that we attributed to trade diversion.

Following the Vinerian example, an analysis of the TPP would simply ask how much trade among the TPP countries it will create, and how much it will divert from non-members.⁸ Since we are interested here in the effects on Asian countries, most of whom will remain outside the TPP, our primary interest will be in the trade diversion from them. I will touch on that in a moment.

However, as Figure 4 makes clear, the Vinerian analysis misses two important points:

1. Many of the Asian countries outside the TPP are already members of FTAs with TPP countries. Their exports to those member countries are already subject to zero tariffs, and therefore neither Vinerian trade diversion nor trade creation can occur.
2. Many of the countries inside of the TPP, including all four of the Asian members of AFTA, are already members of FTAs with individual TPP members. Their exports and imports to those members are already subject to zero tariffs, so that again, neither trade creation nor trade diversion will occur.

These two observations mean that much of the effect – both positive and negative – that a large FTA like the TPP might normally be expected to cause will not in fact occur because of other existing FTAs.

In order to get a better idea of how these considerations will matter for individual countries, we need to know something about with whom they trade. For this purpose, I will look only at the top five countries to which each country exports and from which it imports, since these matter most for the effects of changes in its own and other countries'

⁸ Even for finding just the welfare effects on the included countries, it is not sufficient just to quantify these changes in trade. The sizes of tariffs also matter importantly, as does any change in costs as industries expand and contract.

tariffs.⁹ Figure 5 shows, for each of our list of countries, the five to which it exports the most, with the top-ranked country marked “E” and the others “e”. Figure 6 shows the same for imports, marked “M” and “m”. In some cases, fewer than five countries are indicated, when the top five include countries not in our list. Since many countries have the 27-member European Union as major trade partners, the tables include this as an additional column. Data are missing for Laos, probably because it entered the WTO only recently.

Figures 5 and 6 can be used, together with the information on existing FTAs in Figure 4, to infer how the various countries may be affected by the TPP. The following discussion is necessarily not very precise, as it draws only on that information. A more complete analysis would also look at the levels of tariffs that currently exist on the various trade flows and how they will change with the formation of the TPP. All of this information should ideally be incorporated into a proper CGE model of trade among these countries, as well as trade between them and the rest of the world. I do not have the capacity to undertake such an analysis here, but I hope that the following discussion will be suggestive of what a more complete analysis would produce.

Countries of the TPP and not AFTA:

Australia

Australia’s largest trading partner in both exports and imports is China, with which it has no FTA and which is not included in the TPP. Indeed, it does not have an FTA with any of its top-five export destinations, and it has FTAs with only two of its top-five import

⁹ This choice is also motivated by the convenient fact that the WTO reports each member’s exports to its top five destinations, at <http://stat.wto.org/>.

sources (US and Singapore). The TPP will eliminate Australia's bilateral tariffs with only one of its top trading partners, Japan. Based on that, it seems unlikely to have major effects on Australia's trade, except with Japan. Since Australia already has FTAs with seven of the eleven other TPP countries, it is also not likely to experience significant trade diversion beyond what may already have occurred due to its existing FTAs. Japan should benefit in its trade with Australia, since the TPP will undo the harm from Australia's existing FTAs – especially with the United States.

Canada

Canada currently has only four FTAs with our list of countries, two of them being with the other members of NAFTA, which are also two of its largest trading partners. Like Australia, Canada's trade flows that will be most affected by the TPP will be its trade with Japan. Japan has a large number of existing FTAs, but few of them are with important trading partners of Canada. The exception is Mexico, with which Canada also has an FTA. Therefore, Canada should gain from the TPP to the extent that it undoes the harm from trade diversion caused by these other FTAs.

Chile

Chile already has FTAs with all but one (Vietnam) of the other countries of the TPP, including the only two countries within the TPP with which it trades significantly: the US and Japan. Chile's largest trading partner for its exports is China, with which it also already has an FTA. Effects of the TPP on Chile should therefore be minimal.

Japan

Japan's largest trading partner, for both exports and imports, is China, with which it does not have an FTA. Among the members of the TPP, it trades in a major way only with the United States and, for its imports presumably of raw materials, Australia. But its trade with the United States is a big deal, and the main effects of the TPP for Japan will be about the same as if it formed an FTA with the United States alone. The inclusion of other countries in the TPP will prevent this from causing trade diversion from them, but substantial trade diversion is likely from China.

Mexico

Mexico is very similar to Canada in both its trading partners and its membership in FTAs. The exception is that Mexico already has an FTA with Japan, which is a major source of its imports. The TPP seems therefore unlikely to have any major effects on Mexico.

New Zealand

New Zealand, like Australia, is member of a large number of FTAs, but remarkably these do not include the United States. On the other hand, New Zealand does have an FTA with China. Therefore, a major positive effect of TPP for New Zealand will be its increased trade with the US, while it will not suffer from any trade diversion as it shifts imports from China to the US. On the contrary, the TPP will offer New Zealand the additional benefit of reversing any trade diversion that its FTA with China may have causes vis a vis the US. In addition, the TPP will encompass Japan, also a major trading

partner of New Zealand in both exports and imports, and with which it does not currently have an FTA.

Peru

Peru already has FTAs with the two TPP countries with which it trades the most – Canada and the US, as well as with another major trading partner, China. It trades little with its southern-hemisphere but distant neighbors, Australia and New Zealand, perhaps because these are two of the few industrialized countries with which it has no FTA. The TPP will not have a big effect on Peru, but it should allow these trade flows across the southern Pacific to expand.

United States

The US already has FTAs with half the TPP countries, but not with Japan. As noted above for Japan, the largest effect of the TPP will be through the Japan-US trade relationship. This will involve trade diversion away from China and to a lesser extent (since the trade is small) from other non-TPP Asian countries. The exception to this last is South Korea, with which the US already has a recently implemented FTA, the trade within which would otherwise be likely to grow over time. The TPP will likely slow that growth.

Countries in both TPP and AFTA:

Brunei Darussalam

Brunei already has FTAs with all of its major trading partners except the United States, partly because of its membership in AFTA but also because it has separate trade agreements with Japan, Chile, Australia and New Zealand, China, and South Korea.

Therefore the importance of the TPP for Brunei is its relationship with the US. Its many other FTAs have, to some extent, diverted its trade from the US, and the TPP will correct that. It's hard to see how Brunei could other than benefit from the TPP.

Malaysia

Malaysia has all of the same FTAs as Brunei, plus an additional one with Pakistan. Its trade patterns are similar as well. So the conclusion for Brunei – that it will gain mainly by having an FTA with the US and undoing trade diversion – holds for Malaysia as well.

Singapore

Singapore has existing FTAs with the largest number of countries on our list: 18 of a possible 27. Unlike the other countries in the TPP&AFTA group, it even has one with the US. So there does not appear to be much scope for gain (or loss) for Singapore from the TPP. The two countries with which Singapore's trade might expand the most with the TPP are Canada and Mexico, with which it oddly does not currently have an FTA despite their membership in NAFTA. With all of its other FTAs, the trade between Singapore and these two countries undoubtedly suffered from trade diversion. This will be

corrected by the TPP, although the effect on any of these countries' welfare seems unlikely to be large.

Vietnam

Vietnam's configuration of FTAs, and its major trading partners, are largely the same as Brunei and Malaysia, except that it lacks an FTA with Chile. One can therefore expect a similar experience for it: it benefits mainly from acquiring an FTA with the United States, which is its largest export destination. Unlike Malaysia and Brunei, however, Vietnam does not import a great deal from the US, so its benefits as an importer will be more muted.

Countries in AFTA but not in TPP:

Cambodia, Indonesia, Laos, Myanmar, Philippines, and Thailand

All of these countries have essentially the same configuration of FTAs, in that they are members of ASEAN, its associated AFTA, and the FTAs that ASEAN has negotiated with other countries: Australia and New Zealand, Japan, China, India, and South Korea. The only variation among them is that the ASEAN agreement with Japan is only an FTA, while several of these countries (Indonesia, Philippines, Thailand) have negotiated additional bilateral Economic Integration Agreements.

Because these countries are part of AFTA but not part of TPP, the TPP would not be expected to benefit them, and will instead cause some trade diversion away from them as AFTA countries that are included in the TPP substitute cheaper imports from TPP partners in place of imports from this group of countries.

Fortunately, the only country within the AFTA/TPP group that is a major destination for exports from any of these countries is Singapore, and it already has FTAs with all of the TPP countries except Canada and Mexico. Therefore, this trade diversion, while it will happen, should not be substantial, since it has already occurred.

More serious will be the trade diversion within two of the non-AFTA/TPP countries: Japan and the United States. Japan is the top export destination for both Indonesia and the Philippines, while the US is a major destination for these countries as well, and also for Thailand and Cambodia. Indeed, the US is the top export destination for Cambodia. Only Myanmar (and perhaps Laos, for which we lack trade data) appears to be immune from this effect, as its main export destinations are all except Singapore outside the TPP.

I conclude that four of these countries – Cambodia, Indonesia, Philippines, and Thailand – should expect to be harmed by the TPP.

Countries in Other Asia

Bangladesh, China, Hong Kong, India, Macao, Nepal, Pakistan, South Korea, Sri Lanka, Taiwan

None of the other Asian countries that I selected for this analysis have any countries of the TPP as their top export destinations. On the other hand, all of them have the United States as one of their top-five destinations, and several of them export significantly to Japan as well. With only two exceptions, none of them have existing FTAs with Japan or the US either, which would temper any trade diversion. The exceptions are India with Japan and South Korea with the US. But the US is a top-five destination for India's

exports, and Japan is the same for South Korea. Therefore even these two countries can expect non-trivial trade diversion from the TPP, although their FTAs with the AFTA members should temper this a bit.

Of special interest, of course, is China. China already has FTAs with the AFTA countries as well as with Chile, New Zealand, and Peru. But this leaves Australia, Canada, Japan, Mexico, and the United States as TPP members with which China has no FTA and where it can expect a decline of exports due to trade diversion. Indeed, although China's top export destination is the 27-member European Union, the US is a close second, and Japan is also in its top five.¹⁰ China would seem to be a major loser from the TPP.

V. Conclusion

As listed in Table 2, there is much more to the Trans-Pacific Partnership than just the tariffs that will mostly be eliminated among the members. My discussion here has dealt only with the effects of those tariff reductions, largely because I find it interesting to consider an FTA in the context of countries that already participate in other FTAs, something that the literature has not usually taken much account of.

But if the TPP achieves its objective of going well beyond these tariff reductions, it may be that the trade effects will be its least important implications. I had intended when I undertook to write this paper to look at the other issues in Table 2, but in the event I have found the analysis to overlapping and interacting FTAs to be more than enough to keep me busy.

¹⁰ I have not reported the amounts of trade in Tables 5 and 6. But the underlying data show that 18.8% of China's exports go to the EU, 17.1% to the US, and 7.8% to Japan.

I would hope, nonetheless, that I or others will give due attention to those other issues. I suspect that some of them will offer far greater benefits to the participating countries than the trade effects that I have discussed here. And I also fear that some of those issues will prove problematic, and that they could undermine the benefits that this “state of the art” trade agreement could otherwise provide.

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Table 1
Countries Considered

	Likely member of TPP	Actual member of AFTA
Australia	yes	
Bangladesh		
Brunei Darussalam	yes	yes
Cambodia		yes
Canada	yes	
Chile	yes	
China		
Hong Kong		
India		
Indonesia		yes
Japan	yes	
Laos		yes
Macao		
Malaysia	yes	yes
Mexico	yes	
Myanmar		yes
Nepal		
New Zealand	yes	
Pakistan		
Peru	yes	
Philippines		yes
Singapore	yes	yes
South Korea		
Sri Lanka		
Taiwan		
Thailand		yes
United States	yes	
Vietnam	yes	yes

Table 2
Issues of the TPP

Trade issues

Trade in goods

Tariffs

- Eliminate tariffs on intra-TPP trade

Nontariff barriers

- Harmonize customs valuation rules and procedures
- Remove technical barriers to trade
- Remove the trade-distorting effects of sanitary and phytosanitary measures
- Open government procurement to imports from member countries

Trade remedies

- “Build upon [the existing rights under the WTO for anti-dumping, countervailing duty, and safeguards protection] to assure transparency and procedural due process” USTR (2011)
- Negotiate a special transitional regional safeguard mechanism for the TPP

Rules of origin

- “A common tariff schedule and rules of origin would result in a greater level of trade expansion and potential economic benefits” Krist (2012, p. 15)
- “Regional rules of origin will provide new opportunities for Australian exporters to tap into global supply chains.” Australian Government (2013)

Trade in services

- Agree on national treatment for member-country service providers, subject to a “negative list” of exceptions for specific service sectors

Non-trade issues

Intellectual property protection

- Reinforce and extend the protection of patent, copyright, trademark and other intellectual property protection provided by the TRIPs Agreement of the WTO

Competition policy

- “Commitments on the establishment and maintenance of competition laws and authorities, procedural fairness in competition law enforcement, transparency, consumer protection, private rights of action and technical cooperation.” USTR (2011)

Temporary movement of business persons

- “Promote transparency and efficiency in the processing of applications for temporary entry” USTR (2011)

Labor rights

- The US is pushing for commitments on labor rights protection, reportedly asking for enforceable adherence to ILO core labor standards

Environmental laws and regulations

- “U.S. proposal would create new binding commitments in the area of conservation, such as an obligation to maintain domestic laws or regulations that prohibit trade in wildlife or plants that were obtained illegally, for protection of endangered species and marine fisheries, or to prevent trade in illegal logging.” Krist (2012, p. 13)

Regulatory coherence

- The object here is to reform regulatory systems so be more compatible internationally, both in terms of what is required and in terms of procedures to demonstrating and certifying compliance

Digital technologies

- “The United States has proposed that TPP countries commit to not blocking cross-border transfer of data over the Internet and not require that servers be located in the country in order to conduct business in that country.” Krist (2012, p. 13)

Financial services

- “The text related to investment in financial institutions and cross-border trade in financial services will improve transparency, non-discrimination, fair treatment of new financial services, and investment protections and an effective dispute settlement remedy for those protections.” USTR (2011)

Investment

- “Provisions to ensure non-discrimination, a minimum standard of treatment, rules on expropriation, and prohibitions on specified performance requirements that distort trade and investment.” USTR (2011)
- “...several countries are said to favor ‘investor-state arbitration’ provisions for issues involving foreign investments.” Petri et al. (2011)
- “...investment text will protect the rights of the TPP countries to regulate in the public interest.” USTR (2011)

Issues often mentioned, but not explicitly part of TPP

State-owned enterprises

- “prevent SOEs from receiving support in the form of regulatory and tax advantages, or access to capital and other inputs at below-market prices” Petri et al. (2011)

Currency manipulation

- “There will also need to be careful wording on ‘currency manipulation’ to please US manufacturers” Pilling (2013)

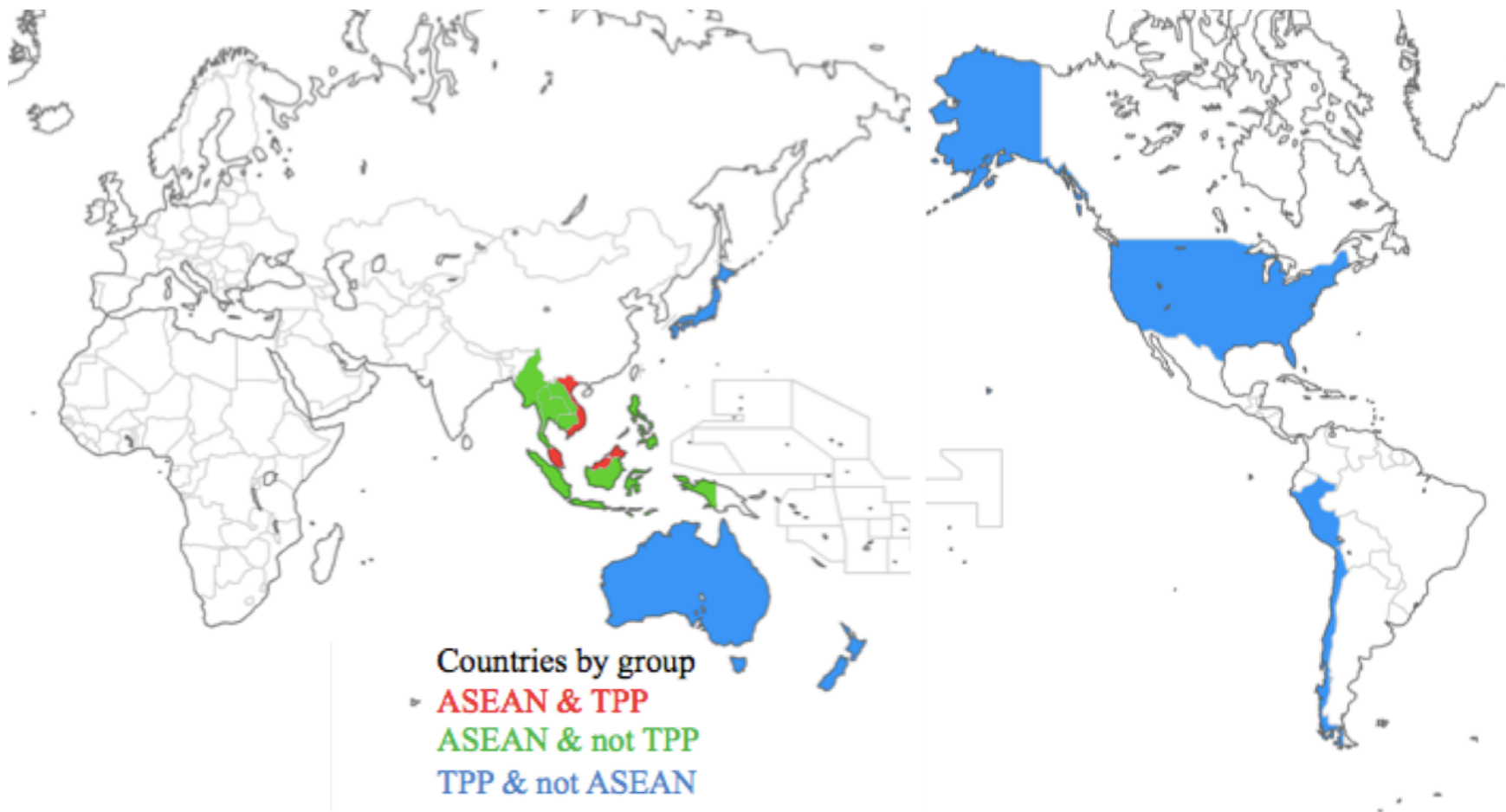


Figure 1
Countries of the TPP and AFTA

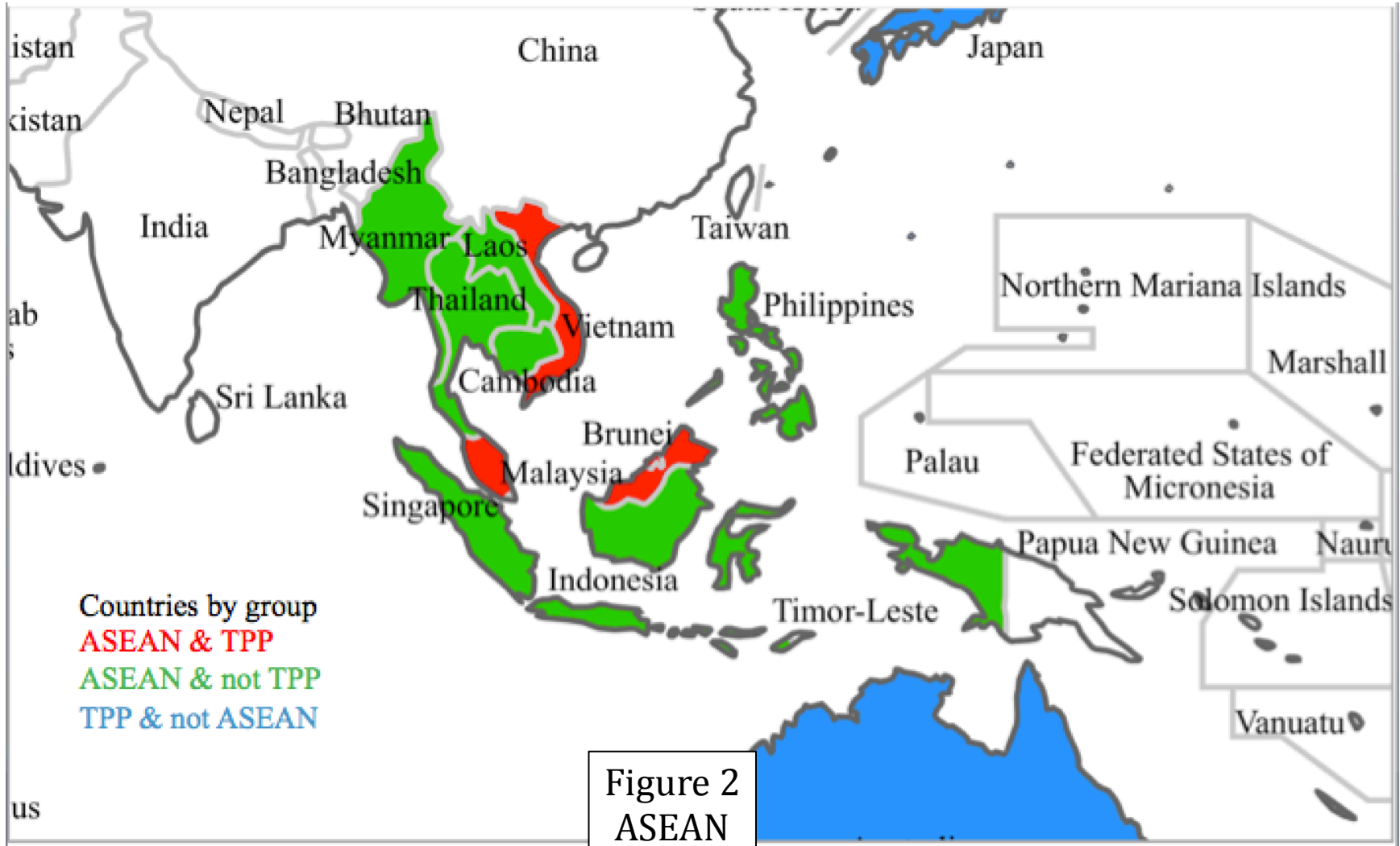


Figure 3
Shares of GDP (@PPP)
for TPP, AFTA, and Other Asia

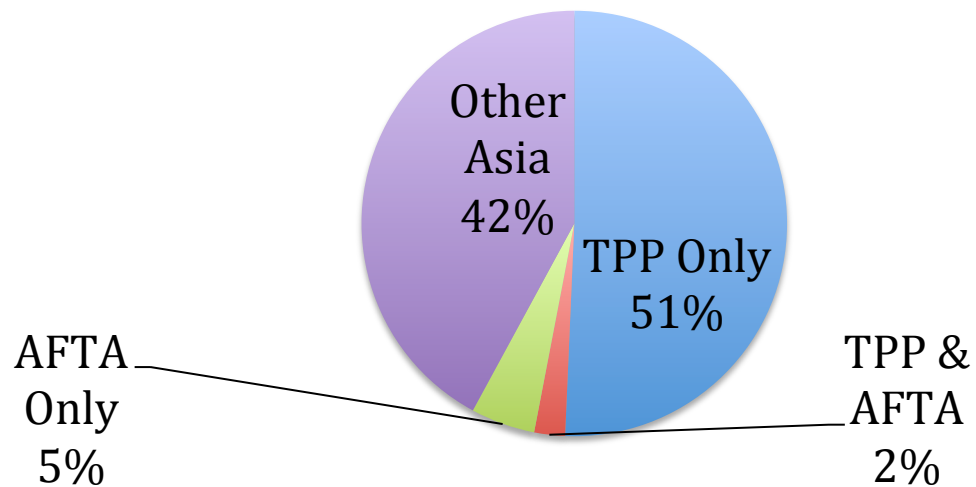


Figure 4
Existing FTAs (f) and Economic Integration Agreements (E)
among TPP and Asian Economies

		TPP & not Afta							TPP & Afta				Afta & not TPP					Other Asia											
		Australia	Canada	Chile	Japan	Mexico	New Zealand	Peru	United States	Brunei	Malaysia	Singapore	Vietnam	Cambodia	Indonesia	Laos	Myanmar	Philippines	Thailand	Bangladesh	China	Hong Kong	India	Macao	Nepal	Pakistan	South Korea	Sri Lanka	Taiwan
TPP & not Afta	Australia		E		E	E	E	E	E	E	E	E	E	E	E	E	E	E											
	Canada			E	E	E	E	E																					
	Chile	E	E		E	E	E	E	E	f	E										E						E		
	Japan			E		E		E	E	E	E	E	f	E	f	f	E	E				E							
	Mexico		E	E	E		E	E																					
	New Zealand	E		E					E	E	E	E	E	E	E	E	E	E	E		E	E							
	Peru		E	E	E	E		E			E										E						E		
	United States	E	E	E	E		E			E																	E		
TPP & Afta	Brunei	E	E	E		E			f	E	f	f	f	f	f	f	f	f		f	f						E	E	
	Malaysia	E	f	E		E		f		f	f	f	f	f	f	f	f	f		f	E			E	E		E		
	Singapore	E	E	E		E	E	E	f		f	f	f	f	f	f	f	f		E	E					E			
	Vietnam	E		E		E		f	f	f	f	f	f	f	f	f	f	f		f	f					E			
Afta & not TPP	Cambodia	E		f		E		f	f	f	f		f	f	f	f	f	f		f	f					E			
	Indonesia	E		E		E		f	f	f	f	f	f		f	f	f	f		f	f					E			
	Laos	E		f		E		f	f	f	f	f	f	f		f	f	f		f	f					E			
	Myanmar	E		f		E		f	f	f	f	f	f	f	f		f	f		f	f					E			
	Philippines	E		E		E		f	f	f	f	f	f	f	f	f		f		f	f					E			
	Thailand	E		E		E		f	f	f	f	f	f	f	f	f	f	f		f	f					E			
Other Asia	Bangladesh																				f	f	f			f			
	China		E			E	E	f	f	E	f	f	f	f	f	f	f	f			E		E		E				
	Hong Kong																			E									
	India			E				f	E	E	f	f	f	f	f	f	f	f	f					f	f	E	f		
	Macao																				E								
	Nepal																			f		f			f		f		
	Pakistan									E										f	E	f		f			f		
	South Korea		E				E	E	E	E	E	E	E	E	E	E	E	E	E			E							
	Sri Lanka																			f		f		f					
	Taiwan																					f		f					

Figure 5
Exports Percent to Top Five Destinations
for TPP and Asian Economies

Exports from row to column
E=Max, e= top 2-4

		TPP & not Afta	TPP & Afta	Afta & not TPP	Other Asia	Other																								
		Australia	Canada	Chile	Japan	Mexico	New Zealand	Peru	United States	Brunei	Malaysia	Singapore	Vietnam	Cambodia	Indonesia	Laos	Myanmar	Philippines	Thailand	Bangladesh	China	Hong Kong	India	Macao	Nepal	Pakistan	South Korea	Sri Lanka	Taiwan	E.U. (27)
TPP & not Afta	Australia			e																	E		e							e
	Canada			e	e			E														e								e
	Chile			e				e														E								e
	Japan							e														E					e	e		e
	Mexico		e					E														e								e
	New Zealand	E		e				e														e								e
	Peru		e					e														e								E
	United States		E	e	e																	e								e
TPP & Afta	Brunei	e		E				e						e													e			
	Malaysia			e				e		e											E									e
	Singapore								E		e										e	e								e
	Vietnam			e				E													e	e				e				e
Afta & not TPP	Cambodia		e					E		e											e									e
	Indonesia			E				e		e											e									e
	Laos																													
	Myanmar									e								E			e	e	e							
	Philippines				E			e		e											e	e								e
	Thailand			e				e													E	e								e
Other Asia	Bangladesh		e					e													e	e								E
	China			e				e														e					e			E
	Hong Kong			e				e													E	e								e
	India							e		e											e	e								E
	Macao							e			e										e	E								e
	Nepal		e					e											e				E							e
	Pakistan							e													e									E
	South Korea				e			e													E	e								e
	Sri Lanka							e		e													e							E
	Taiwan			e				e													E	e								e

Figure 6
Imports Percent from Top Five Sources
for TPP and Asian Economies

Imports to row from column
M=Max, m= top 2-4

		TPP & not Afta	TPP & Afta	Afta & not TPP	Other Asia	Other																								
		Australia	Canada	Chile	Japan	Mexico	New Zealand	Peru	United States	Brunei	Malaysia	Singapore	Vietnam	Cambodia	Indonesia	Laos	Myanmar	Philippines	Thailand	Bangladesh	China	Hong Kong	India	Macao	Nepal	Pakistan	South Korea	Sri Lanka	Taiwan	E.U. (27)
TPP & not Afta	Australia		m					m			m										M									m
	Canada			m	m			M													m									m
	Chile							M													m									m
	Japan	m						m													M									m
	Mexico			m				M													m					m				m
	New Zealand	M		m				m													M									m
	Peru							M													m									m
	United States		m	m	m																M									m
TPP & Afta	Brunei			m				m		M	m																			m
	Malaysia			m				m			m										M									m
	Singapore							m			m										m								m	M
	Vietnam			m																	M						m			m
Afta & not TPP	Cambodia												m							m	M	m							m	
	Indonesia			m									m								M						m			m
	Laos																													
	Myanmar			m							m									m	M						m			
	Philippines			M				m			m										m									m
	Thailand			M				m													m									m
Other Asia	Bangladesh													m							M	m								m
	China			m				m																			m		m	M
	Hong Kong			m				m													M									m
	India																				M									m
	Macao			m																	M	m								m
	Nepal														m						m		M							m
	Pakistan																				m									m
	South Korea			m				m													M									m
	Sri Lanka										m										m		M							m
	Taiwan			M				m													m						m			m