

TRADE seeks to advance inclusive growth by improving the Philippines' global standing in the international economy through higher levels of trade and foreign direct investment. It also works to ensure that national trade regimes conform to international standards.

What is the TPP?

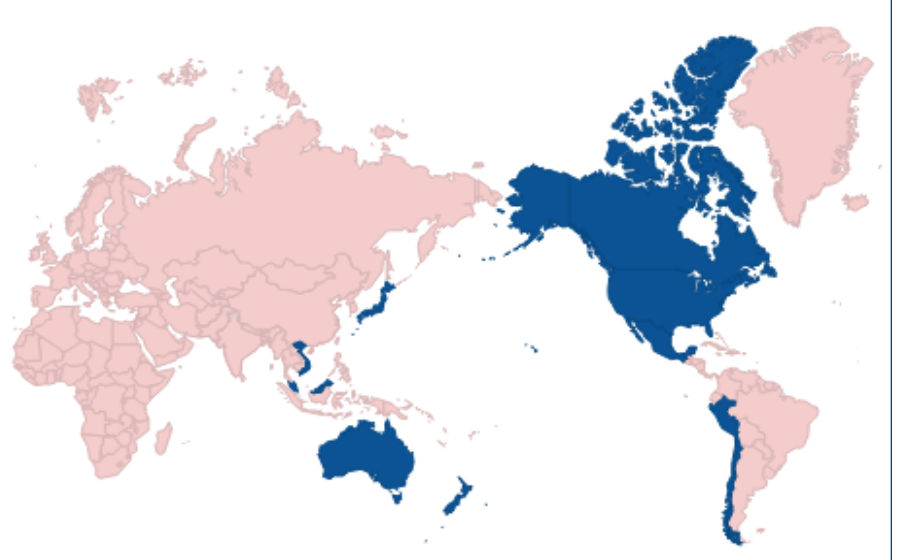
The Trans-Pacific Partnership Agreement (TPP) is a trade agreement currently being negotiated between Australia, Brunei Darussalam, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. It will account for roughly 40% of global gross domestic product and a third of world trade. The comprehensive plan covers, among other areas, government procurement, intellectual property, electronic commerce, labor protections, food safety, animal and plant health, competition policy and state-owned enterprises. Membership is by invitation only.

TPP Updates

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Recent developments on the Trans-Pacific Partnership gathered from third party sources as indicated in the provided hyperlinks.



International news:

2

An official of an agricultural group in the US calls market access in Japan the "lynchpin issue" holding up the TPP.

3

A new study shows that failure to close a deal will be a huge setback for the US and Latin America.

4

TPP BRIEFS: After Ottawa, members are committed to driving negotiations forward; IP disagreements now down to "a dozen" issues; China and the US both will gain from a stronger trade relationship; exemptions are another "hot issue" in talks.

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Study shows huge gains for PH in TPP

A study released in July has found that, with TPP membership, the Philippines will see exports increase by \$300 million in 2015, rising to \$3 billion over a nine-year period or by 2024. The study, "[Cost and Benefit Analysis of Possible Philippine Participation in the Trans-Pacific Partnership Agreement](#)," was conducted by Cesar Cororaton and David Orden of the Global Issues Initiative (GII)/Institute for Society, Culture and Environment (ISCE) at the Virginia Polytechnic Institute and State University. Cororaton and Orden used a global computable general equilibrium (CGE) model to simulate the possible effects in the Philippines of TPP and non-TPP membership.

The study identified sectors that would be most favorably affected with the reduction of trade barriers in a TPP that includes the Philippines. Production in the textile and wearing apparel sector increases to 14.3% in 2024. Other sectors facing the most gains are services, petroleum products, utilities and chemicals. Aside from the increase in exports, the study showed a sustained improvement in wages and returns to capital over the same nine-year period.

(continued on p. 4)

US-Japan market access still the “elusive” piece

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Quick Fact:

Japan is currently the US's 4th largest goods trading partner with \$204 billion in total (two ways) goods trade during 2013.

Source:

<http://www.ustr.gov/countries-regions/japan-korea-apec/japan>

TPP negotiators may have begun settling on compromises at the Ottawa talks, but the issue of US-Japan market access remains the “elusive” but critical piece for a successful conclusion of the talks, according to unnamed sources quoted by [World Trade Online](#), a web-based news service providing daily updates and exclusive reports, as well as a database of over 100,000 trade-related documents such as policy papers, WTO decisions and legislation.

The US and Japan are the two biggest economies in the TPP, and conclusion of talks for the entire trade pact has been hindered by disagreements between the two over issues such as Japan’s elimination of tariffs for rice, wheat, beef and pork, dairy products, and sugar – products the country deems “sensitive” – and the phasing out of US tariffs on automobile imports. The two have not been able to conclude their talks on market access; neither have they given the other 10 TPP members “a sense of what concessions, if any,” have been agreed upon, the same sources say.

Japan in the meantime has also been holding bilateral talks on market access with the other 10 TPP countries, but has not “significantly backed off” its demand for tariff eliminations on the five agricultural products. “Market access in Japan is the lynchpin issue that is holding up the entire negotiation,” according to the Vice President of the National Pork Producers Council, Mr. Nick Giordano.

Meanwhile, [NHK World](#) reports Deputy US Trade Representative Wendy Cutler as saying that the US aims to conclude talks with Japan as soon as possible. Ms. Cutler, speaking in Washington, has described the “most difficult issues” as being in “the final stages,” and expressed confidence that both the US and Japan are committed to reaching an agreement.

The same article reported that US and Japanese negotiators made progress in “working-level talks” on beef and pork tariffs, and that among the topics discussed was the question of implementing safeguards that would allow Japan to “raise tariffs temporarily if imports surge.” Meetings between the two countries’ representatives are scheduled to resume in Washington in August.

Miami Herald cites a study that says failure of a TPP agreement would be “a serious geopolitical and commercial setback” for the US and Latin America. The new report by Peter Rashish, *Bridging the Pacific: The Americas’ New Frontier?* was launched on 23 July. It examines, according to the [Washington International Trade Association](#), the expanding trade relations between the US, Latin America and the Asia-Pacific region by focusing on the TPP’s impact on the current “core group” of TPP members.

While only three Latin American countries – Chile, Peru and Mexico – are members of the TPP, the region has been “at the forefront of trade liberalization” in recent years. Next to the US, Asia is now LatAm’s largest trading partner. Most of its exports to Asia are commodities but, according to the study, liberal investment and services provisions under the TPP would help the

No TPP a setback for US, Latin America

region “diversify... to include more manufactured goods as well as finance and telecommunications.” Failure to reach a TPP agreement would have a “particularly acute” impact on Latin America since “the region has ‘no plan B of this magnitude’.”

Rashish’s study adds that “beyond trade and investment” the trading agreement has “important security implications...in the face of a rising China,” but states that ultimately, China should be invited to join the TPP. Deputy US Trade Representative Wendy Cutler, at the report’s launch, said that the current top priority is still “concluding negotiations among existing members.”

TPP Briefs

November target pushed

The July TPP talks held in Ottawa resolved many “technical issues,” while “steer[ing] clear of contentious political ones,” [Inside US Trade](#) reports, and TPP countries have signified their intention to drive negotiations forward with additional sessions such as another meeting in September between chief negotiators, followed by ministerial talks in October. US President Barack Obama has been previously said to be eyeing a November conclusion to the negotiations, in time for a number of meetings involving TPP leaders. These are the APEC summit in China, the East Asia Summit in Myanmar, and the G20 leaders’ summit in Australia, all scheduled for that month.

The report cited sources as saying progress was made in areas such as Sanitary and Phytosanitary Standards (SPS), where negotiators have managed to narrow their differences on how to handle disputes. Other chapters that saw headway are rules of origin and cross-border trade in services, following the submission by Australia of compromise texts during the informal TPP talks last May.

IP disagreement on pharmaceuticals remain

US Trade Representative Michael Froman has been quoted by [Inside US Trade](#) as saying that, from “125 open issues” in the chapter dealing with Intellectual Property (IP), there now are only “a dozen” where differences still remain. Mr. Froman at the same time stressed that IP is still “one of the most difficult topics in the negotiations.”

A key contentious issue in IP involves protection for pharmaceuticals. The US has proposed applying two different levels of IP protection, i.e., a lower standard for low-income countries, and a higher one for high-income countries, in line with a past agreement between the George W. Bush administration and US House Democrats that aimed to ensure access to affordable medicines in developing countries. The proposal has however faced opposition from some TPP countries like Chile, which is claiming the status of a “developing country more closely on par with Mexico,”

(continued on p. 4)

STUDY SHOWS

(from p. 1)

At the same time, Cororaton and Ogden conclude that, without TPP membership, the Philippines will see trade diverted to other countries, with the country's largest export destinations US and Japan looking instead to import goods from fellow TPP members. Most vulnerable industries are textile and wearing apparel, petroleum products,

construction, services and equipment manufacturers. The study predicts increasing welfare costs of US\$0.4 billion in 2015, rising to US\$3.9 billion in 2024 because of trade diversion.

Another recent study on the TPP by the Dean of the UP School of Economics, Dr. Ramon Clarete, has concluded that with TPP membership, Philippine exports would increase by 42% and the country's GDP by 59%.

TPP Briefs

(from p. 3)

despite its falling above the proposed income threshold. As an alternative, TPP negotiators have discussed having a single IP standard for all members with a phase-in period for low-income countries.

Stronger China-US trade carries mutual benefits

A [Wall Street Journal](#) opinion piece says mutual economic benefits are in store for the US and China if current talks on a bilateral investment treaty (BIT) succeed. It also hints that a successful BIT could possibly pave the way for China's application for TPP membership.

Following China's accession to the WTO in 2001, its total foreign direct investments (FDI) in the US grew from "virtually zero to roughly \$17 billion in 2012." Likewise, total US FDI in China stood at about \$70 billion in 2012. Successful negotiation of the BIT would further ensure that the two countries provide investors on both sides the "ability to buy, sell and maintain ownership and control of investments without discrimination on the basis of national origin," as well as limit investment barriers on intellectual property, technology transfer, and the treatment of state-owned enterprises.

The article says there still remain certain issues that will be tough to negotiate. These include identifying sectors to be included in the

countries' negative list, along with the structure of dispute settlement mechanisms.

NCMs another 'hot issue'

Aside from market access and intellectual property, another emerging point of dispute in the TPP talks are the exceptions – also known as "non-conforming measures" (NCMs) – being sought by some members. This is according to [Inside US Trade](#), which reports that services and investment, and state-owned enterprises (SOEs) are areas where some negotiators are asking to be exempt from certain obligations.

NCMs are negotiated by each country proposing a "negative list," or a list of sectors it wishes to exclude from commitments. The article cites unnamed sources as indicating that Vietnam, Malaysia and Japan propose an NCM to "exempt all new services that are developed in the future" from complying with TPP rules, and that such a proposal undermines the purpose of a negative list as it would require a reopening of the TPP for future negotiations on these new sectors. Malaysia and Vietnam are also said to be seeking NCMs on the financial services sector.

Negotiations on state-owned enterprises (SOEs) are also likely to be affected because, as one observer noted, none of the TPP members would want to be "trapped" in how they might use SOEs in the future.