

New phase for Trans-Pacific Partnership

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ONE of the most significant outcomes of the Asia Pacific Economic Cooperation (Apec) talks last weekend may not have occurred in Singapore at all. Instead, the longest-lasting effect might well be United States President Barack Obama's announcement in Tokyo that the US will continue with the Trans-Pacific Partnership (TPP) talks.

The TPP is a trade policy initiative of Singapore's. It is the expansion of the existing Trans-Pacific Strategic Economic Partnership Agreement (P4) among Singapore, New Zealand, Chile and Brunei into a regional agreement that includes Australia, Vietnam and Peru. With Mr Obama's statement, the US will be en-

gaged in the negotiations as well. This dramatically increases the economic and political importance of these talks.

If the TPP negotiations result in an agreement that matches the aspirations of the lead negotiators, it could be the start of a new kind of trade deal for the future. Officials have pledged to put aside existing templates and rethink the goals and purpose of trade agreements.

They want to craft an arrangement that will allow the smallest firms to easily find new market opportunities. The approach will correct some of the problems and gaps of earlier models of trade agreements. It should go beyond commitments made in other settings, like the World Trade Organisation.

Perhaps most important, it will encourage other participants in the Asia-Pacific region to join the broadly comprehensive

agreement. Instead of trade deals that bring minimal results with significant sectors carved out as exceptions, the TPP is meant to deliver real economic benefits to participants.

Such an agreement, of course, will not be easy to reach. The negotiations among the eight participating countries will be heated and intense. Any final deal will have to satisfy domestic audiences in every participating country. The compromises necessary to ensure political support will likely weaken the final agreement. Still, negotiators are aiming high with a purpose.

The TPP is meant to encourage not only increased trade opportunities across the eight member states from three continents but also to serve as a model for future trade agreements. There is an accession clause in the existing P4 agreement.

It is intended to serve as a platform for further trade liberalisation in Apec.

One of the goals for Singapore has long been the realisation of a Free Trade Area of the Asia Pacific (FTAAP). This is a free trade agreement covering the 21 member economies of Apec, including Singapore, China, Japan, South Korea, Australia, US, Canada and Chile.

While an FTAAP remains a stated objective of Apec, the odds of even beginning negotiations on the agreement are not good in the medium term. It would involve - for a start - a free trade commitment by both the US and China. For all the warm words in Beijing this week between Mr Obama and Chinese President Hu Jintao, no one expects greater economic liberalisation to take place between the two countries any time soon.

So getting to an FTAAP may involve

building towards it brick by brick. The TPP, in this context, can be seen as a platform for creating a larger deal at some point in the future.

But this also increases the complexity of the negotiations. Trade officials will have to craft an agreement that not only satisfies their own interests, but will also be attractive enough to get other states to join in the future. This is precisely why officials must have sufficient resolve to create a high quality deal and not settle for easier outcomes.

The TPP has the potential to generate significant gains for trade in the long run. It could be a trade agreement that falls between shallow bilateral arrangements and large, multilateral deals that are increasingly difficult to conclude. The announcement that official talks among the eight participating countries will resume in Australia in March next year should be welcomed by everyone - most especially, Singaporeans.

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