



Geneva WATCH

An overview of the bilateral, plurilateral and multilateral trade negotiations

Charles Akande, Editor

Trying to Revive the TPP

The March 14-15 high-level dialogue on integration initiative in the Asia-Pacific Region, which will take place in Viña del Mar, Chile, shows that Trans-Pacific Partnership (TPP) countries plan to hold a breakfast discussion on the next steps with the agreement on Wednesday March 15, 2017, according to a preliminary program circulated by the Chilean government.

Now that the U.S. has finally decided to attend the meeting – and should most likely be represented its ambassador in Chile, Carol Perez – participants hope the summit will bring some clarity as to what will happen with the TPP now that U.S. President Donald Trump has signed an executive order to withdraw from the pact.

Chile, meanwhile, has also invited China and South Korea to attend the summit as observers. Although both countries will not attend the breakfast gathering, sources said the two countries are expected to engage in additional bilateral and/or plurilateral meetings with TPP countries.

The most optimistic participants continue to hope that some sort of agreement on the way forward for the TPP will emerge in Chile. In its trade policy agenda released on March 1st, the United States Trade Representative (USTR) stressed that the Trump administration intends to continue strong bilateral engagement with its Asia-Pacific partners with the goal of gaining additional market access for U.S. goods and to maintain American influence in the region.

However, it's very unlikely that any attempts to keep the TPP alive would get the U.S.'s support – at least at this juncture.

Informed sources say TPP countries actually have three options:

1. Continue with the TPP without the U.S.
2. Enter into bilateral/plurilateral negotiations between the remaining Members based on the agreement
3. Replace the U.S. with China and renegotiate part of the TPP or simply join the Chinese-led Regional Comprehensive Economic Partnership (RCEP)

As mentioned above, it's hard to see the U.S. suddenly agreeing to pick up the TPP as it currently stands just for geopolitical reasons, even if Members agree to renegotiate part of the agreement to please the Trump administration. This is simply not going to happen.

And even though Japan is committed to implement the TPP no matter what, and has been pushing for TPP positions even in areas where it initially opposed, sources say Prime Minister Abe is unwilling to get on board with a revised TPP-minus the U.S. Japan's active engagement is presumably to impress President Trump in the hope the TPP can be resurrected or a so that a U.S.-Japan bilateral deal can rise from its ashes.

Any new TPP negotiations on a plurilateral basis would likely involve a lot of renegotiations and very few countries want that in the absence of the U.S. Both Australia and New Zealand seem the most desperate to keep the ball rolling for now. Sources say one possibility for those eager to pick up the TPP could be that countries agree to pick the old P4 template, which didn't include financial services and investment and update it to include some provisions on the basis of what they agreed in the TPP.

If countries are comfortable with this strategy, what could happen in Viña del Mar is that members could ultimately decide to embark in several easy picking bilateral/plurilateral deals concluded among countries that don't have a lot of issues to fight over.

The other possibility would be to try to push things through RCEP negotiations, which just completed its 20th Round last week in Kobe (Japan), and by doing so, Australia and New Zealand hope to transform RCEP into a 'high-quality' agreement like the TPP.

However, observers say this strategy has thus far generated a lot of pushback as Australia and New Zealand have nothing to offer in return. That being said, adding other TPP countries into the mix like Canada (who is considering a FTA with China), may present an opportunity for consensus, although one source mentioned that India is hardly fussed with potential access to their markets in return for massive concessions.

Integrating China, meanwhile, would most likely rule out anything significant in areas of difficulty for the Chinese central government, such as state-owned enterprises (SOEs), labour, and aspects of e-commerce that involves offshoring of data. But again, China has active interests in investment and goods exports which may mean that carefully crafted trade-offs and nuanced rules could be negotiated.

Even if TPP countries elect to follow this route (i.e. integrating RCEP) this deal is not going to happen in a hurry as the combination of ASEAN, India and China will most likely affect the pace of the negotiations and the ambitions of any outcome, and with the complexities that this new framework may generate, the new RCEP may simply follow the TPP and never see the light at the end of its tunnel.

Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.

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