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Negotiations for a Trans-Pacific Partnership Agreement

Draft Discussion Paper

By William Krist

Comments and suggestions on this paper would be welcome. Please email William Krist at William.krist@wilsoncenter.org.

New Zealand, Singapore, Brunei Darussalam and Chile had formed a trade bloc known as the Pacific-4 (P4) by November 8, 2006, which aimed to eliminate all tariffs between the parties to the agreement by 2015. This comprehensive agreement covers trade in goods and services, intellectual property protection, competition policy, government procurement, customs valuation, technical barriers to trade, sanitary and phytosanitary measures, temporary movement of business persons, trade remedies and dispute settlement. Regarding goods trade, duties will be completely eliminated on trade between New Zealand, Singapore and Chile, and 99 per cent eliminated on trade with Brunei. The services provisions follow the negative list approach, similar to the U.S. agreements with Singapore and Chile.

These four original participants saw this agreement as a potential steppingstone to the wider liberalization process of the Asia Pacific Economic Cooperation (APEC) forum, a group of 21 Pacific Rim countries¹ that includes the U.S. and countries such as China, Indonesia and Russia. APEC's objective is to promote free trade and economic cooperation in the region, and a possible Free Trade Area of the Asia-Pacific (FTAAP) has been a specific goal since 2006.

In 2008 the U.S., Australia, Peru and Vietnam announced that they would join negotiations for an expanded Trans-Pacific Partnership Agreement, and in 2010 Malaysia joined the negotiations. In November 2011 the leaders of these nine nations announced that they had achieved the broad outlines of an ambitious agreement, which could be a model for future free trade agreements. In addition to the areas covered in the original P4 agreement, the scope of the Trans-Pacific Partnership Agreement would include labor, environment, compatibility of regulatory systems, and new emerging issues such as digital technologies.

Canada and Mexico have now been approved by the nine countries to participate in the negotiations, and USTR has submitted letters to Congress that both will be included in the negotiations. Under U.S. procedures, such a notification is to be done 90 days prior to commencing negotiations, which would mean that Canada and Mexico would likely begin active participation in the TPP negotiations in December 2012². Japan has also indicated an interest in joining the TPP negotiations and it is possible that Japan will be approved to participate in the fall, and could also begin active negotiations in December.

Commercial Importance

The combined gross domestic product of the original four TPP countries was only \$686 billion in 2011, as can be seen in Table 1. The five additional countries joining the negotiations for the Trans-Pacific Partnership agreement had a combined gross domestic product of \$17,157 billion,

which would create a nine nation bloc with a total 2011 GDP of \$17,843 billion. However, the U.S. accounted for \$15,094 billion of this, or some 85 percent of this total.

Our NAFTA partners - Canada and Mexico – have a combined 2011 GDP of \$2,892 billion. If Japan were to join the negotiations, the twelve countries would have a combined GDP of \$26,604 billion, and the U.S. would account for some 57 percent of the total.

Table 1: Economic and Trade Importance of TPP Countries (2011)
(Millions of U.S. Dollars)

Original 4 Countries	GDP	U.S. Exports	U.S. Imports	Trade Balance
Brunei	15,553	184.3	23.4	160.9

Japanese Participation: Should Japan be permitted to join the negotiations at this time or should it join after an agreement has been negotiated between the current eleven participants?

Some U.S. sectors that are prehatssitng to be exc from markehatt opening include:BT1 0 0 1 72.02

and New Zealand, have reportedly expressed concerns with elements of the U.S. proposal, such as one that would require criminally prosecuting illegal camcording of movies.

Environment: U.S. proposals to ensure that the TPP advances environmental protection are more far reaching than in any of our free trade agreements to date. However, some of our trade partners are concerned about making environmental obligations enforceable under the normal dispute settlement provisions. Can strong environmental provisions be successfully negotiated?

Similar to other free trade agreements, the U.S. is proposing that TPP members be obligated to enforce their own environmental laws, as well as the provisions under seven multilateral environmental agreements to which they are signatories. Additionally, the 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, and for protection of endangered species and marine fisheries and to prevent trade in illegal logging. Reportedly, some of the other countries, including New Zealand, Chile and Singapore, prefer nonbinding environmental cooperation.

Labor: Similar to a number of our other free trade agreements, our TPP proposals would require TPP members to enforce their own labor laws and regulations and reflect the five fundamental labor rights in the ILO Declaration on fundamental Principles. Both Brunei and Vietnam would have to make major changes to meet these obligations. Will it be possible to negotiate strong labor provisions in the TPP agreement?

Some Other References:

Fergusson, Ian F. and Bruce Vaughn. *The Trans-Pacific Partnership Agreement*. Washington DC: Congressional Research Service. June 25, 2010.

Gordon, Bernard K. "Trading Up in Asia; Why the United States Needs the Trans-Pacific Partnership" in *Foreign Affairs*, July/August 2012.

⁵ A copy of the Congressional letter requesting greater transparency is available at , and the USTR argument that it is providing greater transparency in the TPP negotiations than ever before is available at .

⁶ January 25, 2010 comments submitted to the U.S. Trade Representative by the National Milk Producers Federation supporting a total exclusion of all dairy products from any agreement with New Zealand are available at http://www.nmpf.org/files/file/NMPF%20TPP%20FTA%20Comments_012509.pdf (accessed June 20, 2012).

⁷ A copy