

COMMENT

Which trade pact should we pick?

BOGGED DOWN:

World trade talks are lacking spark and two regional frameworks are far from conclusion

AFTER the deadlock of the World Trade Organisation, there had been no real vehicle to boost world trade other than the Trans-Pacific Partnership (TPP). Recently, Asean's Regional Comprehensive Economic Partnership (RCEP) emerged as a spark of excitement with the involvement of three of the world's 10 largest trading nations at the negotiating table.

Malaysia is a member of both TPP and RCEP negotiations.

A region-wide free trade agreement (FTA) may be achieved in three different avenues. First, a region may start to negotiate an agreement from scratch. Second, enlargement of an existing pact by accession of new members, and

thirdly, consolidation of various FTAs into one agreement.

Many analysts view TPP as an "enlarged" P4 (Brunei, Chile, New Zealand and Singapore) but the reality is that the P4 morphed into a United States-led text after the country joined negotiations in 2008. It then became too complex and tedious to negotiate. Therefore, the TPP is in fact an agreement from scratch.

In contrast, RCEP is a "living document" that has its origin in the Asean Free Trade Agreement (Afta). Afta, formed in 1992, continued to act as a hub to all six dialogue partners. Asean's hub-and-spoke arrangement is the central pillar in the formation of a RCEP — a consolidation of various Asean+1 agreements.

RCEP-like regional groupings were sought through other basis, such as the East Asia Free Trade Area and Comprehensive Economic Partnership for East Asia. However, the initiatives did not materialise because China and Japan could not compromise on a single

trade framework. RCEP emerged at a time when Asean members were involved in multi-track arrangements via TPP and other bilateral trade initiatives. The solid push for RCEP came about when Asean members, who are excluded from TPP, made a strong case to link Asean and six of its dialogue partners into a single trade agreement.

Achieving a region-wide agreement is a pipe dream but indeed a daunting task when negotiation resources are scarce. The fact is, negotiating a high-quality FTA is a huge resource drain. It is easy to reach fatigue when the journey stretches further than what the eyes can see.

There have been 15 negotiating rounds in various locations around the Pacific since March 2010. Inter-essional exchanges and consultations with stakeholders continue to take place in the margins of these rounds. TPP negotiators have less than three months to consolidate their positions before proceeding to the next negotiating

round because of tight deadlines.

In the Asia-Pacific Economic Cooperation summit in Honolulu last year, TPP members agreed on the broad outline of the agreement and a deadline for conclusion within 12 months. The deadline has been missed. It has proven to be too ambitious when the US presidential elections and the inclusion of Mexico and Canada took place in the same year.

As a result, the TPP has lost its steam at the Apec summit in Vladivostok this year and is unlikely to revive in Bali next year. Indonesia, which is not a member of TPP and Asean's lead negotiator in RCEP, is expected to champion the Asean-led negotiation to a higher level next year.

The current enigma begs the question: where should Malaysia hedge its bets?

The TPP is reaching almost the third year of its life but the outlook for conclusion (still) seems ambitious despite a new deadline of October next being set after US President Barack Obama's re-election. The prospect of concluding the TPP does not lie in only agreeing to a single legal text but also how the US Congress considers the agreement

outside the ambit of the expired Trade Promotion Authority.

As the leader of the trade pact, US' viewpoint of TPP is clear and very domestically-driven instead of reaching mutual benefits of a bigger Free Trade Area of the Asia-Pacific. According to the Office of the United States Trade Representative (USTR), the US is "seeking to address new issues that respond to concerns raised by US stakeholders and that will enhance US competitiveness in the 21st century and support the expansion of US exports". Furthermore, the USTR's 2009 Trade Policy Agenda and 2008 Annual Report also explained that the US' concerns in TPP as a result of "the proliferation of FTAs among US competitors and the development of several competing regional economic integration initiatives that exclude the US".

Malaysian negotiators are well informed of the implications of dealing with giants such as the US in TPP, and, China and Japan in RCEP. But now we have a credible choice, our resources must be placed in the right track. Either we use RCEP as a bargaining chip in TPP or continue to spread ourselves thin.



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