

Republic can 'enhance trade link status without TPP, but protectionism casts a cloud'

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SINGAPORE — Far from being a significant blow to the Singapore economy, the near-certain demise of the Trans-Pacific Partnership (TPP) — at least in its current form — could, in fact, see the Republic enhance its status as a trade link between the United States and Asia, if all goes well. What Singapore would have to watch out for are the ramifications from protectionist politics, which, if widespread, can be harmful for the trade-dependent economy in the long run, trade experts whom TODAY spoke to said yesterday.

In a short video message on Tuesday, American President-elect Donald Trump announced his intention to withdraw the US from the TPP on his first day in office.

The trade deal, which took five years of negotiations before entering a two-year ratification period in February this year, needs the go-ahead from at least six countries that account for 85 per cent of the combined gross domestic product (GDP) of the 12 member nations to be implemented. Given their size, both the US and Japan would need to ratify the deal.

The TPP, with the potential to lower both tariff and non-tariff barriers, was seen as a fillip amid the current lacklustre economic climate.

But Mr Manu Bhaskaran, chief executive of Centennial Asia Adviser, pointed out: “The TPP is not yet in force so there is no real impact on trade or the economy. It is more a case of lost opportunities.”

Mr Bhaskaran, who is also an adjunct senior research fellow at the Institute of Policy Studies, added: “The TPP offered significant benefits to Singapore because of the high-quality nature of the agreement and the access it offered to 40 per cent of world GDP, so we won't have those upsides.”

Other analysts noted that Singapore has existing Free Trade Agreements (FTAs) with almost all countries involved in the TPP negotiations, which the Republic can fall back on.

“Singapore already has FTAs signed with most TPP members, except Canada and Mexico ... Canada has been very positive about trade, and the new President has strong popularity at home, so it won't be too difficult to formulate a deal with Singapore. Mexico would be more challenging, but Singapore has other trade talks going on,” said Mr Shivaji Das, partner and global head for public sector and government practice at Frost & Sullivan Asia-Pacific.

Prior to Mr Trump's latest remarks on the TPP, Japan's Prime Minister Shinzo Abe had said that the pact is “meaningless without the US”, while Prime Minister Lee Hsien Loong and other world leaders had noted that renegotiating the TPP would be a difficult undertaking.

Nevertheless, Mr Das felt that even with Mr Trump's comments, “it is not a given that TPP is dead”.

“I think it will still exist in a different shape, and the US may still be part of it in some form or another,” he said. Analysts said that, at this point, a TPP without the US on board is worth a shot given the uniqueness of the deal not only from a trade standpoint, but also in setting the standards for areas including labour, intellectual property rights and the environment.

“The TPP was unique. So there is no replacement available ... Our hope must be that we can salvage something out of the TPP process somehow,” said Mr Bhaskaran.

The withdrawal of the US from the pact could also lead to other bilateral or multilateral agreements getting greater traction, such as the China-led Regional Comprehensive Economic Partnership (RCEP), noted Ms Angelia Chew, Asia-Pacific trade and customs leader at KPMG in Singapore.

Agreeing, SIM University senior lecturer Lim Tai Wei added that the RCEP — which accounts for 25 per cent of global trade and 30 per cent of the world’s GDP — is a “wide enough” agreement that can lead to the long-term goal of linking up the 21 Pacific Rim member economies under the Free Trade Area of the Asia-Pacific.

Being outside the RCEP and a “TPP without the US”, American companies may find it necessary to move more of their operations to Asia, and Singapore can benefit from this as it is an attractive location for US companies to base their central services or investment teams for the region, said Mr Frank Debets, managing partner of PwC’s Asian Worldtrade Management Services practice.

The reverse can also work, noted CIMB Private Banking economist Song Seng Wun, who said that regional neighbours that do not have existing trade deals with the US, such as Vietnam, may use Singapore as a platform to gain access to the American market.

Despite the potential silver lining, analysts said Singapore must watch out for an increasingly protectionist US, which can hurt global trade. Singapore — whose economy is dependent on external trade, given its small domestic market — is bound to suffer should such an approach becomes widespread.

“If US were to move towards protectionism, it will be a severe blow to global trade, and will add on to further uncertainty and challenges to trade-dependent Singapore,” said SIM Global Education’s senior lecturer Tan Khay Boon.