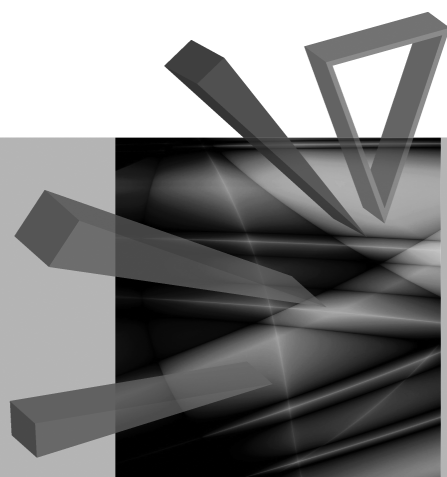


# Faces of Competitiveness in Asia Pacific



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## WILL TRANS-PACIFIC STRATEGIC PARTNERSHIP AGREEMENT INCREASE THE COMPETITIVENESS OF THE ASIA-PACIFIC REGION?

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**Summary:** The basic goal of this paper is to assess, whether the Trans-Pacific Strategic Partnership will increase the competitiveness of the Asia-Pacific Region by creating a high-quality Free Trade Area, having in mind various obstacles characterized in the text. As President Barack Obama set a goal of concluding the negotiations of nine parties till November 2011, there are doubts whether it is possible to conclude negotiations of an FTA encompassing trade in goods and services, rules of origin, technical trade barriers, sanitary and phytosanitary measures, IPR, but also government procurement and competition policies in participating countries. The need for success may lead to looking for a solution acceptable for all the different parties, but of poor quality, basing on the lowest common denominator.

**Keywords:** Asia-Pacific, TPP, economic integration, Free Trade Area, regional integration.

### 1. Introduction

On the last APEC summit held in Yokohama in November 2010, President Barack Obama suggested setting a target of completing TPP negotiations by the next APEC summit scheduled for November 2011 in Honolulu (Hawaii). Setting such an ambitious goal for a group of nine negotiating parties is definitely mobilizing all of them for intensive work. On the other hand, it may lead to focusing on having any agreement instead of high-quality Free Trade Agreement encompassing all the fields of FTA, like trade in goods and services, rules of origin, technical trade barriers, sanitary and phytosanitary measures, IPR, but also government procurement and competition policies in participating countries. The need for success may lead to looking for a solution acceptable for all the different parties.

The basic goal of this paper is to assess, whether the Trans-Pacific Strategic Partnership (TPP) will increase the competitiveness of the Asia-Pacific region by creating a high-quality Free Trade Area (in the sense that it will aim at removing all barriers to trade in goods and services). Setting such a goal was quite an easy task with original three (Chile, New Zealand, Singapore, or four when Brunei joined) members of the TPP. It became difficult, however, when five new countries joined (the United States, Australia, Peru, Vietnam, and Malaysia), especially due to the

possible U.S. participation. Having in mind various lobbies, specific interests of negotiating parties, as well as a dense network of other agreements, we may expect at least difficulties in further negotiations and in achieving the goal set by first three parties of TPP. Moreover, this agreement may have no added value in reference to APEC provisions if all negotiating parties will focus on completing the negotiations before APEC summit in Honolulu, instead of initial goals, as it may end up in finding the lowest common denominator.

## 2. Background and basic issues

Regional architecture of the Asia-Pacific is relatively dense, encompassing various organizations (no necessarily *de jure* international organizations), agreements, especially connected with different stages of economic integration, and international regimes. Among them, the so-called “noodle-bowl” of preferential trade agreements seems to be the crucial problem, taming further trade integration.

The Trans-Pacific Strategic Economic Partnership Agreement (TPP), which was conceived by three Pacific countries Singapore, Chile, and New Zealand in 2003 (Brunei joined in 2005), was supposed to deal with this basic problem of the so-called “noodle-bowl” of preferential trade issues. The TPP came into force in 2006, being a high-quality free trade agreement, with comparison to existing ones. The TPP is also supposed to deal with “behind-the-border” regulatory issues that other preferential trade agreements do not deal with. There is an important risk behind the idea, as without careful consideration, design and a manageable framework, it will likely do the reverse, excluding key partners and making it difficult for those excluded to join, which in result may definitely limit not only the scope of the agreement, but also benefits to participating actors.<sup>1</sup>

Having this endeavor especially without the U.S. would definitely limit its profits for members, as the more participants, the bigger benefits.<sup>2</sup> Hence, it is important

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<sup>1</sup> See P. Drysdale, *Are There Real Dangers in the Trans-Pacific Partnership Idea?*, <http://www.eastasiaforum.org/2011/04/18/are-there-real-dangers-in-the-trans-pacific-partnership-idea> (date of access: 5.05.2011).

<sup>2</sup> There are important economic benefits of a free trade in a bigger region; hence, integration within Asia-Pacific seems definitely more profitable. In an analysis presented by P. Drysdale and J. Drake-Brockman impact of trade liberalization on Chinese GDP was shown. Assuming that in the case of WTO liberalization, GDP growth would be 100%, integration within APEC would be 61%, within ASEAN+3 41%, within +3 (China, Japan, South Korea) 35%, in the case of Greater China (China, Hong Kong, Taiwan) 28%, and China and ASEAN just 7%. See J. Drake-Brockman, P. Drysdale, *History of Regional Economic Integration in East Asia*, pp. 2-3, [http://www.crawford.anu.edu.au/pdf/staff/peter\\_drysdale/mexico.pdf](http://www.crawford.anu.edu.au/pdf/staff/peter_drysdale/mexico.pdf) (date of access: 5 May 2011). F. Bergsten estimates that creation of the East Asian Free Trade Area would bring losses to U.S. economy of *ca.* USD 25 bn. annually. It was one of the crucial arguments of this economist to support creation of the Free Trade Area of the Asia-Pacific (FTAAP). See F. Bergsten, A free trade area of the Asia-Pacific in the wake of the faltering Doha Round: Trade policy alternatives for APEC, [in:] Ch. Morrison, E. Pedrosa (eds.), *An APEC*

to engage more subjects, especially important economic actors of the Asia-Pacific. The U.S. may serve as a good example, but we should expect also main U.S. trade partners and regional economic partners to join. In March 2008 the United States joined the TPP negotiations, followed by Australia, Peru, Vietnam, and Malaysia. The U.S. is naturally the most important prospective member of the agreement, having already FTAs with Singapore and Chile (members of the TPP), as well as prospective members, Australia and Peru.<sup>3</sup>

America's role in the process may be both constructive, and destructive, as it is not ready for such commitments as expected by initial members of the TPP. It is worth noticing, however, that the agreement is not of heavy weight for the United States in terms of trade share of the regional trade. TPP members' merchandise trade with the U.S. accounted to USD 170.9 billion, comparing with total American exports and imports combined of USD 3.2 trillion. The TPP accounted for just 5.3% of America's trade, including none of the top 10 of U.S. export markets. Having Japan in, the total trade involved rises to USD 351.8 billion, constituting 11% of America's total trade. But most of the growth in Asian and world trade is still outside that group – in China, India, and Brazil.<sup>4</sup>

Having said that, we should now focus on two issues: first is Pacific-wide integration, with no exclusions, second dealing with the aforementioned “noodle-bowl” of trade agreements, but also other regional organizations.

### 3. Theoretical basis

Analyzing the problem of the Trans-Pacific Strategic Partnership in scope, we would expect to have real benefits for the region, it is important to adopt regional integration concept and relate it to the Asia-Pacific Region. I would start with Joseph Nye's concept of the integrative potential. He mentioned four conditions, favouring integration:<sup>5</sup>

1) Symmetry or economic equality of units – it is especially important in regional integration although if there are core areas for integration, its role may diminish.

2) Complementarity of the elite value – Nye stressed that the higher the level of complementarity, the bigger chance the regional grouping will keep its impetus.

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*Trade Agenda? The Political Economy of a Free Trade Area of the Asia-Pacific*, Institute of Southeast Asian Studies, Singapore 2007, p. 20. Arguments against the creation of the FTAAP, focusing on U.S. domestic conditions are to be found in V. Aggarwal, The political economy of a free trade area of the Asia-Pacific: A U.S. perspective, [in:] Ch. Morrison, E. Pedrosa (eds.), *op. cit.*, pp. 37-72.

<sup>3</sup> See I. Ferguson, B. Vaughn, *The Trans-Pacific Partnership Agreement*, Congressional Research Service, Washington, D.C., 2011, p. 1.

<sup>4</sup> See P. Drysdale, *op. cit.*

<sup>5</sup> See J. Nye, *Peace in Parts: Integration and Conflict in Regional Organization*, Little Brown, Boston 1971; J. Dougherty, R. Pfaltzgraff, *Contending Theories of International Relations: A Comprehensive Survey*, Harper & Row Publishers, New York 1990, pp. 444-445.



3) Existence of pluralism – thanks to the pluralism, the number of groups benefitting from integration increases; hence, they do care about keeping the pace of the integration as well as enlarging it to new areas.

4) Capacity of member states to adapt and respond – in this respect the internal stability is treated as a crucial factor (the better the authorities manage internal problems, the bigger chance they will be able to participate effectively in an integrative organization).

Looking briefly at the aforementioned four factors, we may definitely question three of them in the case of the Asia-Pacific Region (so the area from which possible TPP members come, even if taking into account only nine negotiating parties). There is no symmetry or economic equality of units, but we may see integration in the region as a way of looking for core areas. Problems with internal stability and complementarity of values among participating units are also clearly visible. The most important factor for Asia-Pacific integration is, in my opinion, plurality of units participating in the process. This factor is particularly visible in the U.S., where the position of the federal government is strongly limited by different lobbies. The primary force of the Pacific Rim integration is businessmen and consumers and we can for sure call it market-driven integration. It is even more visible in the case of East Asia, where manufacturing networks are crucial factors of economic co-operation. I would also stress other factors, including especially the role of an academic community, as well as people-to-people exchanges (migrations, education, religious connections, etc.).<sup>6</sup>

Finally, comparing the integrative potential of East Asia and the Pacific, we may use the gravity model of trade, as economic integration seems to be crucial in regional integration. We can use this model not only for assessing the potential of integration in the area of trade, but also in different areas. The crucial variables for this model are GDP and distance between given countries. The basic form of the gravity model may be presented as:

$$T_{xy} = c \frac{(GDP_x)^{\beta_1} (GDP_y)^{\beta_2}}{D_{xy}^f},$$

where  $T_{xy}$  is a value of trade (exports and imports) between countries  $x$  and  $y$ ,  $c$  – constant;  $GDP_x$  and  $GDP_y$  – income of the exporting and importing countries;  $D_{xy}$  – distance between countries  $x$  and  $y$ ; and finally  $\beta_1$ ,  $\beta_2$  and  $f$  are parameters of the gravity equation estimating in research process.<sup>7</sup>

<sup>6</sup> While dealing with problems of regional integration, it is useful to quote J. Ney's definition of a region, where region is defined as a group of states connected both by geographical links, and a certain degree of mutual interdependence. See J. Nye, *International Regionalism*, Little Brown, Boston 1968, p. vii.

<sup>7</sup> Formula quoted from Dongwook Han, *Gravity Model and Economic Integration*, doctoral dissertation, Michigan State University Department of Economics 1999, pp. 32-33, available at the dis-

In the case of first four partners of TPP, the gravity model of trade is definitely unfavorable, meaning, it shows economic uselessness of such an agreement. If other countries join, there are still problems of vast distances and limited share of trade of negotiating parties in comparison to the regional trade.

#### 4. The Pacific Region

In a skeptical view (assessing possible creation of wider integration body, based on the Asia-Pacific), we should take into consideration the following factors. The Asia-Pacific Region is a symbiosis of two concepts: Asia and Pacific, characterized by different historical traditions, cultures, levels of development, etc.; and scholars are searching for common features that could be a basis for emerging common interests and a membership in the Pacific community. This factor does not favour the creation of closer Trans-Pacific links. On the other hand, we may think of the region in geo-economic categories – relating to the fact that economic links between the sub-regions (especially North America – particularly the U.S. and Canada, Oceania – predominantly Australia and New Zealand, and East Asia<sup>8</sup>) result in creation of the regional system, which definitely favours regional economic integration, including TPP.<sup>9</sup>

Having in its heart a vast ocean and the crucial states on its peripheries seems to be vital for the creation of the core for the integration of the peripheral states. Hence, we do not have a situation similar to the European integration (with a French-

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sertation database of the George Washington University. We must bear in mind that the pure economic variables are not only factors influencing trade, especially looking at the U.S. trade relations. See R. Summary, A political-economic model of U.S. bilateral trade, *The Review of Economics and Statistics* 1989, Vol. 71, No. 1.

<sup>8</sup> While looking at Latin American states, we may notice that most of the countries are very loosely integrated to the Asia-Pacific system. Some differences are visible in the case of Mexico, although the internal conflicts make it more difficult. See J. Faust, U. Franke, Attempts at diversification: Mexico and Pacific Asia, *The Pacific Review* 2002, Vol. 15, No. 2; M. Solis, S. Katada, The Japan-Mexico FTA: A cross-regional step in the path towards Asian Regionalism, *Pacific Affairs* 2007, Vol. 80, No. 2. To observe the basic attempts of creation an inter-regional institution for East-Asian and Latin-American co-operation see L. Low, The forum for East Asia-Latin America co-operation (FEALC). Embryonic interregionalism, [in:] M. Farrel, B. Hettne, L. van Langenhove (eds.), *Global Politics of Regionalism. Theory and Practice*, Pluto Press, London 2005, pp. 85-93. We should also take into consideration the Pacific Islands Forum (co-operating within the SPARTECA Agreement) states from Southern Pacific (Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu), but again their participation (apart from Australia, New Zealand and the PNG) in Asia-Pacific integration efforts seems to be rather negligible. More about their integration activities in G. Hassal, Th. Sampson, *Toward a New Pacific Regionalism*, An Asian Development Bank, Commonwealth Secretariat, Joint Report to the Pacific Islands Forum Secretariat, Manila 2005.

<sup>9</sup> See E. Halizak, *Stosunki międzynarodowe w regionie Azji i Pacyfiku*, Wydawnictwo Naukowe SCHOLAR, Warszawa 1999, pp. 53-54.

German core) or North American integration (with the U.S. as a core). From the economic point of view, we could imagine Japan as a core of the integration (or Northeast Asian countries – China, Japan, South Korea, Taiwan), but due to political and historical obstacles, it is hard to imagine those countries – especially China and Japan as a core of the Asia-Pacific integration. On the other hand, the United States may be rather perceived as a core for the Western Hemisphere integration; hence, we do lack the credible leader.<sup>10</sup> It can be a reason for the fact that development of TPP is not supported strongly enough by political factors and countries that could agree on smaller benefits in the beginning to achieve political goals, which made negotiations and easier.

## 5. Regional architecture

The Asia-Pacific Region encompasses several overlapping and potentially competing regional architectures dealing with both economic and strategic aspects. Some of them are Asian organizations, other Pacific-wide and TPP will somehow complement and somehow compete with those groups. Selected bodies, existing and prospective are presented in Table 1, existing or possible FTAs are bolded.

**Table 1.** Selected regional organizations of the Asia-Pacific Region

ASEAN <i>Association of Southeast Asian Nations</i>	1967	Brunei, Burma/Myanmar, Philippines, Indonesia, Cambodia, Laos, Malaysia, Singapore, Thailand, Vietnam
APT <i>ASEAN Plus Three</i>	1997	10 ASEAN members countries and the People's Republic of China, Japan, South Korea
<b>EAFTA</b> <b><i>East Asian Free Trade Area</i></b>	PROPOSAL	10 ASEAN members countries and the People's Republic of China, Japan, South Korea
EAS <i>East Asia Summit</i>	2005	10 ASEAN members countries and the People's Republic of China, Japan, South Korea, Australia, India, New Zealand (Russia and the United States join 2011)
<b>CEPEA</b> <b><i>Comprehensive Economic Partnership for East Asia</i></b>	PROPOSAL	10 ASEAN members countries and the People's Republic of China, Japan, South Korea, Australia, India, New Zealand
NEARF <i>North-East Asia Regional Forum</i>	PROPOSAL	The People's Republic of China, Japan, South Korea, Russia, the United States (basing on six party talks' participants, excluding North Korea)

<sup>10</sup> See R. Feinberg, *Comparing Regional Integration in Non-Identical Twins: APEC and the FTAA*, Paper presented at the APEC Study Center Consortium Annual Meeting, Brunei, 26-28 May 2000.

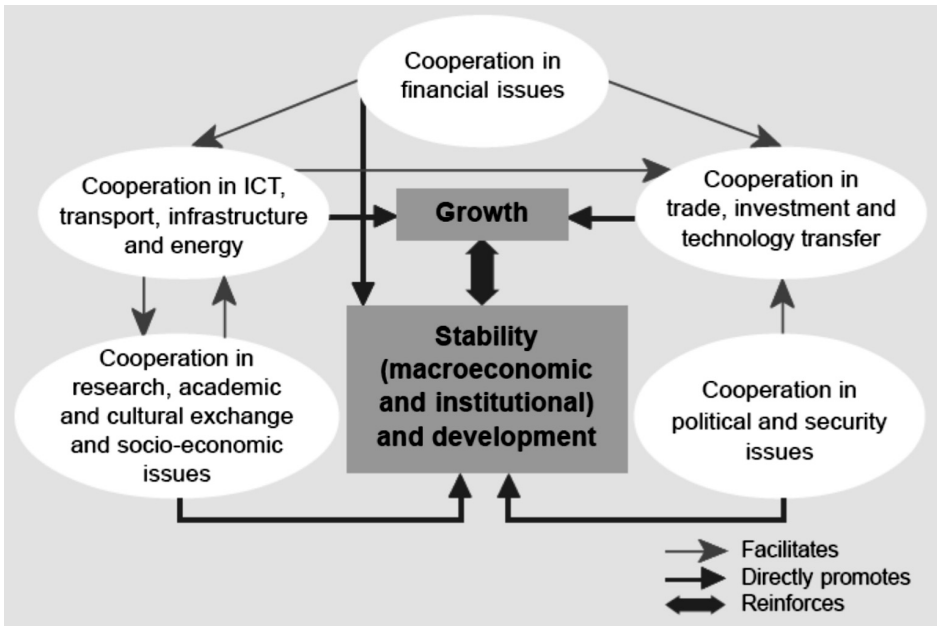
ARF <i>ASEAN Regional Forum</i>	1994	Australia, Bangladesh, Burma/Myanmar, Brunei, Chile, China, Philippines, India, Indonesia, Japan, Cambodia, Canada, South Korea, North Korea, Laos, Malaysia, Mongolia, New Zealand, Pakistan, Papua New Guinea, Russia, Singapore, Sri Lanka, the United States, Thailand, Timor Leste, Vietnam, the European Union
APEC <i>Asia-Pacific Economic Cooperation</i>	1989	Australia, Brunei, Chile, China, Philippines, Hong Kong, Indonesia, Japan, Canada, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Russia, Singapore, the United States, Taiwan, Thailand, Vietnam
APC <i>Asia Pacific Community</i>	PROPOSAL	G-8, G-10 or G-18: G-8: U.S., China, Japan, Russia, India, Indonesia, South Korea, Australia, G-10 aforementioned 8 countries, but ASEAN Troika instead of Indonesia, G-18 – Enlarging EAS by Russia and the U.S.
ASEM <i>Asia-Europe Meeting</i>	1996	27 EU members countries, 10 ASEAN member countries, China, India, Japan, South Korea, Mongolia, Pakistan, European Commission, ASEAN Secretariat
SAARC <i>South Asian Association for Regional Co-operation</i>	1985	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
SCO <i>Shanghai Co-operation Organization</i>	2001	China, Kazakhstan, Kirghizstan, Russia, Tajikistan, Uzbekistan
NAFTA <i>North American Free Trade Agreement</i>	1992	Canada, Mexico, the United States
PIF <i>Pacific Islands Forum</i>	1971	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, NZ, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu
SPARTECA <i>South Pacific Regional Trade and Economic Co-operation Agreement</i>	1981	Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, NZ, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

Source: author's own work.

## 6. Economic integration of the region

As stated earlier, the Asia-Pacific Region should be perceived as a region especially in geo-economic categories. There are five basic areas of regional integration, illustrated in Figure 1. It is definitely important that regional integration, including

regional integration organizations should deal with all of them eventually. Figure 1 presents interlinkages of the regional co-operation in different sectors. Illustrating graphically crucial spheres of integration and their direct or indirect influence on the growth in the region, it focuses on the economic and institutional stability.



**Figure 1.** Regional co-operation in different sectors and their interlinkages

Source: *Meeting the Challenges in an Era of Globalization by Strengthening Regional Development Co-operation*, Economic and Social Commission for Asia and the Pacific, United Nations, New York 2004, p. 26.

Integration in four basic areas – namely: trade, transport, ICT co-operation and finance – was analyzed in the report: *Meeting the Challenges in an Era of Globalization by Strengthening Regional Development Co-operation* prepared by the United Nations Economic and Social Commission for Asia and the Pacific,<sup>11</sup> and the report *Progress of Regional Co-operation and Integration in Asia and the Pacific* made by the Asian Development Bank. They focus on the following problems: trade and investment, co-operation in monetary and financial issues, managing of the regional public goods, cross-border infrastructure.<sup>12</sup>

<sup>11</sup> See *Meeting the Challenges in an Era of Globalization by Strengthening Regional Development Co-operation*, Economic and Social Commission for Asia and the Pacific, United Nations, New York 2004, pp. 41-126.

<sup>12</sup> See *Progress of Regional Co-operation and Integration in Asia and the Pacific*, The Boao Forum for Asia and Asian Development Bank, Manila 2007, pp. 9-62.

As Trans-Pacific Economic Partnership deals mostly with trade and investment issues, this area will be discussed here. In trade and investment area we should focus on:

1) harmonization of the so-called “noodle-bowl” of regional trade agreements (bi-, mini-, multilateral, FTAs, PTAs, as different rules of origins are definitely an impediment for regional trade) – making them consistent with the WTO rules would give the highest benefits to the region;<sup>13</sup>

2) creation of an East Asian FTA (or a wider agreement – FTAAP – Free Trade Area of the Asia-Pacific, basing on TPP, if only “high-quality” agreement will be achieved), as co-operation in a hub-and-spoke system (with ASEAN, China, India as a hub) will probably limit the integration;<sup>14</sup>

3) products standard harmonization, service trade and the development of the intellectual property rights protection system;<sup>15</sup>

4) increasing co-operation in trade facilitation, trans-border trade and regional investment agreements to fully benefit from the growing trade potential;

5) the need for gradual liberalization of the labour force flows – this problem seems to be especially difficult due to the immense gaps in the levels of economic development of those countries.<sup>16</sup>

Most of the aforementioned issues are a part of the initial TPP agreement, encompassing trade in goods, rules of origin, customs procedures, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, competition policy, intellectual property, government procurement, trade in services, temporary entry, and transparency.<sup>17</sup> We may observe, however, that additional countries that have joined negotiations since 2008 make the process much more difficult, which can lead to poor-quality FTA, even if negotiated.

Figure 2 illustrates the biggest problem of the trade and investment integration of the region, namely the “noodle-bowl” of regional agreements. The consequence of the integration driven by governments acting for both political-strategic and economic issues is a succession of poor quality agreements, towards which the business community has been largely indifferent. Usage rates of Asia’s PTAs are

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<sup>13</sup> The current state of regional trade agreements is illustrated in Figure 2.

<sup>14</sup> See Z. Fan, *Preferential Trade Agreements in Asia: Alternative Scenarios of “Hub and Spoke”*, ERD Working Paper, No. 83, Asian Development Bank, Manila 2006.

<sup>15</sup> See R. Agarwala, B. Prakash, *Regional Co-operation in Asia. Long-term Progress, Recent Retrospection, and the Way Forward*, ERD Working Paper Series, No. 28, Asian Development Bank, Manila 2002, pp. 19-20.

<sup>16</sup> *Ibidem*, pp. 20-21.

<sup>17</sup> See *Trans-Pacific Strategic Economic Partnership Agreement*, <http://www.mfat.govt.nz/downloads/trade-agreement/transpacific/main-agreement.pdf> (date of access: 5.05.2011). Basic provisions are described in *Trans-Pacific Strategic Economic Partnership Agreement (Trans-Pacific SEP)*, Media Info-Note, [http://www.fta.gov.sg/tptfa/media+infokit+on+ trans-pacific+sep+\\_31may05\\_.pdf](http://www.fta.gov.sg/tptfa/media+infokit+on+ trans-pacific+sep+_31may05_.pdf) (date of access: 5.05.2011).

	China	Japan	S. Korea	Taiwan	ASEAN	Singapore	Indonesia	Thailand	Malaysia	United States	Australia	N Zealand
China <sup>o</sup>	■	D	D	D	FTA	FTA	PF	FTA	FTA		N	FTA
Japan <sup>b</sup>	D	■	N		FTA	FTA	FTA	FTA	FTA		D	
S. Korea <sup>c</sup>	D	N	■		FTA	FTA	FTA	FTA	FTA	FTA-U	N	
Taiwan <sup>d</sup>	D			■								
ASEAN <sup>e</sup>	FTA	FTA	FTA		■						FTA	FTA
Singapore <sup>f</sup>	FTA	FTA	FTA		■		FTA	FTA	FTA	FTA	FTA	FTA
Indonesia <sup>g</sup>	PF	FTA	FTA		■		FTA	FTA	FTA	D	FTA	FTA
Thailand <sup>h</sup>	FTA	FTA	FTA		■		FTA	FTA	FTA	N	FTA	FTA
Malaysia <sup>i</sup>	FTA	FTA	FTA		■		FTA	FTA	FTA	N	FTA	FTA
Philippines <sup>j</sup>	FTA	FTA	FTA		■		FTA	FTA	FTA	D	FTA	FTA
Vietnam <sup>k</sup>	FTA	FTA	FTA		■		FTA	FTA	FTA	N	FTA	FTA
Australia <sup>l</sup>	N	N	D		■		FTA	FTA	FTA	FTA	■	FTA
N Zealand <sup>m</sup>	FTA				■		FTA	FTA	FTA	N	FTA	■

**Figure 2.** Free trade agreements, negotiations, and discussions by selected East Asian and other nations, 2010<sup>18</sup>

Source: D. Nanto, *East Asian Regional Architecture. New Economic and Security Arrangements and U.S. Policy*, Congressional Research Service, Washington, D.C., 2010, p. 12.

<sup>18</sup> a) **China** also has FTAs with Hong Kong, Macao, and New Zealand. Partial FTA with Chile; negotiations with Pakistan, the Southern Africa Customs Union, the Gulf Cooperation Council, Iceland, Norway, and Costa Rica, and discussions with India. b) **Japan** also has FTAs with Mexico, Chile, Switzerland, and Brunei; negotiations with India and Peru; and discussions with Canada and Mongolia. c) **S. Korea** also has FTAs with Chile, EFTA, India, U.S. (unratified), and EU (unratified) and negotiations with Canada, Japan, Mexico, Peru, Australia, and New Zealand. d) **Taiwan** or *Chinese Taipei* also has FTAs with Panama, Guatemala, Nicaragua, El Salvador, and Honduras and is negotiating with the Dominican Republic. e) **ASEAN** also has an FTA with India. f) **Singapore** also has FTAs with India, EFTA, Jordan, Panama, Peru, the Gulf Co-operation Council, is a member of the Trans-Pacific Strategic Economic Partnership Agreement with Brunei, Chile, and New Zealand in which Australia, Peru, Vietnam and the United States are negotiating to join. Singapore is in negotiations with Mexico, Canada, Pakistan, Costa Rica, Ukraine, and the European Union. g) **Indonesia** also has an FTA with India waiting approval and is in discussions with Egypt. h) **Thailand** also has an FTA with Bahrain, a partial FTA with India, is a member of The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, or BIMSTEC, which groups together Bangladesh, Bhutan, Burma, India, Nepal, Sri Lanka, and Thailand and aims for an FTA by 2017, negotiations with Peru, Chile, EFTA, and Papua New Guinea and discussions with the EU. i) **Malaysia** also has an FTA with Chile and Brunei, negotiations with New Zealand, and discussions with India. j) **Philippines** also has an FTA with EFTA and is in discussions with Chile and Israel. k) **Vietnam** has an FTA with the Andean Community and negotiations with New Zealand, EFTA, and the UAE. It also is joining the negotiations on a Trans-Pacific Partnership (TPP FTA) including Singapore, Chile, New Zealand, Brunei, Australia, Peru, and the United States. l) **Australia** also has an FTA with the United States, with the Pacific Island Countries Trade Agreement (14 members), Chile, is negotiating with China, the Gulf Co-operation Council, Japan, S. Korea, and the TPP. m) **New Zealand** also is a member of the TPP and is negotiating with the Gulf Cooperation Council, Hong Kong, S. Korea, and India. See D. Nanto, *East Asian Regional Architecture: New Economic and Security Arrangements and U.S. Policy*, Congressional Research Service, Washington, D.C., 2010, p. 12.

unfortunately low, both in absolute terms and in comparison to those for such agreements in other parts of the world.<sup>19</sup>

Creation of an FTA overcoming and ordering this “noodle-bowl” would be for sure an asset for the whole region and a basis for broader regional integration in other aforementioned spheres. Such an FTA will unfortunately meet many obstacles.

## 7. Conclusions

The idea of a high-quality Free Trade Area in the Asia-Pacific is definitely brilliant, having in mind the problem of overlapping organizations, and especially preferential trade agreements in the region on the one hand, and growing economic interdependence on the other. There are important challenges for such an idea, briefly described in the text:

- 1) huge differentiation of the Asia-Pacific Region, which makes integration much more difficult in the light of Nye’s theory;
- 2) problems with treating Asia-Pacific as a region in the light of regionalism theories;
- 3) weak partners (initial), still small scale of trade and vast distances, making economic integration less beneficial, using gravity model of trade;
- 4) a bunch of competing organizations, even having in mind only the most important ones (presented in Table 1);
- 5) the problem of commitments constituting the “noodle-bowl” of preferential trade agreements of the region;
- 6) difficulties of making contributions by the crucial economic powers of the region (either negotiating, like the U.S., or necessary in the future, like China or Japan).

Even having in mind the aforementioned obstacles, we may expect negotiations will be concluded before APEC summit in November 2011, but there is a serious risk of having poor-quality FTA between nine parties, being simultaneously engaged in a bunch of other preferential agreements. In such a case, the TPP will probably not increase the competitiveness of the region in a significant degree. There is a chance, however, the process will be a stepping stone for creating the high quality Free Trade Area of the Asia-Pacific, as well as integration in other spheres depicted in Figure 1.

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<sup>19</sup> See J. Ravenhill, *Can the TPP Resolve the ‘Noodle-Bowl’ Problem*, <http://www.eastasiaforum.org/2009/11/26/can-the-tpp-resolve-the-noodle-bowl-problem> (date of access: 5.05.2011).



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## **CZY POROZUMIENIE O STRATEGICZNYM PARTNERSTWIE TRANSPACYFICZNYM (TPP) PODNIESIE KONKURENCYJNOŚĆ REGIONU AZJI I PACYFIKU?**

**Streszczenie:** Głównym celem niniejszego artykułu jest ocena, czy Porozumienie o Strategicznym Partnerstwie Transpacyficznym poprawi konkurencyjność regionu Azji i Pacyfiku poprzez utworzenie wysokiej jakości strefy wolnego handlu (usuwającej wszystkie bariery dla handlu), biorąc pod uwagę różne przeszkody opisane w tekście. Prezydent Barack Obama postawił za cel zakończenie negocjacji dziewięciu stron do listopada 2011, ale pojawiają się wątpliwości, czy jest możliwe zakończenie negocjacji FTA, obejmującej handel dobrami i usługami, reguły pochodzenia, techniczne bariery dla handlu, ograniczenia sanitarne i fitosanitarne, prawa własności intelektualnej, a nawet zamówienia rządowe, czy politykę konkurencji stron. Potrzeba sukcesu może skłaniać do szukania rozwiązania akceptowalnego dla wszystkich stron, ale w oparciu o najmniejszy wspólny mianownik.