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## Moving from TPP to FTAAP

For the past six years, APEC leaders have been discussing the potential pathways toward the realization of the Bogor goal of free and open trade and investment in the Asia-Pacific region. The TPP has been one of the prominent options under review. The current TPP architects envision building an eventual FTAAP on the comprehensive foundations of the TPP accord, with other APEC countries joining the pact in coming years through an accession process similar to that provided in the WTO for new members. But other APEC members may be reluctant to follow this script, and other options for crafting the FTAAP are still under review. The pathway to the FTAAP is not yet paved.

The clarity of the accession clause and docking process is its main attraction. In the WTO context, candidate countries negotiate protocols of accession, which codify their acceptance of existing WTO obligations and set out the scope and depth of trade liberalization that will be bound in their national schedules. WTO accession negotiations usually take years to complete. For small countries, most of the time is spent on education and upgrading policies and administrative practices so that the country can implement and enforce the required obligations. For large countries like China and Russia, the talks spanned decades because of a mixture of competitiveness concerns and political considerations.

Acceding to the TPP could be more complex than WTO accession because the TPP generally calls for full trade liberalization (as contrasted to the partial reforms accepted in WTO protocols) and requires compliance with an expanded “WTO-plus” rulebook. These additional or WTO-plus requirements explain why accession clauses in FTAs have almost never been invoked: Adding new members affects the nature of competition in the preference area and the balance of concessions between signatory countries. Such knitting

does not work for simple economic and political reasons. On the economic side, expanding the geographic area of a free trade zone effectively dilutes remaining protection for domestic industries and is thus strongly resisted. On the political side, the rules of origin, different in each agreement, are meant to restrain competition and to provide side payments to domestic companies. National legislatures are loath to reduce such protection without additional compensation from trading partners.

That said, the TPP agreement will likely include an accession clause to enable other Asia-Pacific countries to join the agreement if they are willing to accept and enforce its obligations. However, the scope for expanding membership in the TPP, once concluded, via an accession clause is likely to be very limited. While some countries might be willing to adhere to the existing pact, and might be accepted without the need to revise or augment the terms of trade, such basic “docking” onto the TPP would be very unlikely for large economies like China or Indonesia, whose entry would probably require a renegotiation of key parts of the deal with existing members.

More likely, the pathway to an FTAAP will follow a hybrid approach that links elements of the TPP and intra-Asian approaches to trade integration. These include the ASEAN group of developing Asian countries, which have a free trade area among the 10 members.<sup>1</sup> ASEAN members have concluded FTAs with Australia, China, India, Japan, Korea, and New Zealand. ASEAN is also working toward a regional trade deal with Australia, China, India, Japan, Korea, and New Zealand, referred to as the ASEAN+6 or Regional Comprehensive Economic Partnership (RCEP). Countries involved in both integration “tracks” could become key architects of a broader Asia-Pacific trade pact that bridges the intra-Asian and TPP-style disciplines. While the intra-Asian and TPP strategies share the same vision for regionwide integration, they differ starkly in terms of quality of the agreement. Intra-Asian pacts tend to focus on dismantling barriers to merchandise trade through gradual liberalization of tariffs. The TPP on the other hand seeks to establish a comprehensive new set of trade rules and commitments to broad-based trade liberalization. The high bar set by the TPP will therefore complicate the task of integrating the two pathways.

That said, recent developments in Northeast Asia bear watching. Korea and China launched FTA negotiations in May 2012, which could well produce a deal in the large middle zone between the two sharply distinctive integration paths of the Asia-Pacific region. A parallel, though less well defined, trilateral FTA effort between China, Japan, and Korea is also supposed to begin before the end of 2012.

A Korea-China accord will probably take several years to construct and entail obligations far less comprehensive than the KORUS FTA. Even so, Korean officials assume that Chinese commitments will cover a broader range

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1. ASEAN members are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

of trade and investment in goods and services than previous Chinese pacts with ASEAN, Chile, and New Zealand. For example, they point to the trilateral China-Japan-Korea (CJK) investment pact signed in May 2012 as evidence of Chinese willingness to commit in incremental steps to substantive economic reforms in regional trade pacts—even though the CJK investment pact offers a “softer” alternative to the “hard” law provisions on investment under consideration in the TPP. If Korea and Japan join the TPP in the near term in addition to their new ventures with China, those Northeast Asian countries and their economic accords could become important drivers of both intra-Asian (ASEAN Economic Community and the nascent RCEP) and Asia-Pacific arrangements.

The FTAAP can serve as an umbrella with reciprocal obligations applying to all TPP and Asian track countries, with the TPP encompassing more stringent reciprocal obligations for those countries prepared to undertake them.

