

# **FTAAP and Its Pathways: State of Play and Ways Forward**

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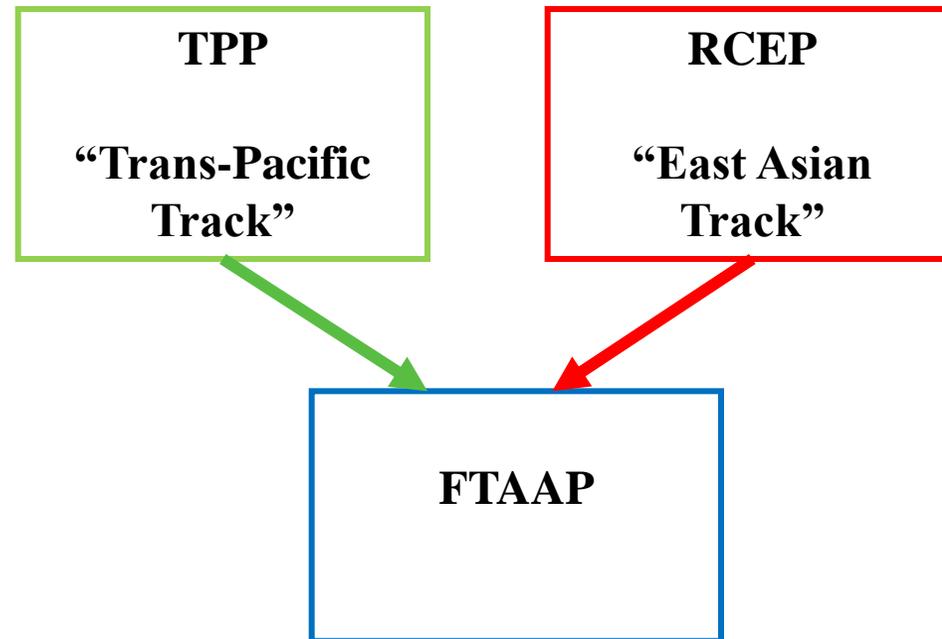
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**TPP and RCEP**  
**Interpreted from Perspective of**  
**APEC Leaders Yokohama 2010 Vision:**  
**Routes to FTAAP (Free Trade Area of Asia-Pacific)**



# TPP and RCEP – Common and Differentiated Agendas and Differing Ambition

## Common Elements

- **Market access for goods**
  - TPP aimed at 100%, RCEP aiming for 90%
- **Rules of origin**
- **Trade facilitation?**
  - Customs
  - SPS
  - TBT
- **Services**
  - TPP adopted “negative list”, RCEP adopted “positive list”
- **Investment**
- **Competition**
- **Intellectual Property**
- **Development**
  - Horizontal issue in TPP
- **Dispute Settlement**
- **“Other Issues” (RCEP)**

## TPP Only

- **Government Procurement**
- **SOEs**
  - unless included in RCEP under Competition
- **E-Commerce**
- **Environment**
- **Labour**
- **Trade Remedies**
- **Textiles and Apparel**
- **Temporary Entry**
- **Horizontal Issues**
  - SMEs
  - Supply Chain Facilitation
  - Regulatory Coherence
- **Separate Chapters in TPP**
  - Telecommunications
  - Financial Services

# TPP and RCEP – Comparative Progress

## TPP

- **Negotiations launched 2010 with 7 members (USA, Peru, Australia, Chile, Brunei, New Zealand, Singapore), Malaysia and Vietnam joined quickly**
- **Canada and Mexico joined 2011**
- **Japan joined 2013**
- **Entry of Japan, Mexico, Canada dramatically increased TPP's trade significance**
- **19 formal negotiating rounds, many other meetings**
- **Agreement concluded October 2015**
- **30 Chapters**

## RCEP

- **Negotiations launched 2013**
- **Progress slow**
- **Modalities for goods and services agreed 2015**
- **12 negotiating rounds to date, 13<sup>th</sup> round schedules June 2016**
- **Topics covered in negotiations known to include goods, services, investment, intellectual property**
- **Missed 2015 target date for completion**
- **Now aiming for conclusion during 2016**

# China's Promotion of FTAAP

- **As APEC host economy in 2014 China strongly promoted FTAAP**
- **Secured agreement to APEC Leaders' announcement (November 2014) to a "Roadmap for APEC's Contribution to Realization of the FTAAP"**
  - **includes "Collective Strategic Study" on issues relating to realization of FTAAP**
    - **To be completed in 2016 (i.e. Peru's APEC year)**
  - **Involved some compromise between China and US**
    - **China wanted "feasibility study" and target date 2025**
- **China's promotion of "FTAAP Roadmap" a very significant indication of China's preference for eventual Asia-Pacific regional integration on "Trans-Pacific" basis**

# Guiding Principles for FTAAP (from Beijing Road Map)

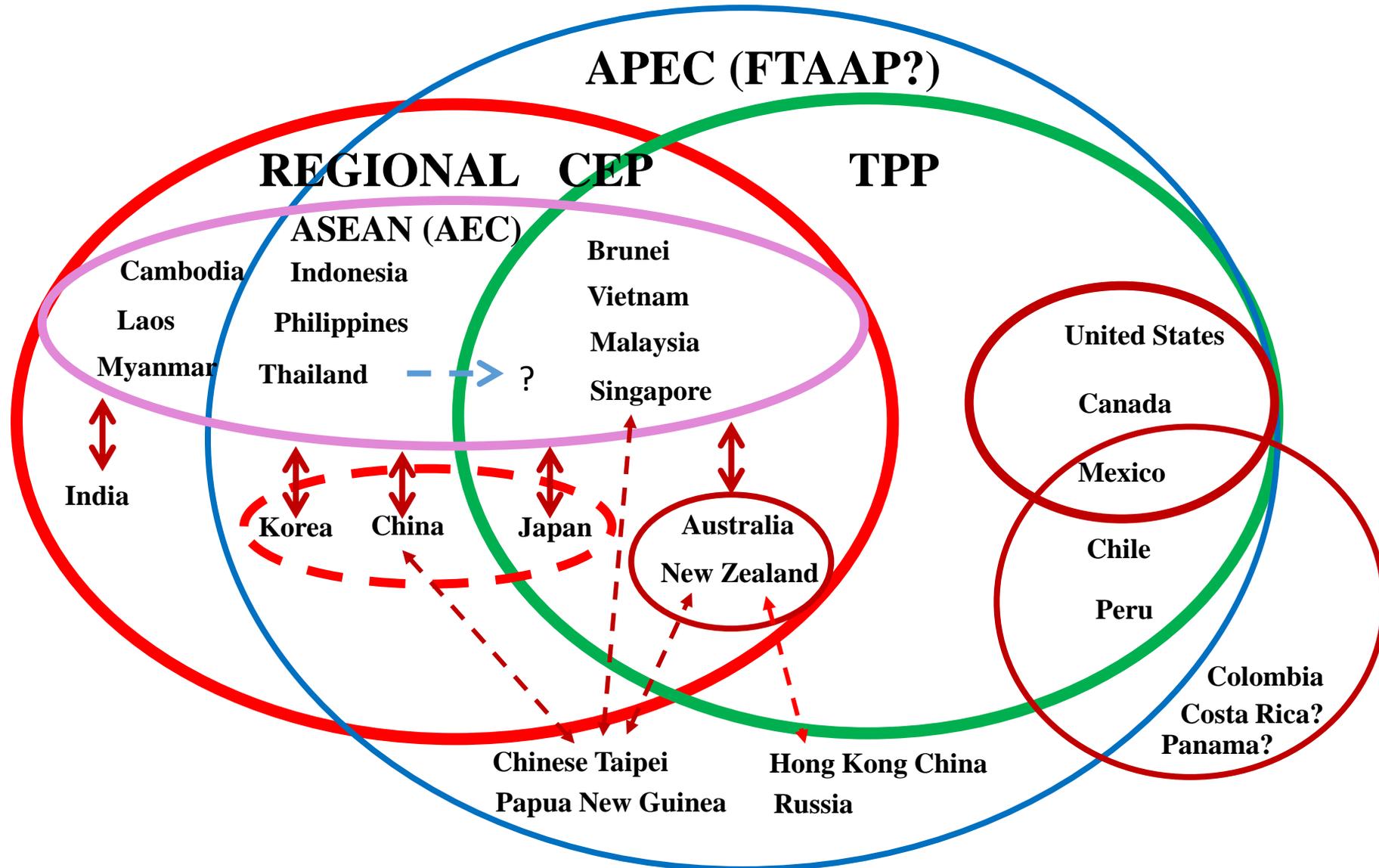
## **FTAAP should**

- **support and complement the multilateral trading system**
- **be comprehensive, high quality and incorporate and address “next generation” trade and investment issues**
- **build on APEC’s progress toward achieving the Bogor goals**
- **be negotiated and realized outside of APEC, parallel with the APEC process**
- **aim to minimize any negative effects resulting from the proliferation of regional and bilateral RTAs/FTAs**
- **be pursued by building on current and developing regional architectures, with emphasis on TPP and RCEP as “pathways”**

## **APEC should**

- **maintain its non-binding, voluntary cooperation character**
- **continue to play a role as incubator of the FTAAP and provide leadership and intellectual input to its realization.**

# Evolution of Asia-Pacific Trade Architecture: Where To From Here?



# **TPP in Regional Perspective:** (viewed as potential model for future FTAAP) **Overall Assessment**

## **Ambition**

- **“High Standard”, “21<sup>st</sup> Century”, “Comprehensive” Agreement**

## **Concerns Raised**

- **Too demanding for several APEC economies (and others like CLM)?**
- **Will reflect only US priorities and interests?**

## **Reality Check**

- **Negotiations led to**
  - **Compromises reducing the “rigour” of the agreement, allowing flexibility and exceptions**
  - **Problematic aspects of US position “negotiated out”**
  - **Some elements not subject to dispute settlement (competition, regulatory coherence, anti-corruption)**

# TPP in Regional Perspective: Specific Provisions

## Market Access

- **Some significant exclusions for goods by certain members**
- **Some extensive negative lists for services and investment**
- **Rules of origin better than expected**

## Regionally Sensitive Issues

- **State-owned enterprises: flexibility, no presumption of privatisation**
- **Environment and labour: sovereignty and policy space preserved, general commitments, some modest commitments to specific actions**
- **ISDS: improved balance between investor certainty and host government policy autonomy**
- **Intellectual property and access to medicines: US position substantially modified, questions of coherence remain**
- **Cross Border Data Flows: qualified commitments, contentious issues unresolved**

# TPP Outlook

## Two polar extremes

1. **TPP rejected by U.S. Congress → TPP cannot enter into force**

**Consequences: ??**

**Likely: U.S. position in Asia-Pacific weakened  
China position strengthened**

2. **TPP approved by U.S. Congress → entry into force 2017 or 2018**

**Accession possible after entry into force for any APEC economy  
or any other country (subject to agreement by existing members)**

# Potential Accessions to TPP

**Question: One-by-one, or as group? (significant implications)**

- **Korea widely expected to apply**
  - **Situation may be complicated by change of government**
- **Philippines and Thailand feeling some pressure to accede**
  - **Threat of capital flight, market access issues**
- **Cambodia (non-APEC) facing similar pressures**
- **Non-APEC Pacific Alliance countries likely to be interested**
- **Indonesia: discussion in Jakarta re possible accession**
- **Chinese Taipei (Taiwan): favours accession but prospects probably dependent on simultaneous Chinese accession**
- **Key question is position of China**
  - **Will China seek to join?**
    - **Link to China's internal economic reforms crucial – when will China be ready?**
    - **China will demand some scope to influence rules that will apply to it**
    - **China will not expose itself to possibility of US veto**
  - **Will US accept China's accession on standard terms? Or seek to impose unacceptable conditions?**
    - **(US has been blocking China's participation in TiSA (Trade in Services Agreement))**

# Outlook for FTAAP

- **Inclusion of both China and U.S. essential for meaningful FTAAP**
- **Possible scenarios:**
  1. **China stays outside TPP, RCEP is concluded as East Asian alternative to TPP (default scenario?)**
    - progress under “Beijing Road Map” determines prospects for FTAAP
  2. **Most remaining APEC members (including China) join TPP**
    - TPP becomes “de facto” FTAAP
  3. **TPP fails to proceed**
    - FTAAP becomes only vehicle for full Asia-Pacific integration?
    - but prospects weakened by damage to U.S. external and internal positions?

# Conditions for Progress Along “Beijing Road Map”

## Key Condition:

- **CSS results in APEC decision to continue along Beijing Road Map Toward Realisation of FTAAP**

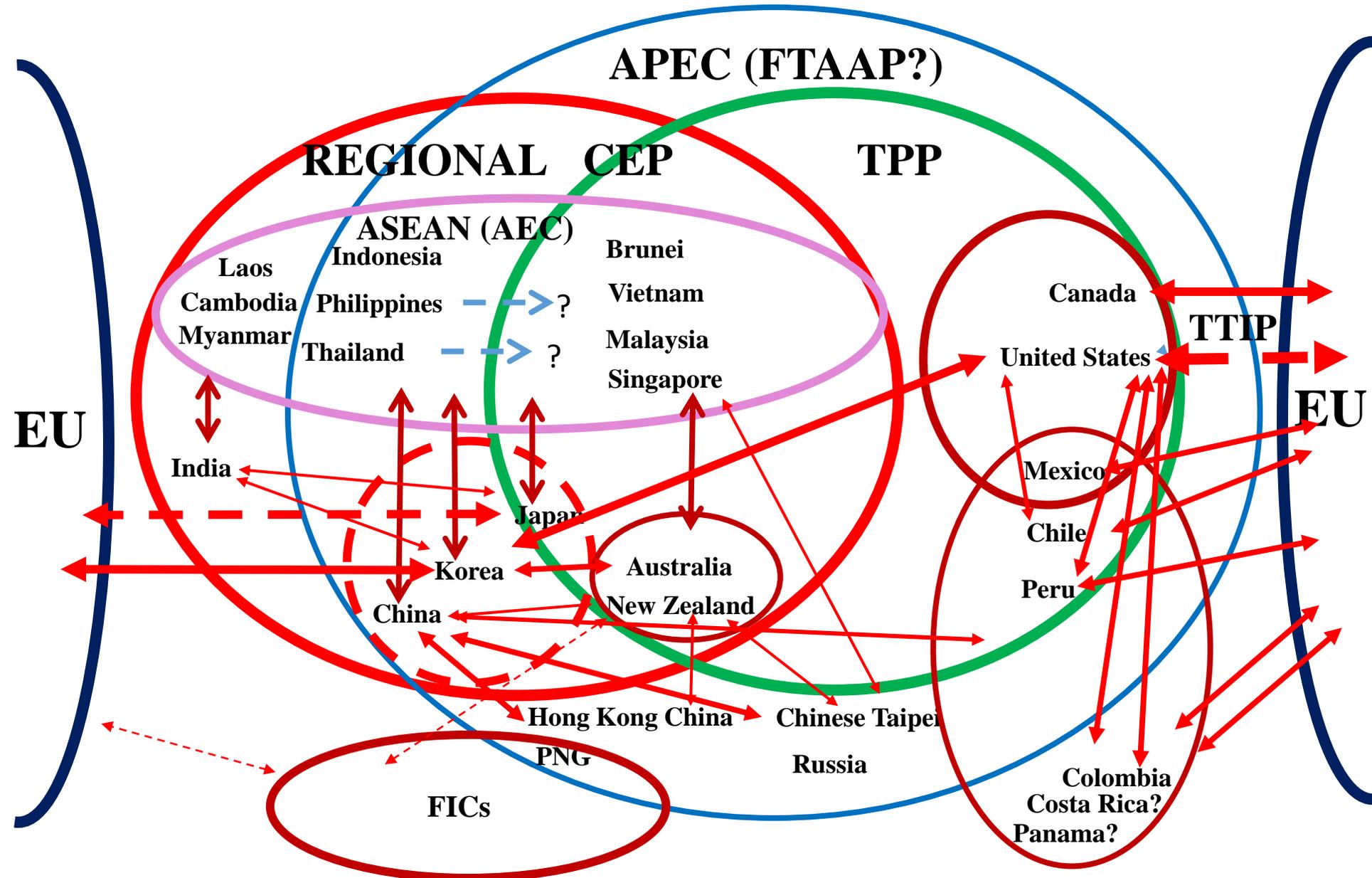
## Possible Versions:

- **Decision to start negotiations immediately**
  - China will push hard, but will U.S. accept?
- **Acceptance of FTAAP as vehicle for APEC Regional Economic Integration in post-2020 era**
  - Possibly linked to development of “new (post-2020) Bogor goals” as guiding vision for FTAAP
- **Agree on intensive work programme for APEC in role as “incubator” of FTAAP**
  - Building understanding/consensus on key sensitive provisions for inclusion in FTAAP

# Possible Structures for FTAAP

- **Single agreement with “single undertaking”**
  - **Looks challenging at the moment (unless TPP becomes “de facto” FTAAP)**
- **“Two-speed” FTAAP?**
  - **FTAAP as “umbrella agreement with common commitments linked to two further agreements:**
    - **TPP or “TPP-style” agreement with higher levels of commitments and benefits**
    - **RCEP or “RCEP-style” agreement with lower level of commitments and correspondingly lower level of benefits**
- **Other suggestions involve multiple agreements forming part of, or leading to, FTAAP**

# TPP, RCEP, FTAAP in Global Context: Part of a Trend Toward “Mega-Regionals”?



# Issues with “Mega-Regionals”

## Potential for influence on global trade rules

- Major motivation for some participants
- Critical conflicts
  - US-EU (evident in TTIP)
  - US-China

## Implications for WTO and multilateral trading system

- WTO process now stagnating (except dispute settlement)
- Suggestions that “mega-regionals” would prompt renewed efforts in WTO (as defensive strategy for potentially marginalised countries) have not materialised
- What will be role of WTO if “mega-regionals” dominate?
- Rule-setting motivation for “mega-regionals” implies future pressure on other WTO members to adopt new rules developed in the “mega-regionals”?

**But none of the “mega-regionals” is yet certain to proceed!**