

Political will needed for Trans-Pacific Partnership

BY DEBORAH K. ELMS
FOR THE STRAITS TIMES

20/7/11

THE Trans-Pacific Partnership (TPP) negotiations have reached an important juncture. Political will and engagement by high-level officials are necessary to keep the talks moving forward.

The TPP is a trade agreement designed to link up nine countries on three continents. The countries are Singapore, Australia, Brunei, Chile, Malaysia, New Zealand, Peru, the United States and Vietnam. Officials held their seventh round of negotiations in Hanoi late last month.

Originally, the talks were supposed to have been wrapped up come November's Apec leaders meeting in Honolulu, Hawaii. This deadline has now been converted into a commitment for "broad out-

lines" of an agreement by this November's meeting.

The TPP is intended to be a "high-quality, 21st century" agreement. It will include binding commitments on trade areas like goods, services, investment, government procurement, intellectual property rights, agriculture, telecommunications, textiles, labour and the environment.

The commitment to high quality and the comprehensive nature of an agreement linking a diverse group of countries at different levels of economic development has made the talks challenging. Officials have already spent hundreds of hours around negotiating tables trying to hammer out details and reach consensus.

Time is running out. Only one round remains before the November Apec meeting. Negotiators know they cannot re-

solve all the outstanding issues prior to Hawaii, but they need to have some of the most sensitive issues handled.

The problem now is that many of the most sensitive items cannot be addressed at the level of the 800 officials present in Hanoi's meeting. Many of the remaining obstacles can be resolved only with high-level political engagement.

For example, the US will need to decide whether to open long-protected markets like sugar, dairy and textiles to greater foreign competition from TPP member countries. These markets have remained protected despite repeated negotiations in World Trade Organisation rounds and various bilateral free trade agreement commitments.

Opening them up now will require political leadership. The beneficiaries of decades of US protection can be expected

to fight against any liberalising moves as a result of TPP negotiations.

Failure to expand access to these markets, however, will give rise to three problems for the Americans. First, it highlights a gap between the soaring rhetoric attached to the agreement and a grubbier reality. Second, the economic gains from the TPP among the current nine members are likely to be modest. Refusing to open dairy further or change rules on textiles could diminish potential gains.

Third, if the US is successful at keeping sugar, for example, out of the TPP, other countries will argue just as strongly for keeping markets like rice closed to outsiders. This will undermine the commitment to preferential market access and further reduce potential economic gains.

Other countries have similar problems. Vietnam is under pressure from TPP member countries to make commitments of

openness and transparency for state-owned enterprises.

Malaysian leaders have to decide how much of the government procurement markets to open or what level of liberalisation will be allowed in which service sectors. It is one thing to have a general commitment to openness. It is another to contemplate specific changes to the domestic economic structure.

So far, the TPP talks have been conducted largely "under the radar", with modest efforts among the nine to promote the talks at the domestic level. It is time for political leaders to start paying attention to what is happening in these negotiations. They must start to weigh in on the sensitive compromises necessary in any meaningful negotiations.

Otherwise, the officials cannot make forward progress. The TPP talks risk missing the opportunity to have a broad outline ready by November.

The writer is Head of the Temasek Foundation Centre for Trade & Negotiations at the S. Rajaratnam School of International Studies, Nanyang Technological University.