

ISAS Brief

No. 394 – 8 October 2015

Institute of South Asian Studies
National University of Singapore
29 Heng Mui Keng Terrace
#08-06 (Block B)
Singapore 119620
Tel: (65) 6516 4239 Fax: (65) 6776 7505
www.isas.nus.edu.sg
<http://southasiandiaspora.org>



Trans-Pacific Partnership and India's Emerging Challenges

The conclusion of the Trans-Pacific Partnership (TPP) negotiations has major implications for India, which is aspiring for a larger role in the regional architecture of the Asia-Pacific. India will have to anticipate the TPP's influence on ongoing regional trade negotiations involving India, such as the Regional Comprehensive Economic Partnership (RCEP). The TPP also entails a major diplomatic challenge for India by focusing on the need for closer alignment of New Delhi's trade and foreign policies for deeper and meaningful interaction with the region.

Amitendu Palit¹

After more than five years of protracted negotiations, the TPP agreement was concluded on 4 October 2015. Comprising twelve Asia-Pacific countries – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States of America and Vietnam – the TPP encompasses almost two-fifth of the world GDP and a quarter of the global trade in goods and services. It is also the first to

¹ Dr Amitendu Palit is Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at isasap@nus.edu.sg. The author, not ISAS, is responsible for the facts cited and opinions expressed in this paper.

be concluded among the upcoming ‘mega’ regional trade agreements (RTAs)² and is expected to set the benchmarks for future trade rules and governance.

Trade Diplomacy Triumphs

The TPP’s ambitious agenda – comprehensive market access for members by making goods trade almost tariff-free – ran into difficulties, as was expected. Negotiations came down to the wire on deciding tariffs for dairy and automobiles. But the longest and toughest negotiations were on intellectual property issues. At the core of the contentions was the period for which manufacturers of ‘biologics’ – next-generation pharmaceutical products churned by cutting-edge Research & Development – would enjoy monopoly patent-protection on results and knowledge of clinical trials. Longer patent-protection for these drugs has implications for the introduction of cheaper generic versions, with consequent long-term implications for affordable healthcare. While the fine print of the consensus reached will be known only after the texts of various chapters of the TPP are released to the public, the fact that consensus was eventually reached among the parties with very different positions on the issue, points to effective and meaningful trade diplomacy among the negotiators.

Implications – Global and Regional

The TPP will have multiple implications for global and regional trade. It is the kind of comprehensive agreement envisaging ‘deep’ trade liberalisation that the US has been pushing for at the World Trade Organization (WTO) without success. A TPP running parallel to the WTO’s trade governance framework, while not necessarily conflicting with the latter, would nonetheless increase pressures on the WTO for greater liberalisation, if more members find mega-RTAs like the TPP conducive for maximizing national trade and economic interests.

² The RCEP (Regional Comprehensive Economic Partnership) and the TTIP (Trans-Atlantic Trade and Investment Partnership) are the two other mega-RTAs being negotiated.

The most conspicuous impact of the TPP, no doubt, will be on its home turf – the Asia-Pacific region. All members of the TPP are APEC members as well. More APEC members such as the Philippines, Thailand, Columbia and South Korea are keen on joining the TPP³. Even China has begun taking active interest in the TPP and is, ostensibly, preparing for eventual accession, given its latest round of radical external-sector liberalisation measures (e.g. negotiating a bilateral investment treaty with the US and establishing the Shanghai Free Trade Zone for seamless cross-border trade in services). There is every possibility of the TPP becoming a larger trade agreement by including more APEC members over time. This would imply its getting closer to the larger concept of a Free Trade Area for the Asia-Pacific (FTAAP).

New Challenges for India

The TPP's implications for the Asia-Pacific extend to India also. The agreement is taking off at a time when India is aiming at greater integration with the Asia-Pacific. It is negotiating the RCEP that includes the ASEAN members, Australia, China, Japan, New Zealand and South Korea. Not only does the RCEP include several APEC members (Australia, China, Japan, New Zealand, South Korea and all ASEAN countries except Cambodia, Laos and Myanmar), it also has several TPP members (Australia, Brunei, Japan, Malaysia, New Zealand, Singapore and Vietnam). The conclusion of the TPP will cast its 'influence' on the RCEP through the common members, even though the RCEP has more moderate ambitions. At the same time, other RCEP members keen on joining the TPP – the Philippines, Thailand and South Korea – might push for a narrower gap between the RCEP and TPP. India needs to study the TPP carefully for anticipating its possible impact on its RCEP negotiations. The TPP is also likely to become the yardstick for various commitments to trade liberalisation for countries bidding for APEC membership, such as India. In all, the pressure on India to adopt 'TPP-type' rules in its trade policies is expected to increase over time.⁴

³ 'Philippines will join TPP', *The Philippine Star*, 6 August 2015; <http://www.philstar.com/opinion/2015/08/06/1485054/philippines-will-join-tpp> Accessed on 6 October 2015.

⁴ 'US in position to write rules on global trade', <http://www.ft.com/intl/cms/s/0/2c07cd48-6b9b-11e5-8171-ba1968cf791a.html#axzz3nkAhRFY9>. Accessed on 6 October 2015.

The TPP also exposes India to a couple of significant diplomatic challenges. For avoiding the possible adverse implications on its exports to TPP member-markets because of lower tariffs on intra-TPP exports compared with those on Indian products,⁵ India needs to quickly conclude the bilateral FTAs it is negotiating with TPP members like Australia and Canada. It also needs to speed up at the RCEP-negotiations, given that the agreement will offer its exports greater access to several Asia-Pacific markets, including China. But more importantly, the TPP would require India to search for closer alignment between its foreign and trade policies.

India's foreign policy, which has become distinctly proactive and conscious of opportunities in foreign markets under the Modi Government, is aiming to posit India as a major actor in the Asia-Pacific. Such intentions are visible from India's desire to join the APEC, expand its sphere of influence in the region through the 'Act East' strategy and also growing bonhomie with major Pacific nations – the US, Japan, Australia, Canada and Korea. New Delhi's greater strategic proximity with these countries, all of whom are part of the TPP – while facilitating a deeper foothold in the region and greater say in regional affairs – will be accompanied by external demands on India for more trade liberalisation and concessions on market access. India's trade policies, till now, have fought shy of such demands emerging from regional trade negotiations. The key diplomatic challenge for India will be to balance the contrasting postures of its trade and foreign policies in pursuing greater integration with the Asia-Pacific.

.

⁵ Palit, Amitendu (2015), 'Trans-Pacific Partnership, India and South Asia', ISAS Insights, 284, 11 July 2015; ISAS_Insights_No-1. _284_-_Trans-Pacific_Partnership_11072015232257.pdf Accessed on 6 October 2015