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The TPP and WTO: A Win-win or Zero-sum Situation

By Lee Su-Hyun and Lee Chia-yi



2014 TPP Handshake. Courtesy of Flickr account of EFF Photos' Collection and used under a creative commons license. Copyright EFF Photos .

Will the TPP, as the world's largest regional trade agreement, bring to an end the WTO's multilateral agreements on international commerce? The recent discussion suggests that the TPP could function in parallel with the WTO, even though geopolitical concerns have been raised that the TPP could be a U.S. strategic tool to contain China.

AFTER ALMOST six years of prolonged negotiations, the Trans-Pacific Partnership (TPP), the world's largest mega-trade deal, has been finally concluded by the United States and 11 other Pacific Rim countries on 5 October 2015. The TPP agreement was reached outside the World Trade Organization (WTO), which is the only international organization dealing with the issues and rules of trade between countries at a global level.

Unlike other previous bilateral or regional preferential trade agreements (PTAs), the conclusion of the TPP has generated different predictions on the future of the WTO. While some view the TPP as a complement to the existing multilateral trading system, others worry that the TPP may pose a threat to the WTO framework and only serve as the geo-strategic tool of the United States in Asia.

TPP complementary to WTO

Optimists emphasise that the historic Pacific Rim trade accord would not doom the future of the WTO nor weaken the WTO's rule-based multilateral trading system. They claim that the TPP and the WTO can work in parallel, without one being at the expense of the other and that the TPP would not divide the world economy into trading blocs that exclude the majority of the WTO members.

According to the WTO rule, members are allowed to sign bilateral or regional PTAs which grant each or one another favourable treatment, as long as all bilateral trade between signatory countries is covered by the PTAs. So some believe that TPP is nothing but another PTA, although its members account for nearly 40% of global GDP.

Interestingly, the rosy picture of the peaceful co-existence between the TPP and the WTO has been shared by Roberto Azevêdo, the current Director-General of the WTO, even before the conclusion of the TPP. At the RSIS-WTO Parliamentarian Workshop held in May 2015, Mr. Azevêdo dismissed the idea that the TPP free trade deal would harm the WTO's efforts to consolidate a multi-lateral trading system. While acknowl-

edging the collapse of the WTO negotiations over the Doha Round, he pointed out that many issues that hinder trade talks are inherently bilateral rather than multilateral. Thus, the TPP and other free trade agreements not only provide more stable institutional mechanisms for the resolution of such issues but also strengthen the WTO's open, equitable, and non-discriminatory multilateral trading system.

Researchers and policy practitioners also suggest that the relationship between the TPP and the WTO should be considered parallel and complementary rather than competitive. Simon Lester, a trade policy analyst at the Cato Institute, a libertarian conservative think tank, maintains that the TPP cannot be a viable alternative to the WTO that has institutionalized an extensive set of rules and procedures on international commerce and domestic protectionism.

In a similar vein, Bernard Hokeman, a professor at the European University Institute and the World Bank's former head of international trade department, emphasises that the TPP will never replace the WTO agreement, especially in terms of promoting market access liberalisation and providing dispute resolution procedures for developing countries.

TPP signals dysfunction of WTO

Critics of the TPP mainly come from countries that are not part of the TPP and former WTO staff. They argue that the TPP is

maneuvered by the United States to achieve its geopolitical goals and signals the dysfunction and irrelevance of WTO. While the conclusion of TPP was faster than expected, the WTO's long and inconclusive Doha Round is basically declared dead.

Supachai Panitchpakdi, former Director-General of the WTO from 2002 to 2005, says that TPP is a U.S.-centric trade deal which brings the global trading system back to the old days before the WTO was established in 1995. He argues that the Regional Comprehensive Economic Partnership (RCEP) is a better option for Asian developing countries, as it includes major Asian economies like China and India.

Pessimists believe that the TPP symbolises the resurgence of the balance of power notion held by realists and undermines the multilateralism spirit embraced by neo-liberalists.

Another commonly held view is that the TPP is a US geopolitical strategy, by allying with Japan, to reinforce its 'pivot' in Asia and constrain or weaken China's increasing influence in Asia or even in the world. By leading the TPP without China's involvement, Washington is able to set the rules of the game in the trans-Pacific region, especially in opposition to the China-led Asian Infrastructure Investment Bank (AIIB).

However the TPP is a 'living agreement,' meaning that more parties are allowed to enter the agreement in the future. Some

U.S. allies in Asia, including South Korea, Taiwan, Thailand, and the Philippines, have already expressed their interest in joining the TPP. If the TPP is expanded and includes more Asian countries, China's dominant role in inter-regional trade may be further weakened.

Diversification of international trade institutions

Despite existing concerns over the geopolitical elements of the TPP and its consequences on developing countries, it is too early to tell whether the TPP marks the failure of the WTO and a real departure from multilateralism. Even China, which is considered to be one of the biggest losers in the TPP deal, reacted to the agreement cautiously and somewhat positively. China's Minister of Commerce Gao Hucheng said that Asia-Pacific regional trade agreements, including the TPP, can contribute to trade and investment liberalisation, regional integration, and global economic growth.

It should be noted that the TPP and the WTO focus on different issue areas. The WTO agreements set out legally binding rules for the reduction of tariffs and subsidies and provide dispute settlement mechanisms for developing countries. The TPP, on the other hand, although having the potential to go further than the WTO in terms of tariff reductions, focuses more on a broad range of trade and trade-related issues, including intellectual property rights, foreign direct investment,

government procurement, state-owned enterprises, labour and environment. Given that such issues tend to generate strong oppositions from domestic interests and add more complexity to trade talks, the recent TPP agreement signals that governments now might prefer to address the effects of those regulatory policies on trade through regional and preferential trade agreements rather than the WTO's multilateral trade framework involving 159 members. Despite the possible disjunction from the WTO, the conclusion of the TPP suggests that institutional settings for trade cooperation have begun to diversify under the WTO's ongoing commitment to multilateralism.

■
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Multilateralism in Retreat? - A Trade Perspective

Mr. Evan Rogerson, Director of Agriculture and Commodities Division, World Trade Organisation (WTO), delivered a lecture on "Multilateralism in Retreat? – A Trade Perspective" on 21 October 2015. He discussed the continuing relevance of multilateral governance and cooperation arrangements in the 21st century.

He explained that the Do-

ha Round of WTO negotiations has failed to make more progress in the past 15 years partly due to shifting power in the world economy. Perceived weaknesses of the multilateral trading system have led to many governments focusing on bilateral or plurilateral approaches. In recent times, a number of 'mega-regional' initiatives have

taken centre stage. While some believe that the mega-regionals will consolidate and extend beneficial integration among the parties involved, others believe that they may sharpen rivalry, embed exclusion and further fragment the world economy through the entrenchment of incompatible regulatory systems.

Mr. Rogerson posited that regionalism is not a perfect substitute for multilateralism as they cannot match the WTO's global reach as the bedrock for rules on trade. He highlighted the need to renew the vitality of the multilateral trading system, as this will help to strengthen the broader multilateral approach which is essential to resolving global issues such as climate change, international financial stability, international migration, health

pandemics, and water management. Overall, governments should revitalise the WTO's negotiating process so it can respond to such new challenges.

On the WTO specifically, Mr. Rogerson believed the institution still contributed positively to the global economy, particularly with its dispute settlement mechanism which helps enforce existing agreements. In addition, the WTO agreements helped to sustain open markets during the global economic crisis, where many countries would have been tempted to resort to protectionism in previous times. ■



Mr. Evan Rogerson with Dr. Ralf Emmers, Associate Dean, RSIS

ASEAN-US Progress: Seminar on a Rules-based ASEAN

A Seminar on A Rules-based ASEAN was held on 9-10 December 2015 at the Copthorne King's Hotel, Singapore. Jointly organised by USAID and S. Rajaratnam School of International Studies (RSIS), the seminar brought together policy-makers, public officers, scholars and thinkers to discuss and envisage a rules-based, people-oriented and cohesive ASEAN community.

On the first day, Session 1, led by Professor David Cohen from Stanford University, placed emphasis on the importance of the ASEAN Way and Rules-based ASEAN being in a symbiotic relationship. The next session facilitated by Adjunct Professor Kevin Tan, RSIS touched on the definitions of key

terms and concepts as stipulated in the ASEAN Charter to create a culture and substance of a Rules-based ASEAN. Associate Professor Alan Chong, RSIS, guided the discussions of Session 3 on the institutionalisation of an eco-system to support a Rules-based ASEAN. This session highlighted the need for national awareness and the expansion of legal infrastructures.

The second day of the seminar saw Assistant Professor Tan Hsien Li, National University of Singapore, leading discussions on the consolidation of a Rules-based ASEAN, highlighting the importance of better coordination and information-sharing across national



Ambassador Ong Keng Yong leading the discussion with participants.

departments on top of an effective monitoring mechanism. In Session 5, Dr. Termsak Chalermpanupap, Ms. Moe Thuzar, and Ms. Sanchita Basu-Das from the ASEAN Studies Centre, ISEAS Yusof Institute, Singapore,

facilitated an open discussion. The seminar was then concluded by Ambassador Ong Keng Yong, Executive Deputy Chairman of RSIS. ■

IPE Seminar Series: Good Governance in the ADB

Dr. Gambhir Bhatta, Technical Advisor for the Asian Development Bank (ADB), gave a talk on importance of good governance for a developing country on 20 November 2015, as part of the IPE seminar series. He shared his many experiences when he worked for the ADB in many developing countries across Asia.

The ADB as a development bank have the primary goal of reducing poverty and raising living standards. As Dr. Bhatta explained, good governance is critical to effective and inclusive economic development, and the ADB started its good governance policy in 1995. Poor governance is hugely costly to the local population as well as to the ADB. Much of the capital lent by the ADB is not

used on its intended purpose and it is not utilised as efficiently as it could be. Overall improvement in governance in Asia has been slower than the growth of the economy.

Dr. Bhatta explained how the ADB attempts to improve governance. There are three key areas which are targeted. Improving public financial management is one, as proper fiscal management with easily available records helps to improve transparency and the reliability of the government. The ADB also tries to strengthen procurement systems, as often there is collusion during the procurement stage leading to higher prices and inefficient allocation of resources. Finally, the ADB aims to tackle corruption, as systemic corruption results in the



Dr. Gambhir Bhatta at the seminar.

misuse of funds.

There are a few strategies which can be used to improve governance. Dr. Bhatta believed that empowering citizens by allowing them the right to information helps to raise the level of accountability, making corruption more difficult to go unnoticed. One way to improve the public's access to information is to increase the utilisation of e-governance, and expanding ICT to help speed

along the reformation of public administration. Also, to make up for the lack of representation and accountability in the government, development banks and agencies can engage to a greater degree with local civil society and community based organisations to make sure the local populations are heard during the decision making process. ■

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