
Introduction

With the Doha Round of multilateral trade negotiations at an impasse, the negotiation of the Trans-Pacific Partnership (TPP) now has taken center stage as the most significant trade initiative of the 21st century. With the recent addition of Canada and Mexico in mid-October 2012, the talks now involve 11 countries: Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. In addition, Japan has expressed interest in the TPP and is consulting bilaterally with TPP countries about its prospective inclusion, and South Korea is likely to do the same before the negotiations are concluded. Over time, the TPP is expected to evolve into a major integration arrangement covering most of the members of the Asia-Pacific Economic Cooperation (APEC) forum.

The TPP is a big deal in both economic and political terms. The TPP11 has a combined GDP of almost \$21 trillion and \$4.4 trillion in exports of goods and services (see table 1.1). Adding Japan and Korea would expand aggregate GDP to \$28 trillion, or 40 percent of world GDP, and would increase exports of goods and services to \$6 trillion, or about 27 percent of world exports. The value of the TPP, however, goes well beyond its impetus to trade and investment. The TPP serves as an instructive negotiating laboratory that could yield useful precedents for other trade initiatives. The TPP is a central pathway for economic integration in the APEC region and hopefully will also inspire new global trade talks. Perhaps even more important is its strategic value in reinforcing economic and political relationships among the Asia-Pacific countries.

Yet even though the TPP talks have been in progress for almost three years, the trade initiative is not well understood. The size and complexity of the prospective free trade agreement (FTA), covering a broad range of traditional and “21st century” trade issues, make it hard for even the cognoscenti to follow

Table 1.1 Trade indicators, 2011 (billions of US dollars)

Country	GDP	Goods		Services	
		Exports	Imports	Exports	Imports
TPP11					
Australia	1,488	270	244	51	60
Brunei	16	12	3	1	2
Canada	1,737	452	463	75	100
Chile	248	81	75	12	14
Malaysia	279	227	188	35	38
Mexico	1,155	350	361	15	25
New Zealand	162	38	37	10	11
Peru	174	46	38	5	6
Singapore	260	410	366	129	114
United States	15,094	1,480	2,266	581	395
Vietnam	123	97	107	9	12
Subtotal	20,736	3,462	4,147	923	777
Prospective countries					
Japan	5,869	823	855	142	166
Korea	1,116	555	524	94	98
Subtotal	6,985	1,378	1,379	236	264
Total (TPP11 + prospective countries)	27,721	4,840	5,526	1,159	1,041
<i>Memorandum</i>					
World	69,660	18,217	18,381	4,150	3,868
TPP11/world (percent)	30	19	23	23	21
Prospective countries/world (percent)	10	8	8	6	7
Total/world (percent)	40	27	30	28	27

Sources: IMF, *World Economic Outlook*, 2012, www.imf.org; WTO trade statistics, November 2012, www.wto.org.

the progress in the talks.¹ The high intensity of the TPP process also is to blame; as of December 2012, negotiators already have traversed 15 negotiating rounds since the talks began in March 2010.² But perhaps the main reason lies in the

1. Like most international negotiations, the working drafts are classified and usually not available for public review, though negotiating text sometimes finds its way into the pages of *Inside US Trade*.

2. At the time of writing, the TPP members had concluded only 14 rounds of negotiations. However, we refer to 15 rounds in this Policy Analysis since upon publication, TPP members will have completed the 15th round, held in New Zealand from December 3 to 12, 2012.

fact that the TPP is different from previous FTA initiatives because of both its comprehensive and forward-looking agenda and the dynamism of the negotiating process. Three points merit particular mention.

First, the scope of the projected trade liberalization and new disciplines on policies that affect trade and investment of goods and services goes well beyond what has been achieved in other trade pacts (including those signed by the United States). The TPP will cover 29 chapters that aim to substantially reduce barriers to trade as well as update and expand the trade rulebook. Second, the TPP is perhaps the only FTA negotiation in which the number of participating countries has increased *during the course of the talks*. While the expansion of the participants increases the economic footprint of the prospective deal, it complicates negotiations: Negotiators need to frequently recalibrate their “gives and gets” and adjust their offers accordingly to ensure domestic political support when the deal finally closes. Third, the TPP is regarded as an interim arrangement or stepping stone toward a broader, regionwide Free Trade Area of the Asia Pacific (FTAAP), possibly within a decade, as envisaged by APEC leaders in Bogor in November 1994 and reaffirmed more recently by them in their meeting in Honolulu in November 2011. TPP negotiators are not only thinking about new countries joining the ongoing talks but also planning and constructing the trade pact with a view toward future linkages with other APEC members, including and especially China.

This Policy Analysis provides a broad overview of the TPP. We first examine which countries are currently participating or likely to join before the negotiations end and the scope and coverage of the deal under construction. We then assess the current status of the talks, including the major substantive sticking points and the implications of adding new members in 2013. The final chapters look ahead to how the TPP could advance economic integration in the Asia-Pacific region and how China might participate later this decade.

