

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.

International news:

2

US and Japan are planning a ministerial in September to further thresh out remaining disagreements over market access.

3

The Hanoi talks are likely to focus on issues such as state-owned enterprises (SOEs) and intellectual property (IP) protections for drugs.

3

TPP BRIEFS: South Korea is settling key issues that are "determining factors" in possible TPP membership; Australia and Malaysia trade ministers reiterate support for TPP conclusion.

The TRADE Project

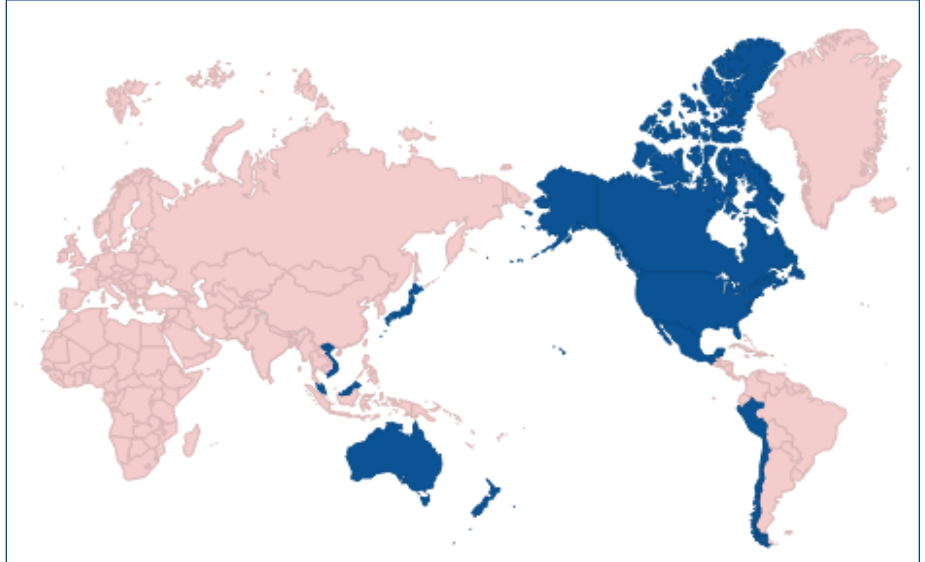
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TPP Updates

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



Moves to liberalize “positive signs” for PH membership

Trade Undersecretary Adrian S. Cristobal Jr. has said government is taking steps to show that the Philippines is “opening up the economy,” thus bringing the country closer to joining agreements such as the TPP, as well as other trade pacts with the European Union. This was reported on 25 August by the [Philippine Daily Inquirer](#) in an article saying the TPP is considered the Philippines’ “only chance to have a trade agreement” with the US. Undersecretary Cristobal cited recent moves to liberalize the local economy, such as the liberalization of the Philippine banking sector; plans to amend the Foreign Investment Negative List (FINL), and proposals to ease restrictions on foreign investors in the country’s retail business as “positive signs” that would further Philippine membership in the TPP.

Currently the country’s plan to participate in the trade agreement has been “received favorably by most of the 12” TPP member-countries, Cristobal said, and the Philippines will continue conducting technical consultations while waiting if negotiators will open up a second round to include countries still wanting to accede to the trade pact. So far, the Philippines has held

(continued on p. 4)

US, Japan may hold ministerial meeting in September



Image source: Photo.com

Quick Glance:

Japan's objectives in joining the TPP

- A desire to promote Japanese growth and prevent the hollowing out of Japan.
- A feeling that Japan is being left behind in negotiating FTAs.
- A desire to help shape the rules of economic activity in the Asia-Pacific and beyond.
- A belief that entering the TPP will help promote economic reforms inside Japan.
- A hope that entering the TPP will help Japan's strategic situation in Asia.

Source: [Japan Joins the Trans-Pacific Partnership: What Are the Implications? \(US Congressional Research Service, August 2013\)](#).

Japan and US officials could possibly hold a ministerial meeting in September in an effort to move closer to settling contentious TPP issues. Japan's Minister of State for Economic and Fiscal Policy, Akira Amari, and US Trade Representative Michael Froman are expected to hold talks following the failure between the two countries, reported by the [Japan Times](#) early August, to "make significant progress" on opening the Japanese automobile sector.

The earlier talks had been attended by Acting Deputy US Trade Representative Wendy Cutler and Mr. Takeo Mori, Japan's ambassador in charge of economic diplomacy, who told reporters no major progress was made "though our mutual understanding advanced as a whole." The talks were meant to bridge disagreements following Washington's urging of Tokyo to ease restrictions – particularly nontariff measures like regulatory standards – that have prevented US automakers from penetrating the Japanese market. It has also been widely reported that another long-standing point of dispute between Japan and the US in the TPP negotiations is the elimination of Japanese tariffs on key agricultural products such as rice, wheat, sugar, beef, pork and dairy.

Meanwhile, a University of New South Wales professor has written a brief analysis of some reasons why the US is struggling in the TPP negotiations against Japan. Aurelia George Mulgan, in an article for the [East Asia Forum](#), cites for instance how the US no longer considers Japan an industrial rival the way it did in the 1980s, and hence the idea that Japanese 'government and industries are one' no longer influences American negotiators.

Mulgan states that historically, outside pressure (or *gaiatsu*) from the US had been effective in opening up Japanese markets, but the establishment of the WTO strengthened Japan's bargaining power while weakening US pressure on Japan in trade-related issues. Previous pro-reform elements in the Japanese government had used *gaiatsu* to counter anti-reformists, but today *gaiatsu* itself is seen as a weak argument that implies the Japanese government lacks "both the will and the means to reform itself on its own."

Hanoi talks to tackle SOEs, IP protection for drugs

Inside US Trade reports that the informal round of talks in Hanoi scheduled early September will likely focus on issues such as state-owned enterprises (SOEs) and intellectual property (IP) protections for drugs. The Hanoi talks are designed to deal with "technical" work, with chief negotiators further defining options for resolving points still at dispute. According to the article, however, final decisions will however be later "left up to ministers."

SOEs have posed a particular challenge in the negotiations because they are seen by trade reform advocates as restricting free trade and the flow of foreign investments. Some TPP members are seeking a more level playing field between private firms and SOEs, while others like Vietnam, where SOEs dominate the economy, have been more reluctant. But the article, citing unnamed sources, states that parties have come "close to agreement" on how to define which entities will be covered, and are currently focusing on "country-specific exceptions."

Meanwhile, a second *Inside US Trade* report states it has obtained a leaked, TPP negotiating document showing remaining disagreements over intellectual property protection for pharmaceuticals. The two-page document

reportedly signifies that TPP countries have agreed with a US proposal for a two-tiered standard of drug IP protection, which means the higher standard would apply immediately to more developed members while a lower "temporary" standard would apply to less-developed TPP countries. But the paper also shows members are "still at odds" over specific obligations, as well as the mechanism for less-developed members to eventually transition to higher standards.

Still to be settled as well is the issue of exclusivity periods for clinical trial data. The US proposes a data exclusivity period of 12 years for biologics, i.e., drugs developed from living tissue, in line with current US law, to allow drug firms to recover investments and continue research on new cures. Other groups, however, worry this would restrict access to generic drugs for millions of poor people.

The negotiating groups to meet in Hanoi will also discuss market access for goods, services and investment, "but not government procurement." The Chilean chief negotiator, Felipe Lopeandia, has said the round of talks seeks to thresh out as well final issues on sanitary and phytosanitary measures, labor rights technical barriers to trade.

TPP Briefs

South Korea resolving issues crucial to TPP membership

South Korea is taking steps to settle key bilateral points of dispute on trade with the US that will be "determining factors" in the country's possible membership in the TPP, according to *Inside US Trade*. The report comes months after Acting Deputy US Trade Representative Wendy Cutler stated that Korea's "willingness to resolve" these issues would "affect US support" for any possible bid later on Korea's part to join the trade pact.

Quoting "official and private-sector sources," the article cites as one example the South Korean government's issuance, through its Customs Service, of "positive origin determinations" for some U.S. exports that previously would have been disqualified from preferential tariff treatment laid out under the KORUS, the free trade agreement between the two countries. Additionally, Korea has established a legal framework consistent with the KORUS on cross-border data transfer for financial institutions. Seoul has so far only declared its interest in joining the TPP, without yet formally seeking entry. For its

(continued on p. 4)

MOVES TO LIBERALIZE

(from p. 1)

consultations with Malaysia, the US, Australia and New Zealand. Similar consultations with Japan and Canada are being planned.

The consultations give the Philippines “a better idea of the challenges and possible hurdles,” the Undersecretary said. “For instance, it gives us an idea on what’s being debated upon when it comes to intellectual property rights (IPR), government procurement or investor protection.” He added that consultations enable the Philippines to “do its research” before making a final decision to join, and are helpful in identifying “issues that we can manage” plus those that need to be studied carefully under existing laws in case “some amendments will be needed.” Undersecretary Cristobal said they hoped to have a clearer idea by year’s end of whether or not “the Philippines will or can join the TPP.”

Meanwhile, [Business Mirror](#) reports that a paper released by the Asian Development Bank Institute is urging the creation of a single Asia-wide trade agreement that would see the convergence of both the TPP and the Regional Comprehensive

Economic Partnership (RCEP), another proposed FTA between the ten ASEAN members plus Australia, China, India, Japan, Korea and New Zealand.

The paper, “[Trade Policy and Growth in Asia](#),” was written by University of Tokyo economist Masahiro Kawai and ADBI Director of Research Ganeshan Wignaraja, and examines the changing relationship between trade policy, production networks and economic growth in Asia. It says the two FTAs are not “mutually exclusive” but “complementary,” and that “a harmonious Asia and the Pacific” would likely consider a convergence of the two for “a win-win solution for the Asia and Pacific community.” The paper states that “Asia’s evolving trade policy architecture is likely to be increasingly anchored on FTAs for the foreseeable future,” and so one pragmatic response at the national and regional levels to these Asian FTAs may be to facilitate “a region-wide agreement in Asia” with “sub-sequencing and support for development gaps” among all the trade agreements’ members.

TPP Briefs

(from p. 3)

part, the US continues to state that it would like to conclude the TPP with the current 12 countries prior to considering any other potential members.

AU, Malaysia ministers say advancing TPP “important”

In a [joint statement](#) released following bilateral talks held in Melbourne in August, Malaysia’s International Trade and Industry Minister Mustapa Mohamed and Australia’s Trade and Investment Minister Andrew Robb announced an agreement to continue the liberalization of services and diversification of investments between their two countries. They further agreed on the importance of concluding the TPP, which they expect would strengthen their trade and investment relationship. Both officials noted the strong

growth in bilateral trade and investment over the last three years. Currently, Malaysia is Australia’s ninth-largest trading partner, while Australia ranks third as an investment destination for Malaysia. Since 2013, when the Malaysian-Australia Free Trade Agreement (MAFTA) came into force, technical cooperation between the two countries in many sectors, including automotive, tourism, and e-commerce, has grown. They have developed cooperation programs in the automotive sector, and identified other fields of possible cooperation such as auto component manufacturing, research and development, health and aged care, and green technology and agribusiness.

The ministers said they would also work together on concluding the Regional Comprehensive Economic Partnership (RCEP) between all of ASEAN and Australia, China, India, Japan, Korea and New Zealand.