

## Partners and rivals

*Another ambitious trade agreement gets bogged down*



Deadlines are to trade negotiators what chastity and continence were to St Augustine: distant aspirations rather than binding obligations. No surprise then that the target of completing the Trans-Pacific Partnership (TPP) this year will be missed. The 14th round of talks among nine states negotiating this "21st-century" regional trade agreement ended on September 15th. The next, to be held in New Zealand in December, and joined by two new members, Mexico and Canada, will not be the last.

This is a shame. The world economy could do with the boost that a big trade agreement would bring. A global deal, under the Doha round, is not in prospect. The TPP is a regional one that the Obama administration inherited from its predecessor and took on with gusto—though it has not yet sought "fast-track" negotiating authority from Congress. American business vests great hope in it, partly as a way of fighting Chinese competition. Barack Obama this week responded to the widespread American perception of Chinese trade cheating by announcing a WTO case over alleged subsidies in the car-parts industry.

Many other Asian regional agreements are mooted but none has reached the TPP's nitty-gritty stage, where hundreds of officials plough through 29 dense chapters while anti-globalisation protesters harangue them for plotting a "secret corporate coup". It is the only trade show of any size still on the road.

The TPP groups some of the 21 members of the Asia-Pacific Economic Co-operation (APEC) forum, which held its annual summit in Vladivostok earlier this month. In two decades APEC has not made much progress towards its goal of a free-trade area covering half of global commerce. This year the leaders reached agreement to cut tariffs on 54 categories of goods, such as solar cells, that are seen as environmentally friendly. This is more than the WTO has managed in a decade, but hardly seems a huge breakthrough, and is unenforceable. APEC is an exercise in "concerted unilateralism", not a strand in the tangled noodle-bowl of bilateral and regional free-trade agreements.

Launched by Brunei, Chile, New Zealand and Singapore, the TPP is now led by America, and faces intense suspicion as a security alliance disguised as a trade negotiation. On this analysis, the TPP is part of the Obama administration's "rebalancing" towards Asia, to counter the rise of China. *China Daily*, an official newspaper, carried a commentary noting the view that America "is driving the TPP with the strategic objective of marginalising China." American officials insist

that, on the contrary, they would welcome China into the partnership. But provisions intended to prevent state-owned enterprises (SOEs) from having unfair advantages would make its membership difficult.

Measures directed at SOEs are among the "high-quality" aspects of the TPP that make it both so ambitious and hence so hard to achieve. Vietnam, for example, is in the TPP talks, but also has a huge state sector, which is in some trouble. Optimists recall China in the 1990s, when membership of the WTO was seen by some as a way of pushing through domestic reform, and hope Vietnam will take a similar view. But this seems wildly optimistic.

Other TPP provisions covering labour, the environment, the protection of intellectual property, IT services and even rules preventing governments from blocking websites for arbitrary reasons, would be difficult for a number of countries. So are good old-fashioned protectionist provisions such as one of the rules of origin in the apparel trade designed to ensure that, to avoid punitive American tariffs, low-cost garment-makers have to buy American yarn rather than non-TPP Chinese stuff.

For a poor country such as Vietnam, or a tiny one such as Brunei, TPP negotiations place a huge strain on government capacity. With Canada and Mexico joining, and Australia already in, the group can no longer be portrayed as an American shark stalking a hapless shoal of minnows. But it would look far more imposing if Japan—Asia's second-largest economy—were to sign on. Japanese politics precludes that for now. Nor has East Asia's next-biggest economy, South Korea, yet joined up. Indonesia is more interested in pursuing another incipient trade pact, involving China and the Association of South-East Asian Nations (ASEAN).

Rivalry from this "Asian" group is more sand in the TPP's gears. It would bring together all ten members of ASEAN, plus South Korea, Japan and China (which are discussing a tripartite pact of their own), as well as, perhaps, Australia, India and New Zealand. Being "lower-quality", it presents governments with fewer political problems at home. But the global economic benefits could be even greater, since many of the countries involved have high trade barriers, whereas much TPP trade is already covered by "high-quality" agreements (such as NAFTA).

The planned ASEAN-centred block is not, strictly speaking, in competition with the TPP, as their membership overlaps (Brunei, Malaysia, Vietnam, etc). Its prospects look dim at the moment, if only because the three big North-East Asian economies—China, Japan and South Korea—seem more likely to go to war with each other than to make historic trade breakthroughs.

### **Dreamland**

However, the two routes to Asian trade liberalisation are ever more widely seen as yet another facet of Sino-American rivalry. In the unlikely scenario where both succeeded, the dream is that America and China, the world's two biggest economies, finding themselves at a disadvantage in the other's market, would have to reach a consolidated agreement—on, hope the TPP's promoters, their 21st-century terms.

This ideal outcome is far beyond today's horizons. In the shorter term, China will continue to fear that one motive behind the TPP is America's desire to contain it. And, looking at the difficulties the TPP faces, China's leaders may hope that, if a superpower is going to end up marginalised, it will not be theirs.

**Fonte: The Economist, London, v. 404, n. 8803, p. 52, 22-28 Set. 2012.**