

Trans-Pacific Partnership – A potential driver for world trade

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Japanese Prime Minister Noda announced at the recent APEC Summit that Japan was going to join the TPP negotiations. The US has used TPP as the key plank of their Asia Pacific strategy. However, there have been a number of reports that suggest that TPP is America's new vehicle to direct the region and could be perceived as a threat to China, the region's largest economy.

As we face uncertainties in the global economy, TPP has great potential to drive regional trade. It will draw the two rims of the Pacific together. As the Doha round has not concluded, countries still need to find new avenues for economic growth. While there are short-term measures to mitigate the effects of the Eurozone crises, countries still need growth. In recent years, we have seen a proliferation of bilateral free trade agreements in the region. These are used to shore up vital relations with key trading partners. TPP can also be interpreted as a multilateral effort to shore up trading ties.

Japan's intent to participate is part of their reconstruction effort following the disaster in March. As Japan has a strong agricultural lobby, there is political risk in joining TPP as the votes from the agriculture sector and other national industries are substantial. Nevertheless, as the third largest economic power, Japan recognises that it has an obligation beyond domestic political concerns.

As early as 2002, Chile, New Zealand and Singapore began talks on the TPP. Brunei joined officially in 2005. Nearly a decade later, the US hosting of the APEC Summit created an opportunity for the TPP to be profiled. Apart from economic considerations, President Obama is standing for re-election next year. The US economy is still in doldrums with high unemployment. The US administration needs to assure its citizens that they are working to create new economic opportunities. The support for TPP is also part of the campaign strategy for 2012.

The strength of the TPP is that it can be inclusive and it now includes Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, US and Vietnam. If China, the second largest economy in the world considers participating, it would increase TPP's viability. Other interested countries are Canada, Japan and South Korea. If these countries become party to TPP, it would become a significant grouping. Nevertheless, its inclusiveness can also be its Achilles' heel as the needs of the members are diverse. Inevitably, it may protract the negotiations and TPP would not be able to provide short-term gains. Still, TPP is symbolic because it means the participating Asia Pacific countries are working together to make the region more dynamic, this would also reduce the potential for armed conflict.

Some analysts have portrayed certain regional groupings as either pro-US or pro-China, in a binarist manner. However, if we were to take the perspective from what will really benefit the people, freer trade and low barriers to the exchange of goods will allow the people make their own living, and contribute to the growth of their countries. Free trade cannot be divorced from politics, but we can reduce the politicisation of trade.

In the search of new strategies to revive the global economy, one way to increase economic growth is to diversify risks, use different approaches, so that when the time is right, we can easily shift gears and move forward. For the Asia Pacific, TPP is one such strategy.

This article is translated from the original in Chinese by the author, Associate Director at IPS.