

The Trans Pacific Partnership Agreement: Impact and Implications

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Theory of Integration

- EU's 5 stages: free trade area; custom union; common market; economic union; and total economic integration.
- Optimal Currency Area (OCA): a monetary union; followed by convergence of key macroeconomic variables.
- TPP: authoritative author is Deborah Elms.

Cooperation institutions in Asia-Pacific

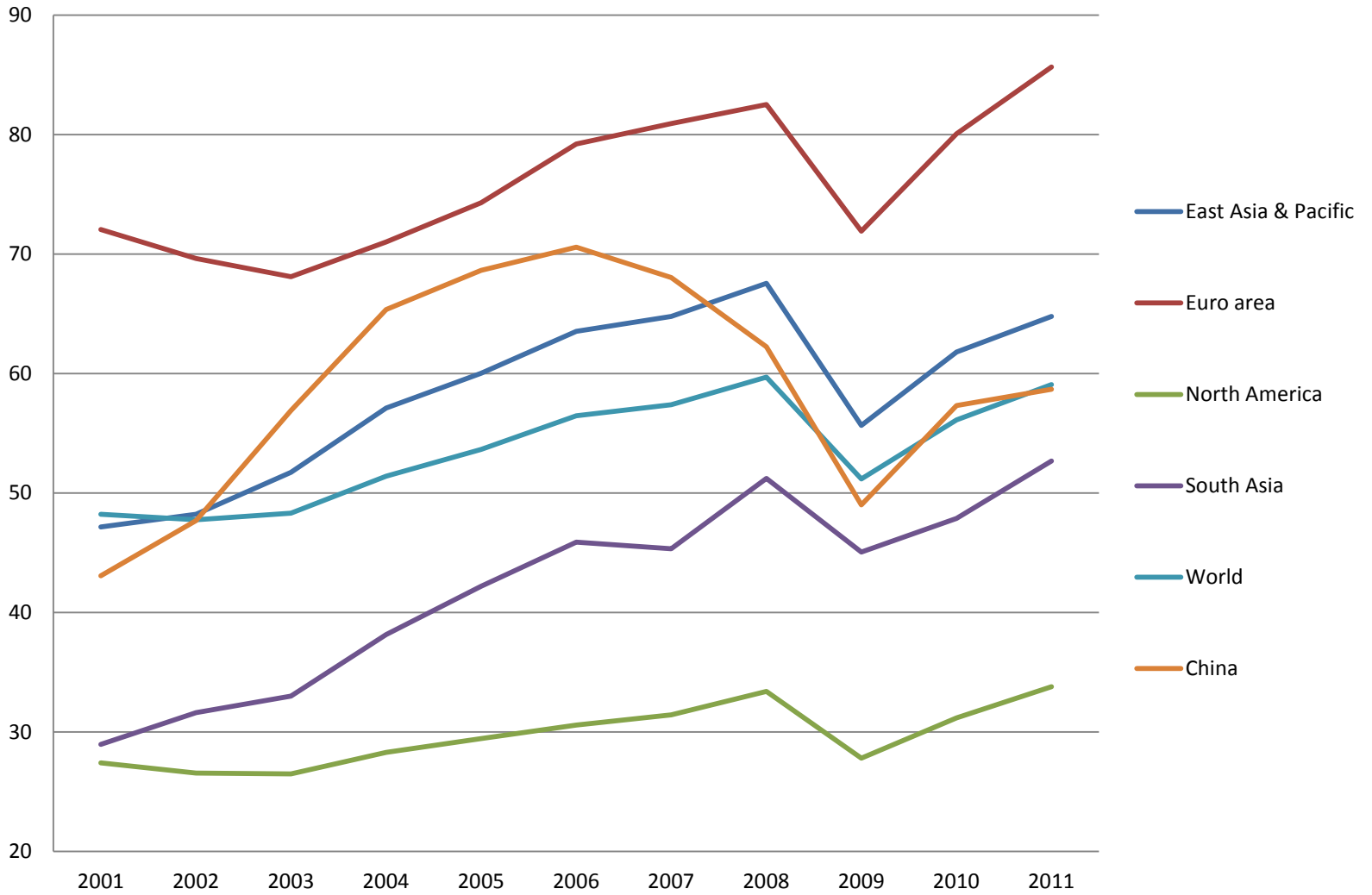
- UN or international level: ESCAP, World Bank, IMF, UNDP, WTO, ADB.
- Regional level: ASEAN, ASEAN+3 or +6, PECC, APEC, Shanghai Forum, TPP, etc.
- Basis of cooperation: complimenting vs replacing/substituting.
- Asia-Pacific: diversity in size, development, history, politics, language, and not all land-connected.

Asia Pacific Economic Development

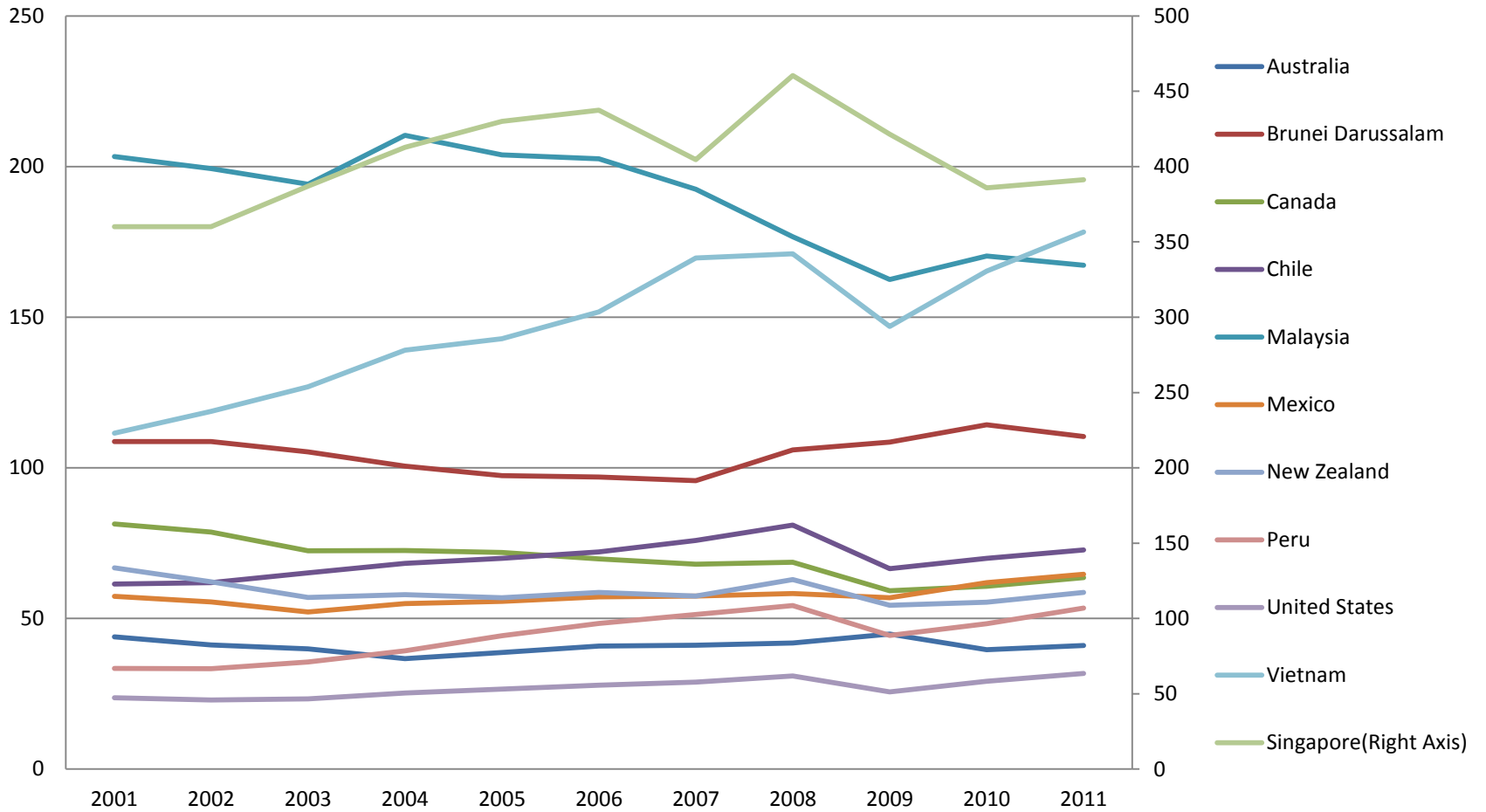
- Pro-growth nature in the region.
- Regional competition: peace and stability.
- Loser if instability strikes, as one's economic gains will divert to neighboring economies.
- “Siege mentality”: prepare for the rainy day?
- Export: output end.
- Input side: tax, tariff, cost & wage, etc.

	Correlation Coefficient with U.S. (2001-2011)			
	Country Name	GDP	FDI Net Inward	Exports+Imports
Region	East Asia & Pacific	0.9186	0.8009	0.9739
	Euro area	0.9743	0.5341	0.9810
	North America	0.9999	0.9868	0.9998
	China	0.8530	0.7328	0.9540
	World	0.9612	0.9013	0.9905
TPP Countries	Australia	0.9168	0.6305	0.9514
	Brunei Darussalam	0.9479	0.2861	0.9695
	Canada	0.9863	0.7958	0.9951
	Chile	0.9262	0.7019	0.9883
	Malaysia	0.9301	0.7678	0.9906
	Mexico	0.9726	0.3585	0.9914
	New Zealand	0.9705	0.5836	0.9839
	Peru	0.8613	0.6568	0.9547
	Singapore	0.9108	0.6072	0.9867
	Vietnam	0.8882	0.6745	0.9305

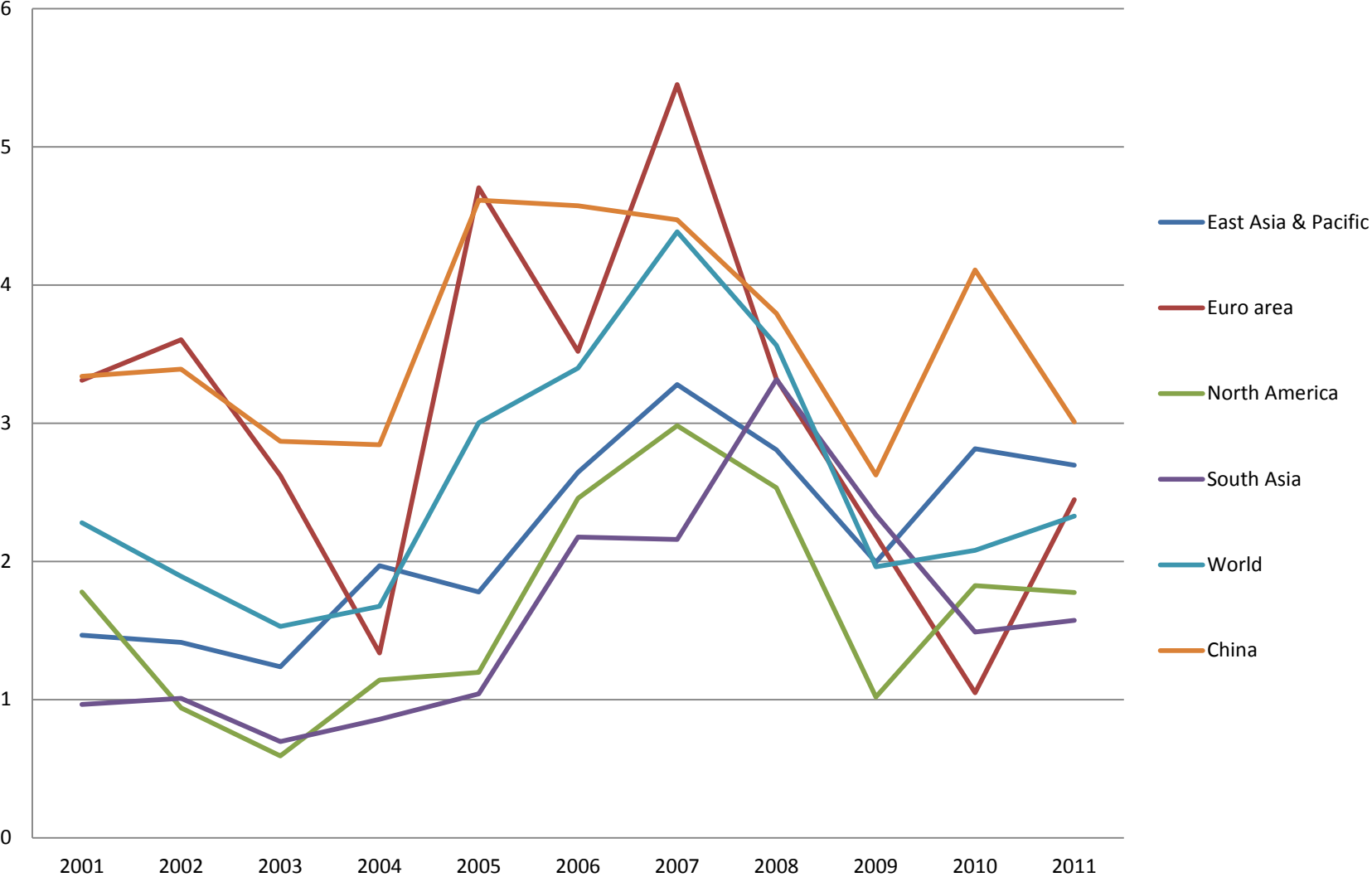
Trade (% of GDP)



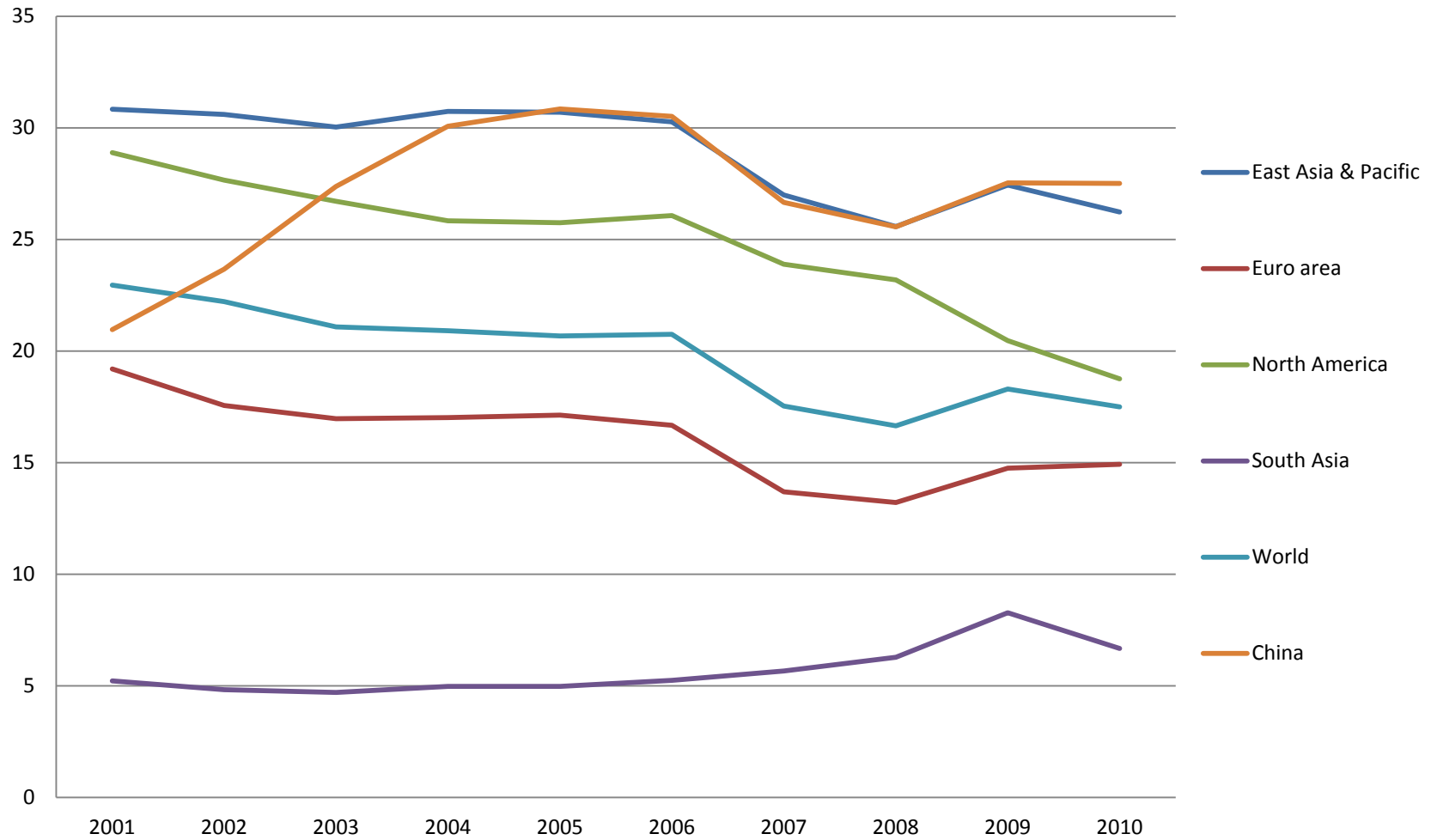
Trade (% of GDP)



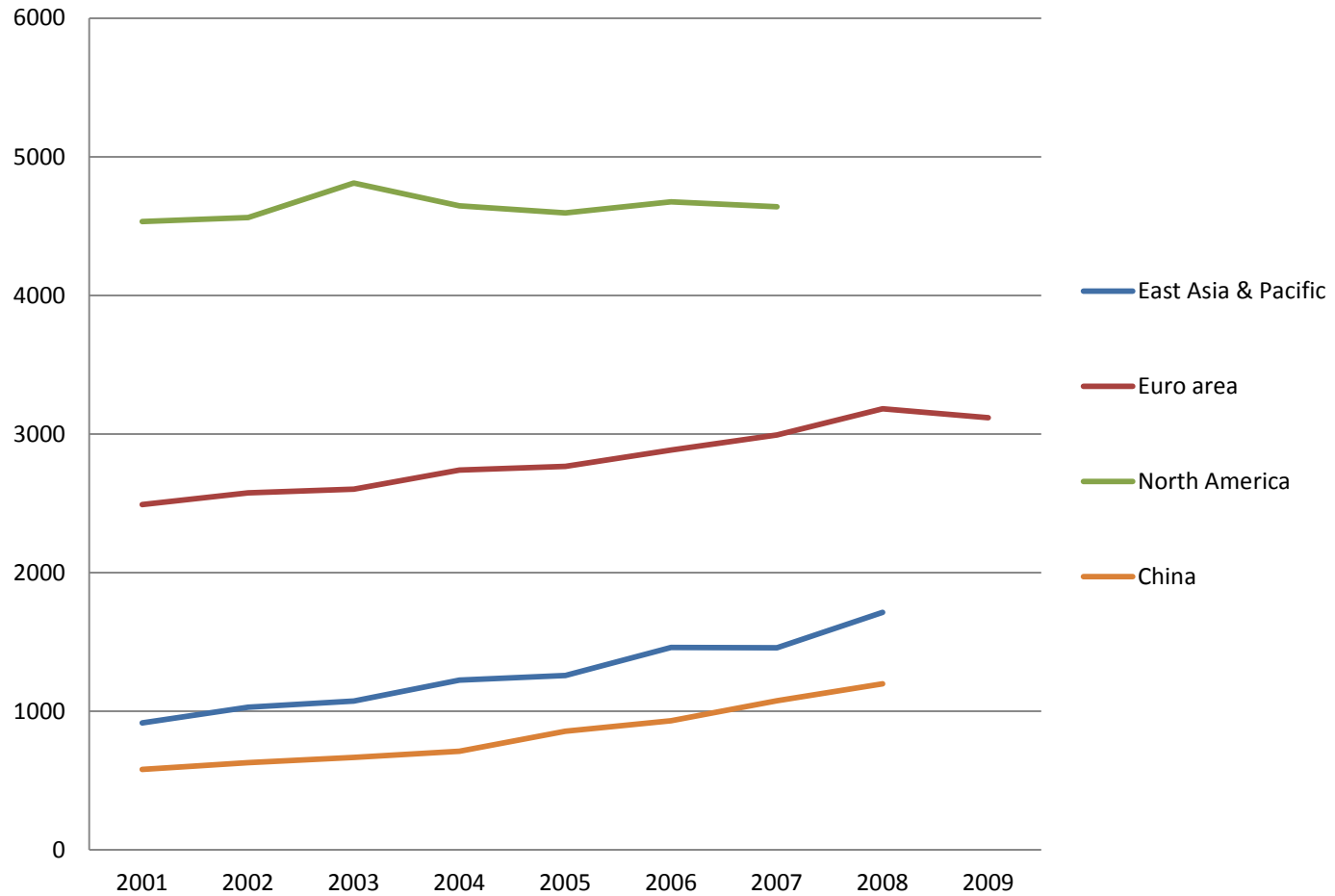
Foreign direct investment, net inflows (% of GDP)



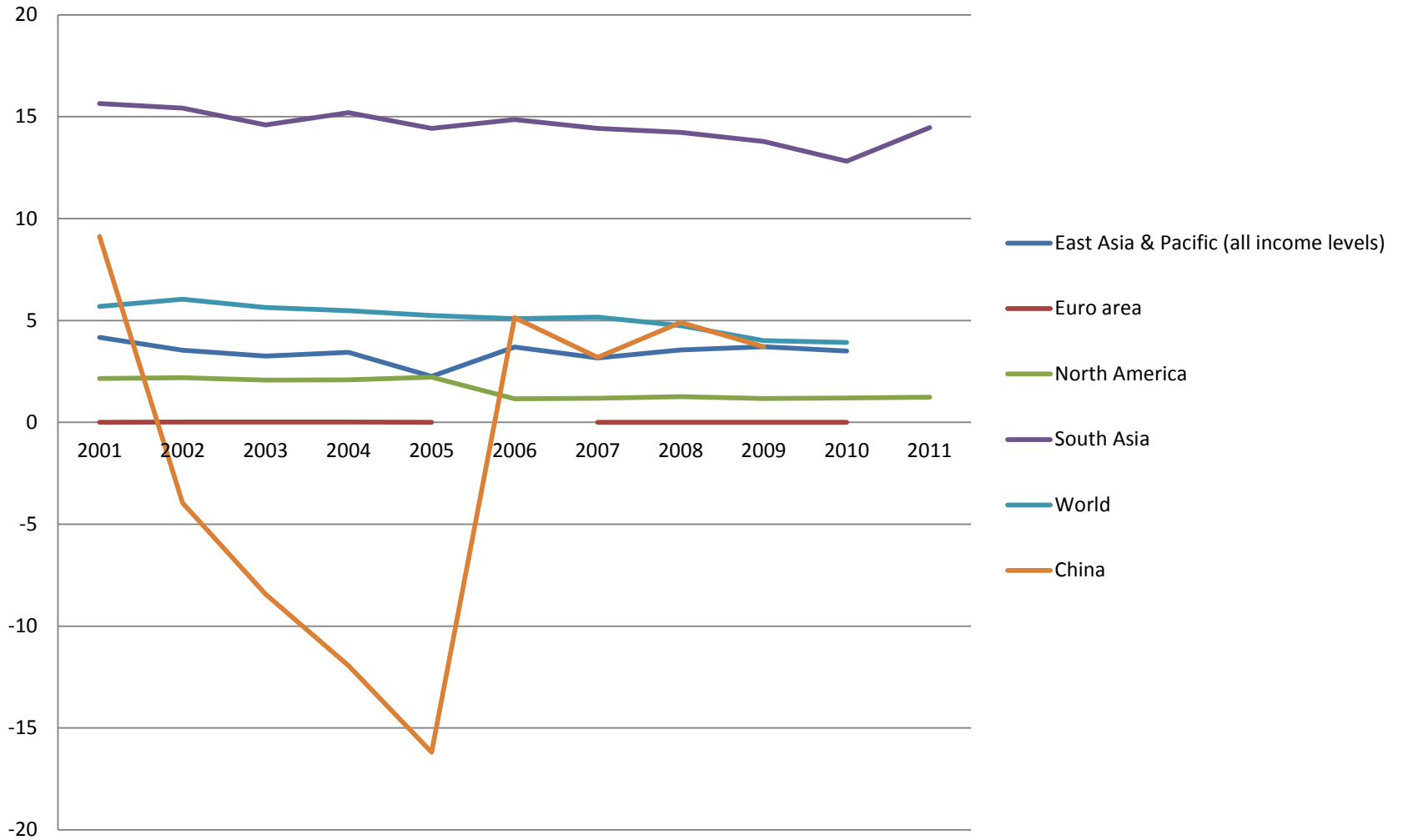
High-technology exports (% of manufactured exports)



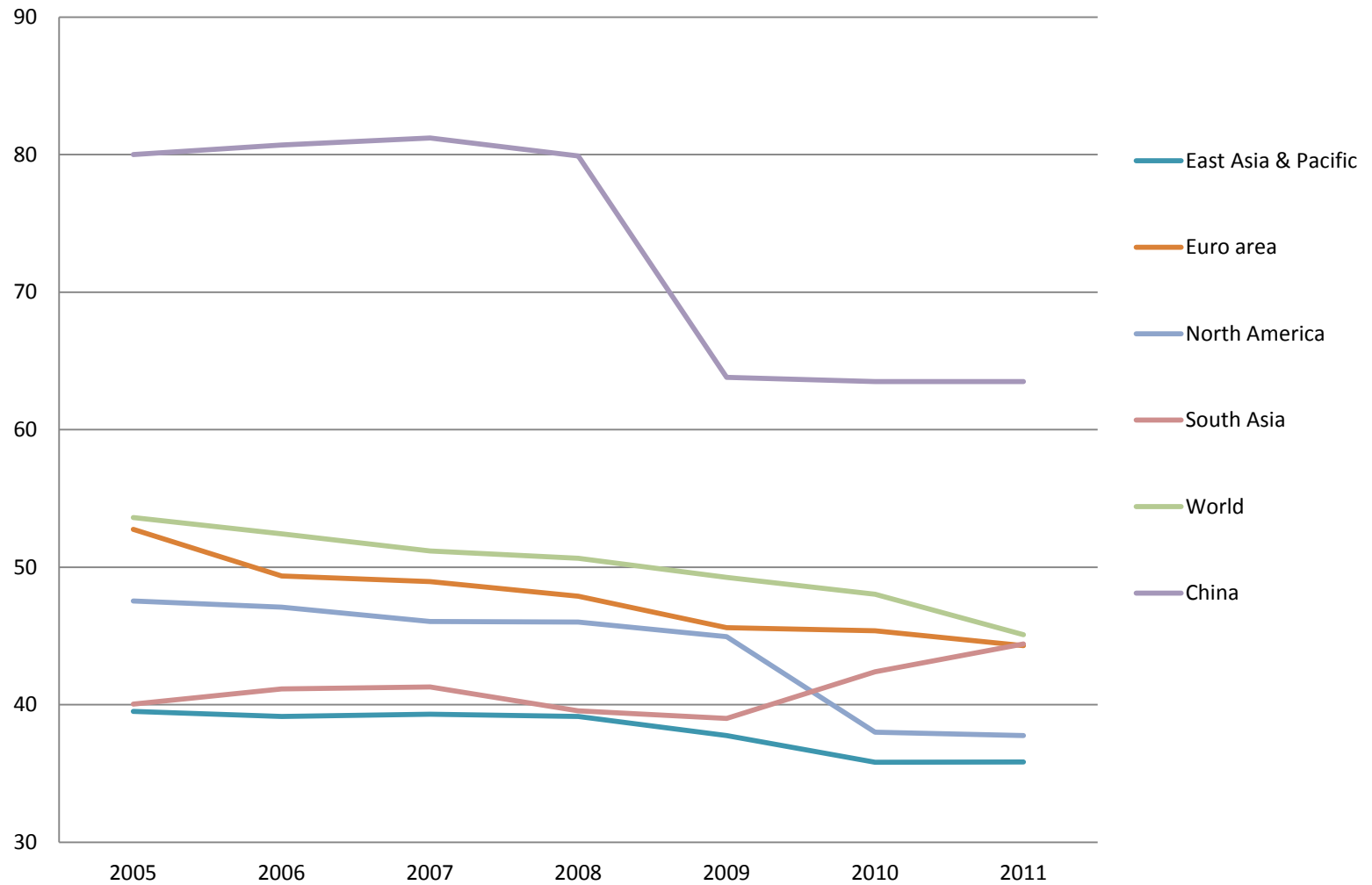
Researchers in R&D (per million people)



Taxes on international trade (% of revenue)



Total tax rate (% of commercial profits)



Bilateral vs Multilateral

- Bilateral: country-specific, product specific.
- Coverage can differ between bilateral FTAs.
- Multilateral: process-, principles-specific.
- Sum of FTAs = plurilateral or multilateral?
- From bilateral to multilateral: overlaps, or lack of overlaps.
- Difference in the basic approach to trade negotiation.

The Negotiation Matrix

Trade Items	Bilateral		Plurilateral					Multilateral		
	Negotiation process involving key trade principles									
	Market Access	Preferential Trade Agreement	Horizontal	Transparency	Custom	Regional	Rule of Origin	Labor Standard	Quantitative Restrictions	Etc ...
Agriculture (raw materials)										
Industry (including IPR)										
Services (incl. telecom, envir.)										
Etc.....										

Bilateral FTA Negotiations

- Stage 1: begin with trade items (agriculture, industry, and service).
- Stage 2: process of agreement (market access, IPR, horizontal, rule of origin, etc.)
- Stage 3: trade-related issues (labor standard, state-owned enterprises, role of govt, etc.)
- But, negotiation may not follow comparative advantages.

Plurilateral, Multilateral Negotiations

- Stage 1: principles acceptable to all parties, process construction, reflect comparative advantages (in agriculture & manufacturing).
- Stage 2: fit the trade items into the agreed principles.
- Stage 3: widen to include trade-related issues.

2 x 2 matrix

	Bilateral	Plurilateral, Multilateral
Trade items	1	2
Trade process, principles	2	1

Difference in Negotiation Strategy

- Trade negotiation differs between bilateral and multilateral agreements.
- Sum of bilateral not necessary produce multilateral or plurilateral.
- Some reflections:
 - - WTO and Doha Round agreed on trade items, disagreed on trade process.
 - - APEC, basically follows WTO, non-binding.

Successful TPP Negotiations

- Plurilateral, will become multilateral.
- First: agree on principles and trade process.
- Second: fit trade items to principles.
- Third: merge all bilateral agreements with TPP.
- Fourth: allow new members from Asia Pacific.
- Finally: becomes an effective multilateral TPP.

Conclusion on TPP

- Expands trade, increases GDP and growth.
- Provides an alternative, US-led regional trading body.
- North America as the key export market.
- Voluntary participation, but binding commitments.
- Promotes regional peace and stability eventually.