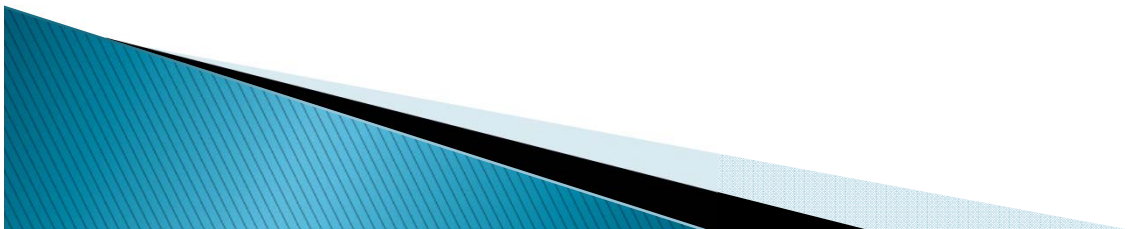


Sensitive Issues Ahead: TPP and RCEP

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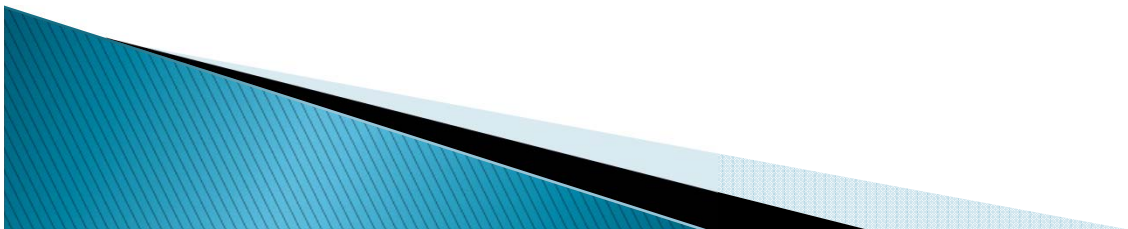
The Rush to the TPP “End Game”

- ▶ Many of the specific sticking points could have been predicted from beginning
 - Issues like sugar, dairy, rice, intellectual property rights, environment
- ▶ Some unexpected new challenges
 - State owned enterprises, government procurement
- ▶ Crowded market of overlapping FTAs
 - Many of these issues had already been discussed in past (even if not totally resolved)
- ▶ Attempt to move beyond traditional chapters



The Cluster Approach

- ▶ First meeting of TPP split teams into clusters
- ▶ Think creatively on cross-cutting issues
- ▶ But as soon as talks hit substantive issues, clusters collapsed back to traditional chapters
- ▶ Except for one, “horizontal” chapter
 - Small and medium enterprises, encouraging supply chains, regulatory coherence, development and cooperation
- ▶ But most of the “meat” moved out of these now



But All Is Not Lost...

- ▶ An early idea in TPP was to create a “living agreement”
- ▶ Would ensure agreement never went out of date
- ▶ Discussions have stalled on topic, but if returns to table, could be very important concept
- ▶ Allows for increase in scope over time
- ▶ Simple review mechanism not sufficient
- ▶ Can also handle accession issues



Will Need Secretariat

- ▶ Such a living agreement will need sufficient institutionalization to implement
- ▶ This will require a dedicated Secretariat to manage agreement going forward
- ▶ Already very complicated—nearly 30 chapters, 12 members, changing commitments over time
- ▶ Dispute settlement alone may need staff
- ▶ Asian trade desk officers cannot be expected to manage agreement



Why Not Use APEC?

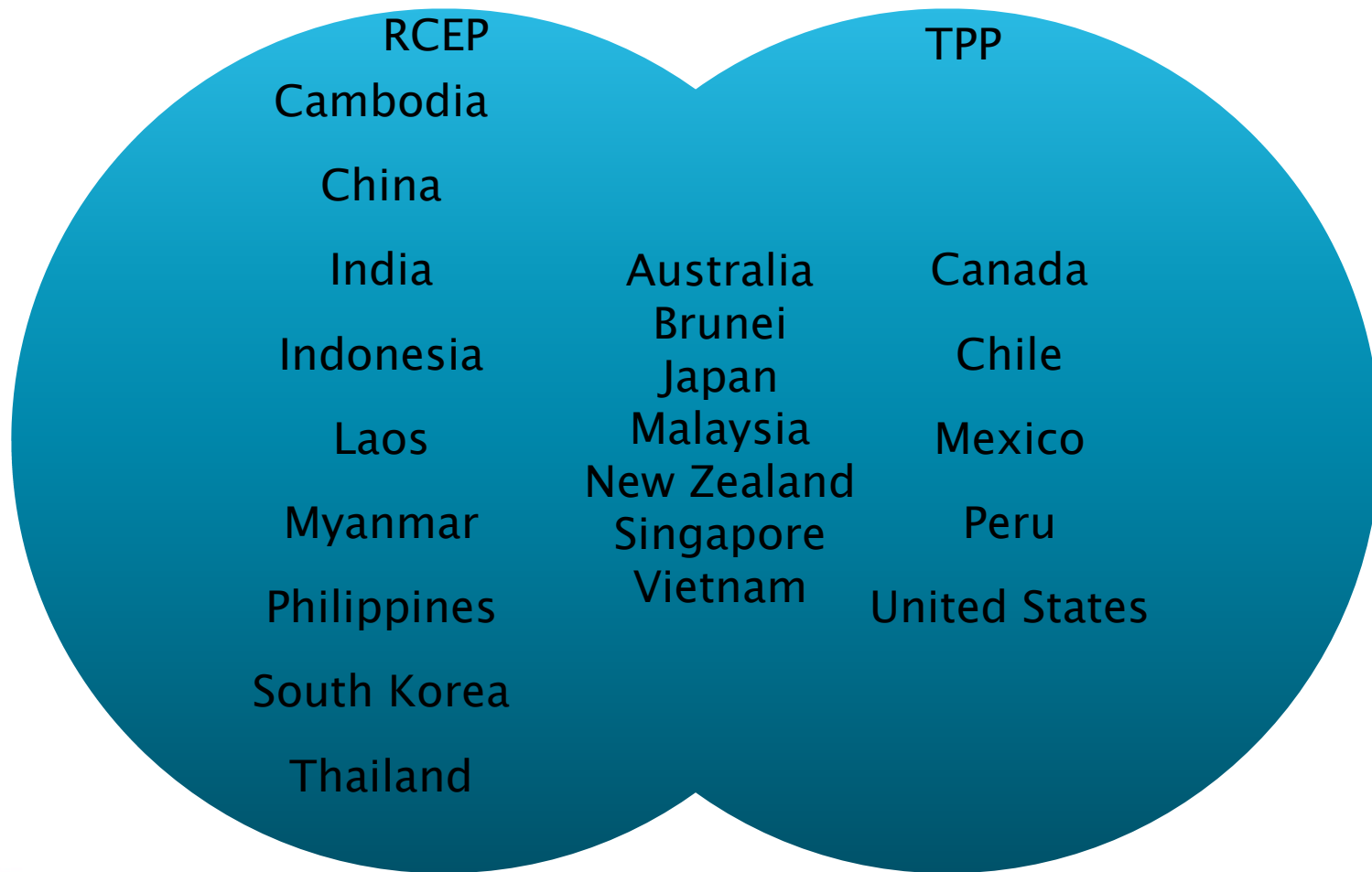
- ▶ APEC is supposed to be “incubator of ideas”
 - If Secretariat is divided between TPP and APEC, will be problematic to do both
- ▶ Not all TPP members may be in APEC and not all APEC members are TPP members
- ▶ If RCEP goes ahead, it also might need a Secretariat in the future—APEC could then be split into three parts
- ▶ In short, if the TPP is, indeed, highly ambitious agreement, needs dedicated staff



Two New Mega-Regional Deals in Asia Getting People Excited

- ▶ Trans-Pacific Partnership (TPP) launched in March 2010
 - Now 12 members
- ▶ Regional Comprehensive Economic Partnership (RCEP) launched in May 2013
 - ASEAN+6=16 party agreement
- ▶ Both are officially paths to the larger “Free Trade Area of the Asia Pacific” (FTAAP) in APEC with 21 member economies
 - Along with ASEAN+3 and “other” paths
- ▶ Overlapping membership between them

TPP and RCEP: Overlapping Membership



TPP Relationship to APEC

- ▶ Connection between TPP and APEC likely overblown
 - Little of TPP agenda drawn from APEC
 - No use of APEC Business Advisory Council inputs
 - Meetings held on sidelines because of convenience
- ▶ But as new TPP members join that are not APEC members, will further weaken links
 - (Note that RCEP also has non-APEC members)
- ▶ Not all of APEC seem to want highly ambitious TPP-style FTAAP
- ▶ What to do with non-members of TPP?



How High and How Low?

- ▶ Is the TPP too high quality?
 - But Vietnam is involved and making commitments
 - China is highly ambitious in bilateral BIT with U.S.
- ▶ Is RCEP really low quality?
 - After all, single tariff schedule in RCEP unlike TPP
 - But, maybe 80% coverage in end? Sensitive sectors carved out
 - RCEP nearly all developing countries, S&D treatment
 - Even if single schedule, how much “deviation” will be allowed?

Noodle Bowl Could Get Real

- ▶ Problem has been mostly focused on rules of origin
- ▶ But ROOs are generally manageable for firms
- ▶ Bigger problem is potential for incompatible standards and behind the border rules
- ▶ In this, TPP is much more problematic than RCEP because RCEP doesn't do much behind border
 - Standards in areas like SPS or TBT in particular
- ▶ First mover advantage in setting these rules



Merger of TPP and RCEP?

- ▶ Highly unlikely to happen
 - Gap in quality is simply too large to bridge
 - Protection of sensitive products
 - History and experience of ASEAN+One deals shows high ambition unlikely
- ▶ Special and differential (S&D) in RCEP will be problem
- ▶ Even if possible to merge or dock, would be very inefficient way to create FTAAP with 21 members

