

Edging closer to a TPP-11 agreement

Following negotiations on the sidelines of the Asia-Pacific Economic Cooperation (APEC) 2017 Economic Leaders' Week held in Vietnam on 6–11 November, the trade ministers of the remaining 11 signatories to the Trans-Pacific Partnership (one fewer, after the USA withdrew) agreed on the core elements of its revised version – the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP). The revised agreement is expected to be signed by spring 2018 and to come into effect by 2019.

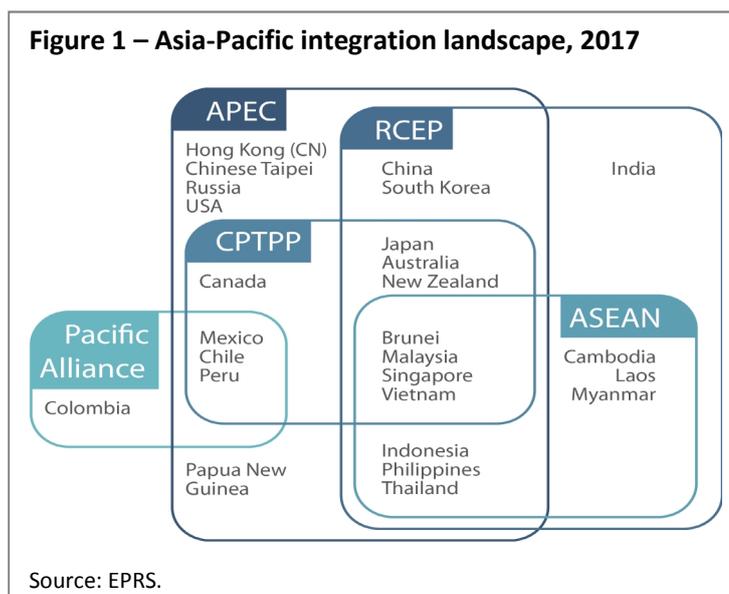
Background

The Trans-Pacific Partnership (TPP) – a trade agreement originally including 12 Pacific Rim countries – was signed in February 2016 after years of negotiations. Japan and New Zealand were the only two signatories to have ratified it in January and May 2017, respectively. Had it remained in its original form, the TPP would have accounted for roughly a quarter of global trade and approximately 40 % of global GDP. Moreover, it was a crucial element of former US President Barack Obama's '[pivot to Asia](#)' policy, serving economic as well as strategic objectives. However, one of the first executive orders President Donald Trump signed upon his inauguration was to [pull](#) the USA out of the agreement in January 2017, arguing that it would be a 'job-killer'.

Efforts to move forward

In March 2017, at their [first meeting](#) following the USA's withdrawal, representatives of the remaining 11 TPP countries reached a consensus regarding the need to pursue free trade and regional economic integration. However, at that point there was no clarity as to how the objective of securing the TPP's future could best be achieved. In May 2017, at their meeting in Hanoi, the TPP-11 trade ministers [agreed](#) to go forward with the TPP despite the USA's departure. Several further meetings of senior officials have since taken place. Countries have also been asked to submit a detailed list of requests for review to help identify what provisions should be suspended. According to [media sources](#), around 70 requests concerning areas such as intellectual property rights (IPR) have been submitted. Months later, the list was shortened considerably. During the [latest round](#) of talks in early November, the heads of the negotiating teams stated their shared wish to achieve a significant outcome during the APEC Economic Leaders' Week in Vietnam.

Figure 1 – Asia-Pacific integration landscape, 2017



Sticking points

Japan, the largest economy among the remaining 11 TPP signatories, has been one of the most active lobbyists for the agreement. Canada, for its part, has been advocating for a [more 'progressive'](#) agreement especially in the areas of environment, workers' rights and gender equality. It has also been pushing for changes to the original TPP [agreement](#) with respect to issues such as IPR and cultural policy. [Mexico](#), which together with Canada is in the middle of North American Free Trade Agreement (NAFTA) renegotiations with the USA, has



supported efforts to reach a TPP deal swiftly. New Zealand, together with Japan and Australia, has been part of the driving force to save the agreement. However, after a new government took office in October, New Zealand has expressed reservations about [certain TPP provisions](#), such as those enabling foreigners to purchase homes in its territory and those on investor-state dispute settlement (ISDS) that would put TPP countries at risk of being sued by foreign investors. In the meantime, a [ban](#) on such purchases has recently been announced in New Zealand; concerning the ISDS provisions, the possibility of [side letters](#) to the agreement dealing with this issue has been suggested. Other countries, such as [Vietnam and Malaysia](#), have been less inclined to accept the environmental and labour standards included in the original TPP, as they had lost preferential access to the US market, which represented almost two thirds of the TPP's market share. Vietnam has also reportedly suggested changes to the [IPR provisions](#). Malaysia's trade minister has [declared](#) that a trade agreement downsized to 11 countries 'cannot be the one that was agreed in Auckland in February 2016'.

Latest developments in other trade initiatives in the region

The Regional Comprehensive Economic Partnership ([RCEP](#)), currently under negotiation, is yet another comprehensive regional trade agreement, though its scope is narrower and level of ambition lower than that of the TPP. Seven TPP signatories participate in the RCEP negotiations. It is no longer likely that an agreement can be reached before end-2017, mainly due to [disagreements](#) over the degree of market openness in each country. In October 2017, the Pacific Alliance ([PA](#)), including Chile, Colombia, Mexico and Peru, held a [first round of talks](#) with Australia, Canada, New Zealand and Singapore, with the aim of admitting them as associate members.

Reaching a preliminary agreement

Representatives of the remaining 11 TPP signatories met and held negotiations on the fringe of the annual APEC summit in Vietnam. According to [Japanese media reports](#), the 11 trade ministers reached an agreement in principle on 9 November. However, shortly afterwards Canada's trade minister [denied](#) reports of a breakthrough. More confusion ensued when, after the ministers had reached an agreement, objections raised by one country (understood to be [Vietnam](#)) cast doubt over the agreed deal. Although this latter issue seemed to have been resolved, during their meeting on 10 November the 11 countries' leaders could not officially endorse the agreement that had been reached, because Canadian Prime Minister Justin Trudeau did not attend the meeting. His absence was later [attributed](#) by his trade minister to 'a misunderstanding about the schedule', and Canadian [government officials](#) rejected suggestions that Canada was solely responsible for the missed opportunity to sign the agreement. An agreement on the core elements was finally achieved at ministerial level on 11 November. According to [media reports](#), the aim is for the document to be signed by spring 2018, and for the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) to come into effect by 2019.

Content of the CPTPP

According to its [outline](#), the CPTPP will [incorporate](#) the provisions of the original TPP, with the exception of some technical ones. [Twenty original provisions](#) will be suspended. The majority of these provisions, for instance, those dealing with the duration of data protection for new biotech medicines and with the extension of terms for copyright protection, are IPR-related. [Others](#) relate to issues such as the scope of ISDS provisions. The [joint statement](#) released by the 11 trade ministers also mentioned that further discussions were needed on four specific items prior to signing. These include state-owned enterprises; non-conforming measures on services and investment; dispute settlement; and cultural exemption. These issues are of relevance for Malaysia, Brunei, Vietnam and Canada, respectively. The joint statement noted that 'the CPTPP maintains the high standards, overall balance, and integrity of the TPP while ensuring the commercial and other interests of all participants and preserving our inherent right to regulate'. It also declared that, unless the relevant parties decide otherwise, all TPP side letters will be maintained in principle. The CPTPP will come into force 60 days after it is ratified by at least six of the 11 parties. The suspended clauses of the TPP could be [re-established](#), should the USA decide later to rejoin.

On 8 November 2017, the European Parliament's Committee on International Trade (INTA) held a [workshop](#) on the implications of the USA's withdrawal from the TPP for trade in the Pacific. Three studies linked to the workshop will be published shortly.