

# Asia-Pacific Regionalism after TPP

**Jeffrey J. Schott**  
**Senior Fellow, PIIE**

**Malaysia**  
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# The Rise and Fall (and Rise Again?) of Asia-Pacific Regionalism



- The Trans-Pacific Partnership (TPP), signed by 12 countries in February 2016, was the most comprehensive trade pact in Asia-Pacific region.
- US withdrawal from the TPP means that the deal, as signed, is dead.
- US action also has key implications for regional trade relations:
  - Radical shift in US policy toward bilateral pacts starting with Canada & Mexico, Japan, and South Korea;
  - Substantial setback to progress toward FTAAP;
  - BUT... also refocused attention of other Asia-Pacific countries on how much was achieved in the TPP talks and the benefits that would accrue to each country from implementing TPP-style reforms.

# TPP-11 Efforts to Sustain TPP Innovations



- Despite the US withdrawal, the TPP-11 find great value in the agreement and are pursuing new initiatives to sustain, in whole or in part, the TPP results.
- TPP-11 response to US withdrawal:
  - Continue to implement TPP reforms;
  - Pursue new or deeper trade pacts with China;
  - Launch new regional dialogue, including US and China;
  - Keep options open for new negotiations on a comprehensive and revised Asia-Pacific pact.



# Reviving an Asia Pacific Pact



The TPP-11 “exchanged views on their respective domestic processes regarding the TPP and canvassed views on a way forward that would advance economic integration in the Asia Pacific.”

Agreed to follow-up talks by senior officials in Toronto in early May and by trade ministers during the APEC meetings in Hanoi during May 20 - 21, 2017.

March 2017, Chile: ***High Level Dialogue on Integration Initiatives for the Asia Pacific***

**Participants:** TPP-11, plus the United States, China, South Korea, and Colombia



# Reviving an Asia-Pacific Pact (cont'd)

- US is not considering negotiations on new regional pacts at this time, but.....
- US officials continue to draw on TPP precedents in planning new or revised bilateral pacts. Hard for bilateral deals to produce results as comprehensive as TPP; few are likely to bear fruit.
- Reasons why Trump may consider a new regional trade pact in the future that restructures and revises the previous deal:
  - Pressure from many Republicans in Congress and business and farm groups who want a TPP-style deal.
  - Concerns that US competitiveness will be adversely affected as US industries face discrimination from deals excluding US.
  - Pressure to reinforce US strategic interests in Asia-Pacific – especially urgent given North Korean provocations.



# Life after TPP: Implications for FTAAP

- Asia-Pacific Economic Cooperation (APEC) members have been discussing for the past decade pathways toward creating a Free Trade Area of the Asia-Pacific (FTAAP).
- APEC leaders agreed in 2014 Beijing Roadmap toward FTAAP; Lima Declaration in 2016 declared that FTAAP “should be high quality and comprehensive, and incorporate and address ‘next generation’ trade and investment issues,” build on “ongoing regional undertaking.”
- US withdrawal from TPP blocks a leading pathway toward FTAAP and poses substantial setback for APEC efforts to support regional economic integration.

# Life after TPP: Implications for FTAAP (cont'd)



- TPP met the APEC test; to date, the Regional Comprehensive Economic Partnership (RCEP) is not a viable pathway toward FTAAP:
  - RCEP is ASEAN-centric and aims at incremental and incomplete liberalization; drag on progress toward economic reform;
  - India participates and has slowed progress on trade reform;
  - Economic complications and political frictions among China, Japan, and South Korea constrain RCEP progress.

## How do they differ? RCEP vs TPP

- Depth of reforms;
- Scope of disciplines on 21<sup>st</sup> century issues;
- Exemptions for sensitive sectors and flexibility for poorer, developing-country members;
- Consultative vs binding dispute settlement procedures.

***A restructured Asia-Pacific pact could produce a new pathway to FTAAP.***

# Asia-Pacific Integration is Important for China



- **Strengthen, upgrade, and extend trade and investment relations with countries in the region:**
  - Upgrade existing FTAs: China-ASEAN FTA (negotiations completed), bilateral FTAs with Chile (negotiations launched), New Zealand (negotiations launched), and Peru (joint study launched);
  - Negotiate new FTAs: bilateral FTA with Canada (feasibility study launched);
  - Higher standards of investment provisions.
- **Domestic reform:** binding commitments made in a high standard Asia-Pacific pact would complement and reinforce China's ambitious domestic reform strategy to open up sensitive sectors and make meaningful regulatory commitments.
- **US-China bilateral trade and investment relations:** regional initiatives provide a more politically viable platform for US-China bilateral economic relations and may ultimately lead to an FTAAP that includes both economies.



**Thank you!**