

Trans Pacific Partnership: Challenges and Potential

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Introduction: TPP and the Evolution of the Asia-Pacific Trade Architecture

The emergence of the Trans Pacific Partnership (TPP) as an important Asia-Pacific trade initiative is a significant new development in the evolution of the Asia-Pacific trade architecture. For the first time there is a trans-Pacific trade initiative in play that can be credibly promoted as a building block for the Free Trade Area of the Asia Pacific (FTAAP). In the APEC economic leaders' 2010 statement the status of the FTAAP itself is elevated from that of a "long term prospect" to that of "a major instrument to further APEC's Regional Economic Integration (REI) agenda". The FTAAP is to be "translated from an aspirational to a more concrete vision." The leaders further declare that the FTAAP is to "be pursued as a comprehensive free trade agreement by developing and building on ongoing regional undertakings, such as ASEAN+3, ASEAN+6, and the Trans-Pacific Partnership, among others." The TPP is thus firmly placed on an equal footing with EAFTA (the East Asian Free Trade Area) and CEPEA (the Comprehensive Economic Partnership for East Asia) as one of the avenues through which the Asia-Pacific trade architecture is to evolve towards the realisation of APEC's trade and investment liberalisation goals through establishment of the FTAAP.

The TPP thus follows in the tradition of proposals for trans-Pacific integration that can be traced back to the 1966 proposal by Professor Kiyoshi Kojima for a Pacific Economic Community. Professor Kojima's proposal was followed over time by the establishment of PBEC, PAFTAD, PECC (in 1980), and then APEC (in 1989), all motivated in different ways by the vision of an economically integrated Asia-Pacific region. A high point in the promotion of this concept was the adoption by APEC leaders in 1994 of the Bogor goals of free trade and investment in the Asia-Pacific region by 2010/2020, seeking to reconcile the seemingly opposed multilateral and regional approaches to trade liberalisation by adopting a version of "open regionalism" that emphasized non-discriminatory liberalisation at the regional level, encapsulated in the concept of "concerted unilateralism". As many commentators have noted, one of the motivations behind the establishment of APEC was to "avoid drawing a line down the middle of the Pacific". From the perspective of the East

Asian side this meant maintaining United States engagement in East Asia while from the perspective of the United States it meant defusing any temptation on East Asia's part to form itself into a separate economic bloc.

APEC's "concerted unilateral" approach suffered a loss of credibility following the failure of its Early Voluntary Sector Liberalisation (EVSL) initiative, and this is likely to have contributed to the onset of the spectacular proliferation of FTAs among Asia-Pacific economies in the opening years of the twenty-first century. The concept of trans-Pacific economic integration also lost momentum, as East Asian economies reacted to their experiences in the East Asian economic and financial crisis of 1997/98 by developing an alternative or parallel vision of a separate East Asian economic identity, which found expression in the ASEAN Plus Three and then the ASEAN Plus Six initiatives.

In more recent years a modified version of the trans-Pacific vision of economic integration has been gradually recapturing attention, beginning in 2004 with the proposal by the APEC Business Advisory Council (ABAC) for a Free Trade Area of the Asia Pacific (FTAAP), followed by the progressively stronger endorsements given to the FTAAP by APEC leaders in successive meetings, culminating in their 2010 statements. The question naturally arose as to whether and how far trans-Pacific integration, as embodied in the FTAAP proposal, and the aspirations of East Asian regionalism, as expressed in the ASEAN Plus Three and ASEAN Plus Six initiatives, should be viewed as competing or complementary visions. In some quarters the view became popular that the two visions could be reconciled by considering their implementation as a sequential process, with completion of ASEAN Plus Three group's East Asian FTA (EAFTA) to be followed by establishment of the ASEAN Plus Six groups Comprehensive Partnership for East Asia (CEPEA), leading in turn to FTAAP as the final stage in the sequence.

The emergence of the TPP as a possible precursor of the FTAAP opens the possibility of alternative sequences or evolutionary processes. The APEC leaders in 2010 have given equal status to the ASEAN Plus Three, ASEAN Plus Six and TPP processes as building blocks for the FTAAP. In doing so they have signaled that each of these processes is to be regarded as an integral part of the evolution of the Asia-Pacific trade architecture. In that sense, and to that extent they have resolved the issue of whether the two visions should be regarded as competing or complementary.

Evolution of the TPP

The present TPP process developed out of an FTA between four small Asia Pacific economies, the Trans Pacific Strategic Economic Partnership (TPSEP) or “P4” agreement between Singapore, Chile, New Zealand and Brunei.¹ This relatively obscure agreement was transformed into a potentially major element in the development of the Asia-Pacific regional trade architecture by the United States’ announcement in September 2008 that it would negotiate to join the TPSEP. In November 2008 Australia and Perú announced that they too would join negotiations to forge an expanded agreement, which from that time onward has been known simply as the TPP or Trans-Pacific Partnership. After a delay following the 2008 United States presidential election, in late 2009 President Barack Obama confirmed that the United States would “engage” with the process of shaping the expanded agreement. At that time the TPP was the first significant trade initiative that the Obama Administration, elected a year earlier, had committed itself to pursue. In March 2010 TPP negotiations formally commenced among the United States, Australia, Perú and the four foundation members of the TPSEP, Singapore, New Zealand, Chile and Brunei, with Viet Nam also participating in the negotiations as an observer.

Six TPP negotiating sessions have now been held, the most recent in Singapore at the end of March 2011. At the third session, in October 2010, Malaysia announced that it would join the negotiations as a full participant, and Viet Nam is also now a full participant in the negotiations. Negotiating groups have been established to address a wide range of issues, including industrial goods, agriculture, textiles, sanitary and phytosanitary standards, services, investment, financial services, intellectual property, regulatory coherence, the environment, competitiveness, supply chain development, and small- and medium-sized enterprises, among others. Supply chain development and the needs of small and medium-sized enterprises have been highlighted as areas in which the TPP parties intend to feature proposals that extend well beyond anything found in existing agreements. Regulatory coherence is another area attracting an enhanced level of interest in the negotiations. Draft texts have been developed for many of the proposed chapters of the agreement, and the process has begun of exchanging market access requests and offers. Agreement has been reached that services offers will be made on a negative list basis. Progress is being made in discussions to develop TPP rules of origin.

¹ For background on the genesis of the P4 and its subsequent evolution, see Scollay (2010).

The sixth round of TPP negotiations, held at the end of last March in Singapore, was widely seen as the point at which the negotiations would have to switch from consideration of generalities to hard bargaining over specific issues, with draft texts for a number of sections of the agreement expected to be tabled and discussed. Perhaps unsurprisingly, comments emerging from those negotiations suggest that the outcome was neither as positive as the optimists had hoped, nor as negative as the pessimists had feared. A publicly-available summary report from the New Zealand negotiators on the Singapore negotiating sessions reads as follows:

“Most working groups are now working from a full set of text proposals, although there are a few key proposals yet to come. This is a welcome development from the initial phase of the negotiation, where time was spent gaining valuable understanding of each country’s interests and approaches. Many working groups have prepared “consolidated” draft texts that bring together the various text proposals and have started negotiations on those texts to reconcile variations in the wording of particular concepts and identify issues where there are larger policy differences.

Preliminary discussions took place on initial offers for services and investment, government procurement and product-specific rules of origin (the rules that apply to individual products at the tariff line level), and tariff offers were discussed further. These initial offers, along with requests for improvements in tariff offers, had been exchanged before the Singapore round.” (MFAT 2011)

There were productive discussions in Singapore on detailed proposals on “horizontal issues” such as regulatory coherence (where the aim is to create an environment where companies can operate as seamlessly as possible throughout the region) and small and medium-sized enterprises, with ideas emerging that would offer real benefits to traders and investors.”

Three further negotiating rounds are scheduled during the remainder of 2011, leading up to the APEC Economic Leaders’ Meeting to be hosted by the United States in Hawaii in November 2011. It seems clear that an intense pace of negotiations will be maintained until the end of the year, but equally clear that a final agreement will not be ready for announcement in Hawaii in November. Announcements along the lines that “broad outlines of an agreement are in place”, or that “substantial progress has been made”, or that “negotiations are at an advanced stage” would now appear to be the most realistic expectations, as has arguably been the case from early on in the negotiations.

Of the thirty six bilateral relationships or dyads among the existing nine TPP participants, only eleven are not already covered by an existing FTA relationship, and the latter are generally of only minor trade importance to at least one and sometimes both of the countries involved. Figure 1 summarises the extent to which bilateral trade between TPP participants is already covered by existing FTAs. Malaysia, New Zealand, Viet Nam and Brunei are the participants for whom the TPP potentially

offers the most significant “prizes”, in the form of new FTA relationships with the United States, but these four economies account for only a tiny share of United States trade. In fact the seven economies that joined the United States in the opening TPP negotiations at the beginning of 2010 account for only 4% of United States’ trade. Thus the TPP, in establishing a limited number of new bilateral FTA relationships, clearly does not signify a dramatic increase in the overall coverage by FTAs of trade between the current participants, although it may of course also extend the trade coverage of some existing FTAs and is certainly intended to add new dimensions to some if not all of them. In particular, trade potential with the existing TPP members clearly does not explain the level of commitment of the United States to the TPP.

Figure 1
Coverage by Existing FTAs of Bilateral Trade Between TPP Participants

	USA	Australia	Singapore	Chile	Peru	NZ	Viet Nam	Brunei	Malaysia
USA		<i>Bilateral</i>	<i>Bilateral</i>	<i>Bilateral</i>	<i>Bilateral</i>				
Australia	<i>Bilateral</i>		<i>Bilateral</i> <i>AANZFTA</i>	<i>Bilateral</i>		<i>Bilateral</i>	<i>AANZFTA</i>	<i>AANZFTA</i>	<i>AANZFTA</i>
Singapore	<i>Bilateral</i>	<i>Bilateral</i> <i>AANZFTA</i>		<i>TPSEP</i>	<i>Bilateral</i>	<i>Bilateral</i> <i>TPSEP</i> <i>AANZFTA</i>	<i>AFTA</i>	<i>AFTA</i>	<i>AFTA</i>
Chile	<i>Bilateral</i>	<i>Bilateral</i>	<i>TPSEP</i>		<i>Bilateral</i>	<i>TPSEP</i>		<i>TPSEP</i>	
Peru	<i>Bilateral</i>		<i>Bilateral</i>	<i>Bilateral</i>					
NZ		<i>Bilateral</i>	<i>Bilateral</i> <i>TPSEP</i> <i>AANZFTA</i>	<i>TPSEP</i>			<i>AANZFTA</i>	<i>TPSEP</i> <i>AANZFTA</i>	<i>AANZFTA</i>
Viet Nam		<i>AANZFTA</i>	<i>AFTA</i>			<i>AANZFTA</i>		<i>AFTA</i>	<i>AFTA</i>
Brunei		<i>AANZFTA</i>	<i>AFTA</i>	<i>TPSEP</i>		<i>AANZFTA</i>	<i>AFTA</i>		<i>AFTA</i>
Malaysia		<i>AANZFTA</i>	<i>AFTA</i>			<i>AANZFTA</i>	<i>AFTA</i>	<i>AFTA</i>	

The real significance of the TPP arises of course from its potential as a “stepping stone” to the FTAAP. It is the inclusion of the additional participants that may be attracted into the TPP in future, especially major economies in Northeast Asia, that offers the greatest economic benefit to the United States and several of the other current participants. Strategically, as Barfield and Levy (2009) explain, the TPP is intended by the United States as the vehicle for maintaining the trans-Pacific link as an integral element of the Asia-Pacific regional trade architecture, an objective shared of course by the other participants. In effect, the TPP is today’s expression of the purpose of ensuring that there is no “line drawn down the middle of the Pacific”.

The TPP is explicitly open to additional participants. The existing participants have established ground rules that new participants are expected to accept. It is common ground among existing participants that the TPP should be a “high quality” “twenty-first century” agreement, and this is interpreted among other things to mean that no issues should be excluded from the negotiations, even if agreement cannot ultimately be reached on all details, including product coverage of the market access provisions. Potential new participants are permitted to attend negotiations as observers for a maximum of three negotiations, after which they are expected to become full participants in order to continue attending.

Assessment of the TPP to Date

An assessment of the TPP and its prospects needs to take account of at least four different dimensions. First, as with every FTA, there is the question of whether agreement can be reached that accommodates the trade interests and sensitivities of all members. Second, there are “architectural” issues of how the TPP will relate to existing FTAs among its members. Third, the TPP has a wider political significance as a vehicle for United States re-engagement with East Asia. Fourth, and probably most important for the region as a whole as well as for the TPP participants, the TPP must be assessed as a building block for the FTAAP. Each of these dimensions will be considered in turn.

TPP as an FTA

The TPP negotiation, like any trade negotiation, will inevitably involve specific issues that are sensitive to a greater or lesser degree for one or more participants. By the standards of other FTA negotiations the challenges posed by the individual sensitive issues in the TPP do not appear to be especially severe, given both the extent to which issues have already been resolved in previous bilateral FTAs among participants and given also what seems to be a broad consensus among participants that product and issue coverage in the TPP should be as comprehensive as possible, and that there should be no *a priori* exclusion of any issue. The principal source of difficulty is likely to be the relatively small economic gains anticipated for most participants from the TPP if its membership remains as it is, which implies correspondingly small incentives for the participants to make the effort to reach agreement on their sensitive issues, unless they factor in the potential larger gains from the uncertain prospect of future expansion of the TPP membership.

As in most trade negotiations there are sensitivities in the agricultural sector. However there do not appear to be suggestions from any participant that all or even a large part of the agricultural sector should be excluded from the TPP. The sensitivities are concentrated instead on particular product

categories that are also of strong export interest to other participants, notable dairy products, sugar and beef in the United States. On the other hand, acceptance that agricultural trade issues cannot be quarantined from the negotiations have obviously been a major consideration in deciding whether to participate in the TPP not only for Japan but also for some other potential participants such as Canada.

Textiles and apparel will also be sensitive for the United States if Viet Nam chooses to become a full participant, but this is balanced by the fact that Viet Nam along with Malaysia offers probably the most attractive source of incremental market access potentially available to the United States from the negotiations at least among the current participants. For Viet Nam however TPP participation is probably more sensitive than for any other current participant, with concerns over how much additional adjustment will be required by TPP membership over and above the adjustments required by its relatively recent WTO accession. Malaysia is likely to have sensitivities over government procurement and also the relationship of TPP provisions to its affirmative action policies relating to the position of ethnic Malays.

New Zealand can also expect to face pressures from the United States over its system for managing the purchase of subsidized medicines, and from the United States and other participants over its non-participation in the WTO's Government Purchasing Agreement. Both Viet Nam and New Zealand, and also now Malaysia are likely to face pressures from the United States for commitments on intellectual property protection comparable to those made by its partners in its four existing FTAs with TPP participants, with the United States indicating that it sees the intellectual property provisions of its KORUS FTA with Korea as the benchmark in this area. Commitments requiring a significant sacrifice of economic welfare may be demanded from these three members. Viet Nam, New Zealand and Malaysia however are also in proportionate terms the largest potential beneficiaries of the TPP, provided that their potential gains in access to the United States market are in fact realized, in which case they may have strong incentives to make the accommodations needed for conclusion of an agreement.

Relation of the TPP to Existing Agreements

A key architectural issue that has had to be faced in the TPP negotiations is whether the TPP should replace the existing bilateral agreements among the participants, or complement them and if so on what basis. This issue of course arises in any initiative that seeks to create a large plurilateral agreement among countries that are already connected by bilateral agreements. It had to be addressed in the negotiations for the Free Trade Area of the Americas (FTAA) and it will also have to be addressed in any future EAFTA or CEPEA negotiations. It was one of the main issues addressed in the initial rounds of TPP negotiations, and may not yet have been fully resolved.

While replacement of existing FTAs by the TPP would be the neatest solution architecturally, it does raise difficulties. As Elms 2010 has noted, “many of the provisions in the existing FTA agreements were carefully crafted compromises, offering a balance of benefits, opportunities and pain to the economic interests in each member state.” This is particularly true of the partners in bilateral FTAs with the United States. Negotiations for replacement of the existing FTAs by the TPP could easily, perhaps inevitably upset some of these hard-won balances. Countries that emerged “battered and bruised”, as Elms 2010 puts it, from their own bilateral negotiations with the United States were reluctant to re-open difficult issues for a further negotiation with the United States. Chile, in particular, is known to have been particularly reluctant to enter into fresh FTA negotiations with the United States, as Elms 2010 also notes, and Peruvian representatives are also understood to have expressed strong views on this issue.

The solution agreed in principle in the FTAA negotiations is understood to have been that the FTAA would replace existing FTAs among members, except where the existing FTAs had deeper provisions, in which case the latter would continue to be applied. In the TPP context it is understood one suggested approach has been to have a common text for rules while market access commitments would be negotiated bilaterally. This approach may have its own problems. Countries negotiating new market access provisions, for example with the United States, may have an expectation of securing more favourable terms than those in existing agreements. On the other hand, countries that found it necessary in their own bilateral negotiations with the United States to swallow unpalatable provisions on certain issues in order to reach agreement, would find it difficult to accept an outcome where other TPP participants were able to negotiate more favourable terms for the same issues through bilateral bargaining with the United States within the TPP negotiations.

TPP and United States Re-engagement with East Asia

By throwing its weight behind the TPP the United States has given a clear signal of its determination to maintain and deepen its economic engagement with East Asia. Petri (2010) has highlighted the economic imperative underlying this stance, deriving from the need for a sharp increase in United States exports to re-balance the United States economy and restore sustainability in its external position, with East Asia projected to account for by far the largest share (41%) of that increase in exports over the next five years. The strength of this imperative, and the lack of clear alternative routes toward the objective perhaps accounts for the extent of resources devoted by USTR to a domestic outreach programme – described by Elms 2010 as “unprecedented” – to build support for the TPP.

Recognition of the TPP as a statement of United States intentions toward trade relations with East Asia serves also to highlight the importance of East Asian responses. The TPP has thus become a further factor impelling East Asia to squarely address the issue which previously had lurked largely in the background of deliberations on the evolution of East Asian integration, namely how East Asia will manage the implications of its own integration for its economic and political relationship with the United States. This question is clearly linked to the wider question of the future role of the United States in East Asia, which had come into sharper focus in regional debates sparked by the proposals in 2008 and 2009 of Australia's then Prime Minister Rudd for an Asia Pacific Community and by Japan's then Prime Minister Hatoyama for an East Asian Community, with sharply divergent views being expressed even within the normally cohesive Singapore policy establishment (Tay 2010, Koh 2010).

For several East Asian economies a desire to build an East Asian economic identity that is independent of United States influence appears to be balanced by a concern, motivated by security and other considerations, to ensure that the United States remains engaged in East Asia. Support began to grow, not least in Japan following the replacement of Mr Hatoyama by Naoto Kan as Prime Minister, around the view that the apparent desire of the United States to "re-engage" with East Asia should be encouraged. The announcement last year by ASEAN Foreign Ministers that the United States (along with Russia) will be invited to join the East Asian Summit appears to indicate that this view has won out. It remains to be seen whether this development will have any influence on the evolution of the ASEAN-Plus trade arrangements. In the meantime the deposing of Mr Rudd and Mr Hatoyama from their respective prime ministerships has been accompanied by an ebbing of the attention paid to the Asia Pacific Community and East Asian Community concepts.

TPP as a Building Block for the FTAAP

There is little doubt that the success or failure of the TPP will ultimately be judged according to whether in practice it has a catalytic effect on progress toward establishment of the FTAAP. Progressive attraction of new participants is essential if the TPP is to successfully play this role. The importance of potential future participants implies that there is an interesting strategic game surrounding the TPP negotiations.

On the one hand, existing participants have an incentive to consider the interests of potential additional participants. This derives from the peculiarity in the TPP case that the expected economic benefits of a new trade agreement among the current TPP participants are relatively small, and the larger economic and strategic benefits that are expected to make the exercise worthwhile depend on the future attraction into the TPP of significant new members, especially from East Asia.

This issue is relevant to the choices to be made in designing the TPP. In particular it is well known that the United States has a well-established “template” that it seeks to apply in all its FTAs, as it has done in each of its four bilateral FTAs with current TPP participants, with only limited “customisation” to cater for the particular sensitivities and circumstances of each bilateral partner. Furthermore the “template” tends to become more demanding over time as it incorporates additional features that the United States secures in each new FTA, as has occurred with the KORUS FTA. There are signs that United States may resist major deviations from its template in the TPP case. On the other hand, not only are there elements of the United States template that are unpalatable for each of the other TPP participants, but, more importantly, basing the TPP too rigidly on the United States template could reduce its attractiveness to additional participants in East Asia, thus potentially reducing the expected economic and strategic benefit from the TPP for its current participants. The intellectual property component of the United States template may be a particular sticking point for some potential new entrants from East Asia.

The negotiators thus face the challenging task of crafting an agreement that simultaneously meets the aspirations of the participants for a “high quality” agreement, satisfies the fundamental interests of the current participants to an acceptable degree – and in particular satisfies United States preferences to an extent sufficient to secure political acceptance in the United States – while avoiding features likely to become unnecessary impediments to expanding the membership of the agreement.

Potential new members of the TPP also have choices to make. While the TPP is likely to be formally open to accession by new members at any time, as was also the case with the original “P4” agreement, the ability of acceding members to negotiate revision of the terms and conditions of the agreement is likely to be limited. Their ability to influence the design of the agreement will be greatest if they participate in the current negotiations, which would allow them to exploit the bargaining power that derives from the incremental economic gains that would flow from their inclusion in the TPP. On the other hand, meeting the conditions required for participation in the TPP negotiations will often face them with the need to make decisions that are unpalatable in the domestic political context. This consideration appears to have deterred Canada from seeking early participation in the TPP negotiations and has also led to a polarizing debate in Japan, as will be discussed in more detail below.

Japan’s decision is important both for Japan and for the TPP’s role as a stepping stone to an eventual FTAAP. In order for the TPP to fulfill this role it is clearly important that it should attract participation by the major Northeast Asian economies. Japan would be the first of these three economies to come on board, and its decision to join might also add decisive weight to Korea’s incentives to participate. Elsewhere in East Asia the Philippines government under newly elected President Benigno Aquino has made statements indicating a serious interest in joining the TPP. This

would leave Indonesia and Thailand as the two remaining ASEAN members of APEC yet to indicate a stance toward the TPP.

Looking further ahead the issue of Chinese participation looms as the ultimate challenge for realizing the strategic potential of the TPP. Both China and the United States may have reservations about early involvement in negotiations for an agreement that would include the assumption by them of binding obligations toward each other. On the other hand, if the TPP is viewed primarily as a step along the road to an eventual FTAAP there are risks in deferring Chinese participation. China will understandably wish to have a role in shaping any FTAAP in which it is to participate, and may well be inclined to resist proposals that a TPP in whose negotiations it has played no part should be accepted as the basis for design of the FTAAP. It is clear that China is watching TPP developments closely, and influential figures in China are known to have suggested that China should seriously consider participating in the TPP.

Korea is also known to be maintaining a close watch on the TPP. From one perspective the conclusion of the Korea-EU FTA and the prospective ratification of the KORUS FTA mean that Korea feels little pressure for early participation in the TPP. Decisions by Japan and China to participate in the TPP on the other hand would likely change the calculus of Korea's interest, and tip the balance in favour of Korean participation as well.

The difficulties in achieving economic integration in Northeast Asia will also be relevant here. As in the case of EAFTA and CEPEA, simultaneous participation of the three major Northeast Asian economies in the TPP or subsequently in an FTAAP will imply a need for a viable basis to be found for economic integration among themselves.

Japan and the TPP

At the risk of seeming impertinent, this paper concludes with an outsider's observations on the debate over the TPP in Japan.

The debate in Japan over the TPP progressively intensified over the second half of 2010. Concerns had already emerged in the business community over how Japan's FTA policy should respond to Korea's FTAs with the United States and (especially) with the European Union, and to the signs that Korea may be about to press ahead with efforts to negotiate its much-discussed FTA with China, following the conclusion of a trade agreement between China and Chinese Taipei. A groundswell of opinion in favour of Japanese participation in the TPP began to develop within the Japanese business sector and large parts of the Japanese policy establishment. In early October 2010 Japan's Prime Minister made a statement indicating that the Japanese government was seriously considering

participation in the TPP. This sparked a furious response from agricultural interests in Japan, who mounted a fierce campaign against Japanese participation. In the event Japan's Prime Minister Kan announced a compromise outcome at the APEC Economic Leaders' Meeting in Yokohama, whereby Japan would make its decision on participation in the TPP in mid-2011, and would work during the intervening period on policy measures to assist adjustment in its agricultural sector.

In the opening weeks of 2011, the issue of Japanese participation in the TPP became one of the most hotly debated topics in Japanese politics. The picture was complicated by the weakness of Prime Minister Kan's DPJ government, and the prospect that its possible imminent collapse would preclude a decision to proceed with TPP participation. In March 2011 the debate was overtaken by the devastating Great East Japan Earthquake and tsunami that hit Japan, and the subsequent crisis at the Fukushima nuclear power plant. Faced with the enormous task of recovering from these disasters the Japanese government understandably announced that the decision on TPP participation would be deferred.

The debate over the TPP in Japan quickly came to be seen as representative of the deeper issue of the future weight to be given to greater engagement of Japan with the global economy, as against the priority traditionally given to protecting Japan's increasingly inefficient and dysfunctional agricultural sector. Debate over the need for Japan to become more integrated with the global economy can be traced back at least as far as the Maekawa Report of the mid-1980s. Historians will probably argue that it can be traced back much further than that. The present context for the debate is provided by the policy makers' preoccupation with the need for substantially improved productivity performance if Japan is to achieve sustainable economic growth in the face of its looming demographic and other challenges.

The evidence does seem to show that Japan lags behind other OECD countries in various indicators of integration with the global economy (OECD 2006). Deeper integration with the global economy can contribute to improving productivity performance through the impact both of an increase in "state-of-the-art" international competition and of the interpenetration of ideas and technologies.

Supporters of the TPP in Japan have been inclined to characterize TPP participation as the last chance for Japan to seriously pursue deeper integration with the global economy. Whether or not this is an exaggeration prompted by the deeply polarized nature of the debate in Japan, the question does need to be asked as to why greater importance is attached to the TPP in this context than to other economic integration initiatives in which Japan may also have the opportunity to participate, in particular the ASEAN Plus Three and ASEAN Plus Six initiatives, including the possibility of a China-Japan-Korea (CJK) FTA as a precursor of one or both of these. Part of the answer may be that the boost to productivity that Japan seeks from its increased engagement with the global economy depends primarily on integration with the major advanced economies of the OECD, which among the trade

initiatives currently in prospect is offered only by the TPP and a possible FTA with the European Union. Integration with East Asia may complement the contribution of the TPP by offering access to markets, human resources and production platforms, but may not be a perfect substitute for integration with North America and Europe.

Opponents of the TPP claim that the TPP will bring about the destruction of Japanese agriculture. It would be more accurate to say that participation in the TPP should trigger a far-reaching reform and restructuring that would radically transform Japanese agriculture. Reform-minded Japanese agricultural economists have consistently argued the benefits to Japan of agricultural reform (see for example Honma 2006 and Yamashita 2006). In the TPP context they have been emphasizing that a reformed and restructured Japanese agriculture will be much stronger than the Japanese agriculture of today, much better able to contribute to Japan's policy objectives in areas such as food security, and in all probability will also be a significant export industry.

It is perhaps also worth emphasizing that a Japan committed to the TPP objectives is likely to be very warmly welcomed by other TPP participants. This is not only because of the regional importance of the Japanese economy and the increased trade gains that would flow to other participants as a result of Japanese participation. It should also be kept in mind that, while there is no reason to doubt the sincerity of the commitment of the TPP participants to establish a "high quality, twenty-first century agreement", it would be naïve to imagine that TPP participants do not have frankly mercantilist interests in the TPP as well. This is at least as true of the United States as it is of other participants. Participation of a major economy like Japan, assuming it is committed to the same high standard of agreement, should be effective in helping to ensure that the eventual TPP agreement reflects a genuine balance of interests of its members rather than predominantly reflecting the interests of its largest and most powerful member. This in turn should greatly enhance the potential acceptability of the TPP across the region as a foundation for an eventual FTAAP.

Concluding Remarks

The possible relevance of developments in the WTO negotiations should also be considered. After an initial flurry of enthusiasm early in 2011 the mood surrounding the Doha negotiations now appears to have turned seriously pessimistic, with the possibility of a final collapse of the negotiations being openly discussed in some informed quarters. Conventional wisdom might suggest that the prospect of a collapse in Geneva would tend to heighten the importance attached to the TPP negotiations by the participating economies. On the other hand there might also be questions as to how far the political factors being cited for the possible collapse of the Doha negotiations, in particular the lack of perceived political advantages to concluding a deal to set against the perceived political costs, might

also tend to undermine the TPP negotiations as well. In particular, the reaction within the United States' political system in its current state must be assessed as highly uncertain.

The outcome of the TPP negotiations themselves, and the role of the TPP in the evolution of East Asia's regional trade architecture, thus remain open questions. In relation to the latter issue much will ultimately depend on the response of those East Asian economies that are not currently participating in the TPP. The deferral of Japan's decision on participation may mean that other economies are inclined to adopt a 'wait and see' attitude, which in turn adds to the importance of the outcome of the negotiations. In this regard questions remain over the ability of the Obama Administration to maintain the initial political impetus that it imparted to TPP participation, given a hostile Congress and a generally toxic domestic political climate. The challenge for the Administration is all the greater because it lacks Trade Promotion Authority (TPA) and is unlikely to secure it in the current political climate. The likelihood that negotiations will not reach a conclusion by November 2011 inevitably raises questions of how much can be achieved in the United States election year of 2012. At the same time it is clear that the TPP negotiations have developed considerable momentum. A breakdown would be both a surprise and a significant setback to the process of Asia-Pacific economic integration.

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