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Chair of History of Globalization

“The Origins and Evolution of the Trans-Pacific Partnership”

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Index

1. Introduction: What is Transpacific Partnership (TPP)?
 - 1.1 Membership
 - 1.2 Aims
 - 1.3 Contents
 - 1.4 Origins of TPP

2. Origins: From New Zealand Singapore Closer Economic Partnership(ANZSCEP) to TPP
 - 2.1 ANZSCEP
 - 2.2 TPSEP

3. Trans-Pacific Partnership: Almost there
 - 3.1 Ratification: political debate
 - 3.2 TPP Major Critiques: A closer analysis
 - 3.3 TPP and Sustainable Development: Naivety or inconsistency?

4. Forecast: What would happen if TTP were approved?
 - 4.1 Impact on global market
 - 4.2 Geopolitical implications

5. Conclusions

1. Introduction: What is TPP?

The Trans-Pacific Partnership (TPP) is a regional trade agreement signed on October 5th 2015 by twelve Pacific Rim countries after more than 5 years of negotiations, de facto creating the world's biggest Free Trade Area representing almost 40% of World Gross Domestic Product and a population of 800 millions.

“The contracting parties envision conclusion of this agreement, with its new and high standards for trade and investment in the Asia Pacific, as an important step toward our ultimate goal of open trade and regional integration across the region.”¹

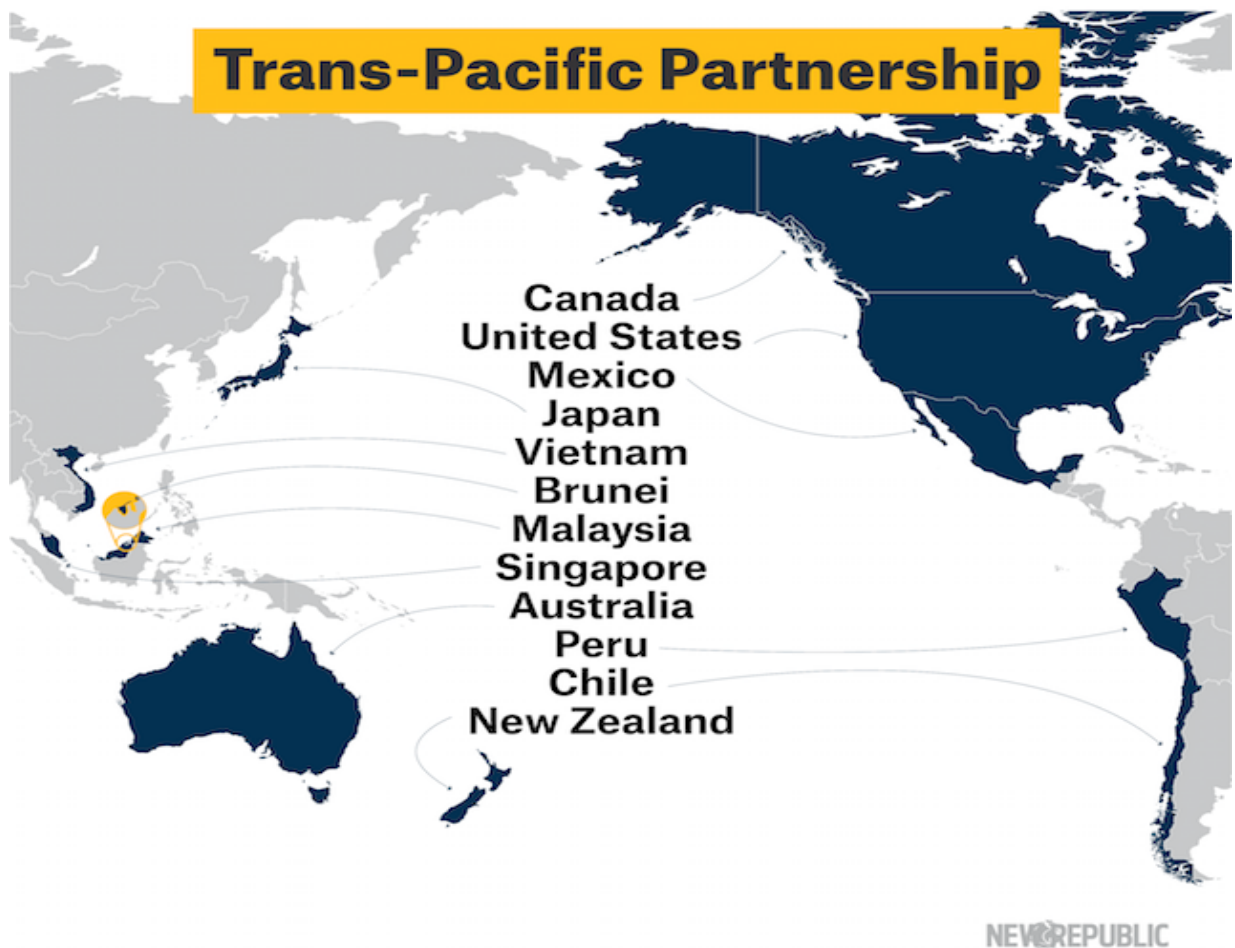


Fig. 1 “Trans-Pacific Partnership foundation all future deals”, New Republic.com

¹ From the preamble of the treaty.

1.1 Membership

Among the signatories only Singapore, Brunei, New Zealand and Chile are full parties while the remaining eight (namely, USA, Australia, Vietnam, Peru, Malaysia, Canada, Mexico and Japan) are waiting for ratification by their legislative organs.

As for other multilateral treaties the contracting parties may decide the prerequisites for interested countries to be eligible for joining the partnership.

As Chapter 30 of the TPP Agreement states “the TPP is open to accession by members of the Asia-Pacific Economic Cooperation Forum and other States, or separate customs territories as agreed by the Parties, again after completing applicable legal procedures in each Party.”

One prerequisite seems logically to be the geographical proximity to the Pacific Ocean as the name suggests being the agreement a regional one.

So far Colombia, the Philippines, Thailand, Taiwan, South Korea, Indonesia and other countries have expressed their intent to join TPP.

We will not be surprised if some or all of them will join the agreement in the future, being expansion one of the aims mentioned in the preamble:

“The parties jointly wish to “expand their partnership by encouraging the accession of other States or separate customs territories in order to further enhance regional economic integration and create the foundation of a Free Trade Area of the Asia Pacific “²

Nevertheless China, despite of its location and its economic weight, has been cut off from the negotiations probably because of geopolitical reasons (discussed in chapter 4).

² From the preamble of the treaty.

1.2 Aims

The contracting parties jointly wish to:

“establish a comprehensive regional agreement that promotes economic integration to liberalise trade and investment, bring economic growth and social benefits, create new opportunities for workers and businesses, contribute to raising living standards, benefit consumers, reduce poverty and promote sustainable growth”².

In this new liberal market, free trade is essential for economic growth because it will create new jobs and improve welfare. This will not prevent the parties from taking care of the environment, promoting sustainable growth and, most important, they will not have to renounce to their sovereignty.

Furthermore, to ensure a good governance and rule of law, a consistent legal and commercial framework will be set in place for trade and investment on mutually advantageous rules. Customs procedures must be transparent and effective to reduce costs in trade and investment. This will help eliminating bribery and corruption so that regional trade may prosper.

Foreign exchange will be boosted especially for small and medium-sized enterprises by the implementation of new digital policies and of specific policies, conceived to inform these enterprises about the TPP functioning (while State-owned enterprises will be regulated by specific provisions).

The fundamental labour rights will be respected so that all workers will be protected and will have the strength to improve their working conditions and their living standards.

The environment will be preserved and protected by the enforcement of environmental laws. Sustainable development will benefit from mutually supportive trade and environmental policies.

1.3 Contents

The TPP agreement includes 30 chapters covering trade and trade-related issues.

They include:

- trade in goods and continuing through customs and trade facilitation;
- sanitary and phytosanitary measures;
- technical barriers to trade;
- trade remedies;
- investment;
- services;
- electronic commerce;
- government procurement;
- intellectual property;
- labour;
- environment;
- horizontal chapters meant to ensure that TPP fulfils its potential for development, competitiveness, and inclusiveness;
- dispute settlement,
- exceptions,
- institutional provisions.

In addition to updating traditional approaches to issues covered by previous free trade agreements (FTAs), the TPP incorporates new and emerging trade issues and cross-cutting issues.

These includes a chapter (14) dedicated to Electronic Commerce where the parties ensure a fast, free and secure flow of global information and data thanks to expedited customs procedures for express shipments and prohibition on customs duties to electronic transmissions. In order for this system to work, legitimate public policy concerning additional privacy, security, and consumer protections for online transactions is required.

The digital economy will in turn help promoting the Participation of small and medium-sized enterprises (Chapter 24) to trade. To this aim the enterprises will dispose of specific websites whose goal is to inform them on TPP provisions, regulations and procedures concerning intellectual property rights but also foreign investment regulations and taxation so that they will enjoy full information.

Of particular concern is Chapter 17, dealing with the Participation of state-owned enterprises (SOEs) in international trade and investment, in which parties agree to ensure that their SOEs or designated monopolies do not discriminate against the enterprises, goods and services of other Parties.

The Exceptions Chapter (29) states that flexibilities are available to all TPP Parties that guarantee full rights to regulate in the public interest, including for a Party's essential security interest and other public welfare reasons. There is a self-judging exception, applicable to all parties, which states that a Party may take any measure it considers necessary. for the protection of its essential security interests.

There is also a chapter about Intellectual Property (18). TPP requires every country to adopt the same long copyright terms that prevail in the United States (i.e., the life of the author plus 70 years). Most countries adopt the standard "life plus 50" law on copyright but will now have to add 20 years to the 50 following the author's death. The TPP prohibits people from tampering with copy-protection schemes that protect movies, music, and other copyrighted works and requires criminal penalties for copyright infringement outside personal use.

1.4 Origins of TPP: How did they get there?

So far we introduced the Trans-Pacific Partnership Agreement. We said that it was signed a few months ago and that its twelve members' economies account for almost 40% of World's GDP becoming the biggest free trade area on our planet.

Stated this way, it would seem that a few state leaders casually met on a random afternoon at teatime and agreed to sign an international treaty, because they were in a good mood. The truth is that there is much to know about it.

TPP is the result of many years of working and cooperation in the Pacific Ocean. In fact, it happens to be an expansion of the "Trans-Pacific Strategic Economic Partnership" a multilateral agreement signed more than 10 years ago, which in turn was born only a few years after the bilateral partnership between New Zealand and Singapore began.

In order to better understand and perhaps predict the impact that TPP would have on its regional economy and on the globe with all its implications, we will start focusing on the bilateral agreement and then move to the TPSEP following the economic path that led to the stipulation of the TPP to finally study the current global situation economically and geopolitically.

2. Origins: From ANZSCEP to TPP

2.1 New Zealand and Singapore Partnership

It all started in September 1999, when the two governments announced their will to start negotiations on the sidelines of the Asia-Pacific Economic Cooperation (APEC) to improve trade in goods, services and investments “aware of the growing importance of trade and investment for the economies in the Asia-Pacific region”³.

After one year and six rounds of negotiations, the parties reached a conclusion and, on November 14th 2000, Helen Clark and Goh Chok Tong respectively the Prime Ministers of New Zealand and Singapore signed the “Agreement between New Zealand and Singapore on a Closer Economic Partnership” (ANZSCEP).

The Agreement entered into force on January 1st 2001. It was later subject to Ministerial review in Singapore in November 2001 and again in New Zealand in July 2004.

The Closer Economic Partnership Treaty aimed at eliminating tariffs on goods traded between both countries, as well as liberalising trade in a wide variety of services, such as engineering services, dental services, computer services, info-communication technology (ICT) services, financial services, manufacturing services and environmental services.

The ANZSCEP had a positive impact on the bilateral trade between Singapore and New Zealand. Three months after the FTA was implemented on January 1st 2001, trade between the two countries increased by 35% year-on-year in January and February⁴.

The increase was led by Singapore’s exports to New Zealand, which rose of 54% in January and February to S\$70.7 million from S\$45.8 million in the same period the year before. New Zealand’s exports to Singapore, on the other hand, increased 46% to S\$56.3 million.⁵

³ ANZSCEP Treaty preamble.

⁴ Low, I. The Straight Times, April 16, 2001)

Two years after the agreement came into effect, bilateral trade between the two countries increased of 12.6% rising from 0.97 billion in 2000 to 1.09 billion in 2002

ANZSCEP also promoted economic cooperation, in fact in 2002 New Zealand set up its first overseas technology-center in Singapore to support New Zealand companies in commercialising technologies and internationalising business.

It is worthwhile mentioning that Singapore Airlines and Air New Zealand have confirmed 6 January 2015 as the launch date for their alliance, with codeshare flights going on sale on both airlines' services between Singapore and New Zealand on 25 September.

Under the alliance Singapore Airlines and Air New Zealand's goal is to increase their existing capacity between New Zealand and Singapore by up to 30% year-round over time, while delivering enhanced benefits to their customers.

Customers will enjoy increased capacity and additional frequencies between the two countries as well as codeshare connectivity to a further 40 destinations in the Air New Zealand network. In turn, Air New Zealand will codeshare to a further 50 destinations on the Singapore Airlines and SilkAir network.

Singapore Airlines CEO Goh Choon Phong said: "This alliance is a clear example of how our two airlines can do more by working together than we could do individually. Through increased frequency between Singapore and New Zealand and new codeshare destinations, it provides numerous benefits to our customers. It is also another example of our commitment to the important Southwest Pacific market."

Air New Zealand CEO Christopher Luxon said: "Our alliance with Singapore Airlines going on sale is an exciting milestone in our growth strategy. We are looking forward to operating to Singapore for the first time in eight years, with this alliance allowing us to further expand our long haul network and open up a wide range of new codeshare destinations for our customers.

"Singapore Airlines is well regarded for its inflight product and service which we believe complements the service that Air New Zealand is well regarded for. By working closely together we hope we can further stimulate the market and drive visitor numbers from both ends of the route."

⁵ The Business Times, April 16, 2001

Under the alliance Air New Zealand will operate newly refurbished Boeing 777-200 aircraft on the Auckland-Singapore route featuring Business Premier, Premium Economy, Economy Skycouch and Economy seating.

Singapore Airlines will continue to operate retrofitted Boeing 777-200ER aircraft on the Singapore-Christchurch route. Airbus A380s will be used on the Singapore-Auckland route during the Northern Winter operating season, reverting to Boeing 777-300ERs during Northern Summer.

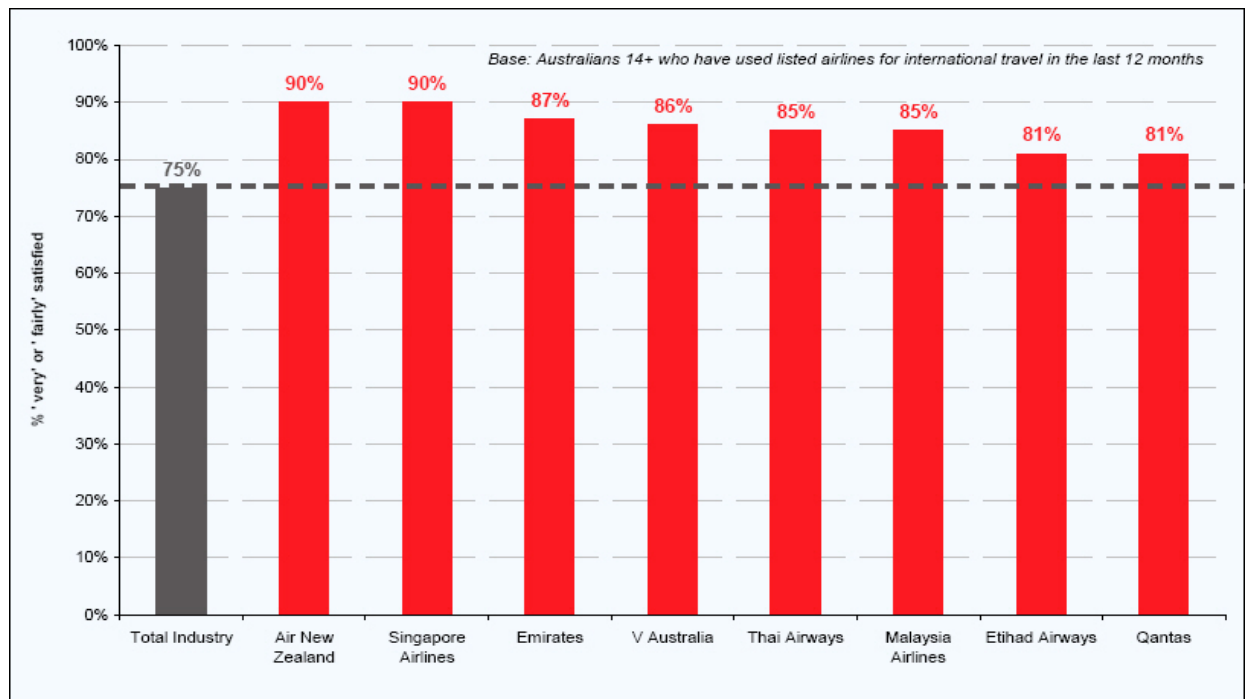


Table 1⁶

Standing as a proof of the benefits from cooperation are the ratings of customer services for both Air New Zealand and Singapore Airlines. Their clients are the most satisfied of the world with a percentage of 90% for both companies. It is not a casualty that the cooperation led to such situation.

⁶Source: RoyMorgan.com: *Air New Zealand and Singapore Airlines Cooperation Satisfaction*, an article describing the cooperation between the two airlines in the period from August 2009 to July 2010.

The good results of the cooperation prompted the governments of Chile and Brunei to express their interest to start negotiations to join the agreement, respectively in 2002 and 2005.

2.2 Trans- Pacific Strategic Economic Partnership

The Agreement was first launched in October 2002 at the APEC Economic Leaders' Meeting in Los Cabos (Mexico). Prior to Brunei's participation as a party to the Agreement, the Trans-Pacific SEP was known as the Pacific-Three FTA.

Brunei joined the negotiations in 2005 before the fifth and last round of talks. On 18 July 2005 in Wellington, New Zealand: Brunei, Chile, New Zealand and Singapore signed the Trans-Pacific Strategic Economic Partnership (also known as TPSEP or P4).

It entered into force on 28 May 2006 for New Zealand and Singapore, 12 July 2006 for Brunei and 8 November 2006 for Chile.



環太平洋戰略的經濟連携協定 (2006年發効)

Trans-Pacific Strategic Economic Partnership Agreement (TPSEP)

"This is a high quality trade agreement of strategic and economic importance to New Zealand. It provides for the elimination of all tariffs among the four countries. It is also an agreement that has the potential to grow. We hope to see others join" said Helen Clark⁷.

As PM Helen Clark said, TPSEP is open to accession by other like-minded economies. The TPSEP is the first FTA spanning three different continents. Together the four countries, which are all members of APEC, have a combined GDP of some \$400 billion.

The Trans-Pacific Strategic Economic Partnership covers trade in goods, rules of origin, trade remedies, sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), trade in services, government procurement, customs procedures, intellectual property, temporary entry of persons, competition, institutional provisions and dispute settlement.

Among other things, it called for a reduction by 90 percent of all trade tariff among member countries by January 1,2006, and a reduction of all trade tariffs to zero by the year 2015.

⁷ Prime minister of New Zealand.

The TPSEP as ANZSCEP before it resulted a success. The liberal idea that free trade stands at the basis of economic cooperation is widely shared all over the world especially in the Pacific area. In addition to that the expansionary nature of the treaty attracted the attention of the USA.

In February 2008, the US Trade Representative Susan Schwab declared the United States would start trade talks with the “P4” group of countries. Subsequently, the other signatory states of TPP followed.

3 Trans-Pacific Partnership: Almost there

3.1 Ratification: Political Debate

As we have already mentioned in Chapter 1.1, only the P4 have actually ratified the agreement while the other eight members are still waiting for their legislative organs' approval.

Ratification is more or less different from country to country and depends on the legislative process. We might wait some time before TPP comes into effect.

According to Alejandro Pisanty⁸, there is optimism in Mexico, which suggests that Mexico will ratify the agreement in a short period of time. Mexico government met a strong resistance from the opposition, at the time a previous international treaty (Anti-Counterfeiting Trade Agreement – ACTA) was being voted. It would appear that this problem, which had been faced before, may be successfully handled today.

In the opinion of Professor Michael Ewing-Chow⁹, the economy in Singapore is based on trade and most of the population is in favour of TPP. The process of ratification and implementation is a Parliamentary duty. The government that won the elections in 2015 has the right of 90% of seats in Parliament so it would be no big issue to ratify the agreement.

In Brunei the Sultan who signed TPP is not only the Head of State but also has heavy legislative powers.

Vietnam has no reason to raise opposition against an agreement that would be beneficial to many aspects for the country.

But not everyone is in favour of TPP. In fact, the probability of rejection does exist.

It should be noted that the agreement was secretly conceived by the Head of States of the members and was published only when signed even though some documents were leaked on wikileaks.com previously. This secrecy has been criticized as undemocratic and has risen in the different countries multiple critics and legal complaints.

⁸ Of the Internet Society, Mexican Chapter.

⁹ , WTO Chair, Faculty of Law, National University of Singapore.



In USA President Obama caught the eye when in June 2015 was granted by the Congress a “fast-track” authority, through which all international treaties only require a simple-majority vote in Congress. This vote is expected to take place very soon and TPP needs only 50% +1 votes in Congress to be ratified. Other critiques were raised by the Republicans on the data exclusivity compromise. While some Democratic senators reiterated their opposition to the Intellectual Property (IP) protection and the decrease in access to life-saving medicine.

In Japan, the Minister of Agriculture Masahiko Yamada moved a constitutional complaint against the trade negotiation of TPP because members of the Parliament could not have access to the documents.

In Australia, but also in the USA, the opposition criticized the investor-state dispute settlement (ISDS) chapter of TPP which appears to be very controversial. The Australian Pirate Party said that the treaty should first be made public and then the people along with the elected representative decide whether to sign it or not.

In Chile, the ratification process is mostly in the hands of the President and the Congress can either approve or reject but the sensitivity of access to medicines may rise some internal issues.

Malaysia is facing a difficult period because the political system has been accused of corruption.

3.2 TPP Major Critiques: A closer analysis

ISDS

We already said in the previous paragraph that criticisms have been advanced against the Chapter dedicated to the Investor-State Dispute Settlement or ISDS Chapter.

In particular in the United States, the Democratic Senator Elizabeth Warren warns about ISDS. Officially the treaty sustains that the contents of this chapter are supposed to mediate disputes between foreign investor and government, when the foreign investor feels damaged by a government intervention. However, Mrs. Warren fears that it would go further than that reducing American sovereignty vis-a-vis foreign investors and multinationals.

So whenever an investor from a country is deprived of his investment, for instance, because his factory was nationalized, then the investor can, by virtue of the ISDS provisions, claim for reparations from the government that seized the property. It seems fair enough but it seems unlikely that a western developed country intervenes like that, especially in the USA.

Warren fears that big multinational corporation could exploit ISDS provisions to “undermine U. S. sovereignty”.

There are two aspects of ISDS that have raised particular concern. One is the fact that the process is overseen by arbitrators rather than independent judges. These arbitrators, who may also represent corporate clients in other cases, could cause panels to be biased toward big companies.

Second, the ordinary WTO dispute settlement process only allows complaints by governments, while ISDS allows any foreign investor to complain. Critics say that it removes an important control point on misuses of the dispute settlement process.

On the other side, statistics from the White House state that there are 3,000 trade deals around the world with ISDS provisions, including about 50 that involve the United States. The US has officially only faced 13 ISDS cases under those treaties, and never lost a case.¹⁰ In addition to that, the US government says the ISDS provisions in the TPP will be better structured in order to prevent any abuse.

Anyway, the most an ISDS panel can do is impose a financial penalty, it cannot interfere with laws or regulations.

¹⁰ Article by Jeffrey Zients, whitehouse.gov/blog, February 26,2015.

DRUG REGISTRATION AND PATENTS

Laws in the US and around the world grant patents and other legal privileges to the first company to invent a new drug to encourage research and development but once these legal protections expire, other companies can make cheap generic versions of the drugs.

Public health groups such as Doctors Without Borders and the AIDS research group amfAR believe that big pharmaceutical companies pushed TPP to include rules delaying the introduction of generic drugs into the market.

One proposal would expand the types of inventions that are eligible for patent protection to include modifications of existing drugs. This way drug companies can make minor modifications to their products in order to extend the effective length of patent protection (the so-called “evergreening”).

Another provision concerns complex new drugs called “biologics”. The Food and Drug Administration requires pharmaceutical companies to prove these biologics are safe and effective. Normally generic pharmaceutical companies can use data from another company wanting to introduce biologically similar drugs. But in the US, a law requires competing drug manufacturers to wait 12 years before they can use someone else’s data in their own applications. This leads to a raise in prices because small companies have limited budgets and only few can get enter the market.

TPP requires countries to provide five to eight years of data exclusivity for biologic drugs. Nonetheless TPP is expected to reduce competition and therefore raise the prices of drugs in some TPP countries. The effects in the US, where biologics already receive 12 years of protection and the law is relatively friendly to evergreen patents, will not be as evident as in other TPP countries especially developing ones where drug prices and the cost of life raise.

3.3 TPP and Sustainable Development: Naivety or inconsistency?

On September 25, 2015 the United Nations countries adopted a set of goals¹¹ to end poverty, protect the planet, and ensure prosperity for all as part of a new sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years.

Exactly 12 members of the United Nations signed the TPP a month later only apparently willing to respect the 17 sustainable development goals.



In a magazine article¹² a strong concern was expressed by Rimmer Matthew, in commenting the Development chapter. Even though a full chapter of TPP is dedicated to Development, it is a mere formality because it lacks hard commitments or hard obligations.

The parties do “affirm their commitment to reduce poverty, improve welfare, create new employment opportunities in support of development” and also recognise the importance of “science, education and technology, research and innovation” but every of these statements is vain when it comes to facts:

“In the event of any inconsistency between this Chapter and another Chapter of this Agreement, the other Chapter shall prevail to the extent of the inconsistency”

¹¹ United Nations, General Assembly, document A/70/1 of October 21, 2015.

¹² Rimmer, Matthew: *The Transpacific Partnership Poses a Grave Threat to Sustainable Development*, The Conversation, November 11, 2015.

So it basically has no validity when in discordance with every other Chapter of the Agreement.

Moreover a Chapter is dedicated to Environment, but it seems too limited and proves weak enforcement measures without even mentioning climate change which is a subject strictly bound to trade.



Labor unions in developed countries strongly protested during the negotiating process. The Unions felt that trade liberalization without strong labor standards puts workers at a competitive disadvantage toward workers from developing countries.

Previous trade agreements have included provisions on workers' rights, but labor groups contend that these deals lack robust enforcement mechanisms.

In the USA the White House claims that TPP is the "most progressive trade agreement in history." The White House insists that TPP will end child labor, protect the right to bargain collectively, and ensure workplace safety standards. In November 2015, the Obama administration was proud to announce a commitment from Vietnam to allow independent labor unions to exist.

Even though these countries allow the existence of labor unions which, according to the President of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Richard L. Trumka, is “no big deal”, the problem is that the agreement depends on the US government to act if countries with weak human rights records, such as Vietnam, fail to keep their agreement.

Unions fear that when it comes to protect labor rights against trade partners, the government would prefer the former, in the name of profits thus failing to protect jobs, wages, freedom of association, workers rights and human rights.

This is why labor groups would prefer a system that allows them to directly challenge other countries' labor practices, like the investor-state dispute settlement process allows investors to directly challenge foreign government policies.

In conclusion, TPP is only apparently (one could also say officially) in accordance with the Sustainable Development Goals promoted by the United Nations Organizations. In reality they are de facto incompatible.

4. Forecast: What would happen if TPP were approved?

4.1 Impact on Global Market

So far we have focused on the various national debates, where some accuse TPP of being undemocratically conceived for the purpose of lobbies and corporations' profits. There is much criticism to various provisions of the treaty, while, on the other hand, many support TPP and trade more in general.

In the words of Robert Reich¹³ “TPP is a Trojan horse in a global race to the bottom, giving big corporations and Wall Street banks a way to eliminate any and all laws and regulations that get in the way of their profits”

Timothy B. Lee¹⁴ believes that “one might think that TPP is conceived on the same idea because governments say TPP is an agreement whose goal is to eliminate or reduce trade barriers. However, the reality is that these countries already committed to free trade agreements, the latest of which is the Uruguay Round, in 1994. Some TPP countries also participate in regional trade agreements such as NAFTA. This is the reason why tariffs among TPP countries are already low.”

Yet, Peter Perri¹⁵ believes that “the TPP could bring about significant reductions in trade barriers for certain products. His research established that the TPP could increase US incomes by \$77 billion by 2025. That's an increase of less than 1 percent, but \$77 billion is still a significant amount of money.”

¹³ Robert Reich, *The Largest, Most Disastrous Trade Deal You Have Never Heard Of*, article on Alternate, January 6, 2015.

¹⁴ Timothy Lee, *ibid.*

¹⁵ Peter Perry, *What Economic Models Tell Us About TPP*, Trade and Investment Policy Watch, February 18, 2015.

Furthermore, advocates of the treaty hope the TPP could set a precedent for broader trade deals with other parts of the world, such as China and Europe, which could have larger economic benefits.

Trade liberalization could also have significant benefits for American trading partners such as Vietnam.

For example, one of the biggest open questions is how the deal will handle services such as banking, insurance, and education. Significant liberalization — and economic benefit — is possible in these areas. But the trade barriers in these industries tend to be regulations rather than tariffs, making liberalization more complex and controversial.

Contrary to the general pessimism over TPP, this agreement should be ratified, especially given the weakness in global trade and the risky global economic outlook of 2016, the World Bank said last January.

In their view, the deal is “worthwhile” and should be approved by the U.S. Congress and others, said Kaushik Basu, chief economist of the World Bank, during a press conference releasing the organization’s 2016 report on global prospects. Basu also notes that global merchandise trade contracted in the first half of 2015 for the first time since 2009, the Trans-Pacific Partnership would reverse the downward trend recorded in member states, lifting their trade by 11% by 2030.

Without the deal, TPP members’ trade would fall 25% below the pre-crisis trend by 2030.

In addition, the trade deal has the potential to lift overall GDP of member countries by 1.1% by 2030, the World Bank estimated.

Vietnam and Malaysia would benefit most from the agreement while the U.S. would see more “muted benefits,” the World Bank said.

Thailand, Cambodia, Laos, and South Korea would be hurt the most by not being part of the agreement, the report concluded.

Overall employment is unlikely to be impacted by the trade deal, but it may accelerate structural shifts. In developed countries the treaty would favour advanced manufacturing, while, in developing countries, unskilled-labour-intensive industries would benefit

The World Bank cut is estimated for global growth in 2016 at 2.9% from the prior estimate last June of 3.3%.

This is a slight improvement from the 2.4% growth rate in 2015, the World Bank said. Despite this pickup, “there are fault lines beneath the surface,” Basu said, including slowdowns in major emerging market economies like Brazil and South Africa. The prediction of the pickup should produce a stabilization in commodity prices. Oil prices are projected to average \$49 per barrel in 2016 and then rise only gradually. China will continue to slow down, Basu said, although the country’s overall debt-to-GDP ratio does pose a risk. He also said that the Federal Reserve interest rate increases. The Federal Reserve’s interest rate increases should not have much impact on China, he said.¹⁶

¹⁶ Robb, Greg, *TPP Could Reverse Slide in Global Trade, World Bank Says*, Market Watch, January 6, 2016

4.2 Geopolitical Implications

In a magazine article¹⁷, Monika Ermert is of the opinion that, despite the time still necessary to make legislative adjustments in the member states, some regions of the world feel pushed to the side.

Marietje Schaake, member of the European parliament said: “The conclusion of TPP should also remind Europeans that we will either be driving rules and standards for global trade, or other countries will set their own standards. The EU is also in negotiation with important economies like Japan on a free trade agreement. The space for negotiation will inevitably be influenced by what Japan agreed in TPP.”

With regard to China, that has been said by many experts to be the one hidden target of the TPP, Malaysia’s trade minister said¹⁸ in Atlanta: “The TPP is open to all Asian-Pacific countries. China can be part of it.” He also underlined that the Regional Comprehensive Economic Partnership, the big regional FTA currently being negotiated between 15 Asian countries including China and seven of the TPP parties, is “not conflicting with the TPP. These are complementary arrangements,” he said.

China’s reaction was cautious. According to ABC news service, a spokesperson for the Chinese Ministry of Commerce said: “China hopes the TPP will mutually promote other regional free trade arrangements and will make a contribution to the development of trade and investment in the Asia Pacific.”

Officially TPP is open to new membership. Whenever a country is interested in joining, it must send a formal request. Subsequently, the existing members decide by consensus for the eventual admission.

In May 2013 China expressed its interest in joining TPP. Quoting a spokesman for the Chinese Ministry of Commerce: “China will analyse the pros and cons as well as the possibility of joining the TPP, based on careful research and according to principles of equality and mutual benefit”¹⁹

¹⁷ Ermert, Monika, *TPP Heads into Ratification Game*, Intellectual Property Watch, October 6, 2015.

¹⁸ Quoted by Monika Ermert, *ibid.*

¹⁹ Source: news.xinhuanet.com/world/2013-05/31/c_124790090.

Indeed China would have preferred to take part to negotiations instead of accepting the agreement already signed. But the Beijing government does not have much choice since WTO's Doha Development Agenda or Doha Round of 2001. The objectives of these were the lowering of trade barriers around the world, and facilitate increased global trade. World trade entered into a stall in July 2008, mainly because developed countries (European Union, USA, Japan) could not reach an agreement with developing countries (China, India, Brazil, South Africa) on issues such as agriculture, industrial tariffs, non-tariff barriers, services and trade remedies.

For China, it is economically profitable to participate because being excluded from the TPP, Chinese firms would face discriminatory treatment in TPP markets. In fact, TPP member countries' companies are encouraged to trade within the TPP, rather than non-members, such as China.

Many commentators argue that, to face TPP, China has built its own rival trading blocks, such as the Regional Comprehensive Economic Partnership (RCEP), and the Free Trade Area of the Asia Pacific (FTAAP).

According to S. Cheng such observations "have factual errors"²⁰. RCEP is not China's initiative. The Association of Southeast Asian Nations, (ASEAN), that launched this regional group during the 2012 summit in Cambodia, encompassing ten member countries plus Australia, China, India, Japan, South Korea and New Zealand. Members agreed that ASEAN are in the driver's seat of these negotiations.

FTAAP is neither a Chinese initiative nor new. As the host of the 2014 Asia Pacific Economic Cooperation summit, China does actively push for the realization of FTAAP. But APEC leaders agreed to examine the prospect of an FTAAP as early as in 2006. In the recent ministerial meeting in May 2014, all 21 APEC members, including the US and China, agreed to establish a working group to discuss possible ways ahead for FTAAP.

H.E. Li Keqiang (Premier of the People's Republic of China) delivered a speech in London²¹, in June, 2014, stating that "China does not react by setting up competing FTAs against the US", mainly because China sees not only challenges, but also opportunities that TPP may bring, such as a chance for China to study the high standards of developed

²⁰ Shuaihua, Cheng, *TPP, China and the Future of Global Trade Order*, Yale Global Online Magazine, October 14, 2014

²¹ Inclusive development: *A better World for All*, speech delivered on June 18, 2014.

countries.” In this regard, China has responded by establishing the Shanghai Free Trade Zone in 2013 with the backing of Chinese Premier Li Keqiang. This zone aims at following emerging international standards and regulations such as those in TPP, and to carry out unilateral liberalization and autonomous reforms. On the other hand, it limits the deeper liberalization and higher standards to a fixed region. Such an experiment can control impacts and avoid big scaled economic and social disruptions, as well as preparing the nation to join the TPP in the future.

Brock R. Williams (and others)²² wrote some interesting comments about the TPP and broader U.S. policy in Asia. As the world’s second largest economy (on a nominal dollar basis) and largest trading economy, China’s inclusion in, or exclusion from, the TPP in the future may have important implications for the United States, as well as the Asia-Pacific region. President Obama and other TPP proponents also argue that China’s growing international influence increases the strategic importance of TPP. Some analysts go further, arguing that China is attempting to create a regional order that seeks to minimize U.S. presence and power and that TPP is a necessary means of countering this effort.

The expansion of China’s economy in trade and investment in recent decades, led to new initiatives around the Pacific. These created a vision of regional economic development that is different from that advocated by the United States, and potentially not in the U.S. interest.

TPP could shape a model in line with U.S. interests, by creating rules and norms that other regional nations may ultimately adopt. The size and the economic importance of TPP might help to influence China’s economic – and potentially diplomatic – decisions in ways that are more favourable to U.S. economic, diplomatic, and security interests.

TPP could also encourage China to further liberalize its economic and trade regime in order to eventually join the agreement. It might also give some reformers in China a measure of political cover to press for deeper reform, beyond Beijing’s WTO commitments.²³

To others, such arguments unnecessarily cast Asia’s largest economy as an outlier in regional economic development. These arguments may overstate the degree to which Chinese initiatives are likely to influence regional trade and investment rules. The same

²² Williams, Brock R. et alia, *The Trans-Pacific Partnership: Strategic Implications*, Congressional Research Service, February 3, 2016

²³ Williams, Brock R. et alia, *ibid.*

arguments stress several points. First, they note that if China's leaders perceive that TPP is being used as a tool to constrain Chinese interests, they could respond in ways that are inimical to U.S. interests. Second, they stress that China is proceeding with economic initiatives, that others in Asia may see as helpful to their own economic development, given the region's extensive needs for infrastructure and other investment. Therefore, they argue that if countries in the region see the United States as opposing these initiatives, the United States may risk being seen as obstructionist, which could lead some in Asia to question U.S. commitments to regional development. Third, they stress that other Asian nations have their own trade policies and are unlikely to adopt policies they see as not in their interest – whether they are part of “models” that are American, Chinese or otherwise.

5. Conclusion

The TPP is a regional trade agreement that, if approved by legislative organs in all signatory parties, would create the largest FTA on the planet as its members represent almost 40% of the world's GDP and have a population of nearly 800 million.

This paper proceeded as follows, we first introduced TPP, listed its twelve pacific rim members, aims and contents. We then raised the question on how the treaty was conceived. We then dealt with the importance of the predecessors of TPP: first ANZSCEP and later TPSEP, in paving the way to TPP.

We then discussed the Ratification process of the treaty and the political debate that arose from it. Including different criticism from various countries.

Finally the paper tried to assess the likely global economic impact of TPP as well as the geopolitical implications that could result.

Traditionally, trade policy was concerned with a choice between keeping foreign product out of a country through tariffs and quotas (namely “protectionism”), or opening the borders to foreign products also known as “free trade”.

TPP represents a mixture of both free trade and protectionism policies. It aims at reducing almost all tariffs to zero, but at the same time it will protect the interest of the investors (ISDS).

Experts expect TPP to have a positive income on total GDP of the contracting parties. The issue of the likelihood of increased inequality however is not totally discussed. Even though total welfare will increase, the existing gap between the wealthiest and the medium – low social classes will widen to a more shocking than it is the case today.

Multinationals will benefit most from TPP while wages are likely to grow very slowly.

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