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The Trans-Pacific Partnership (TPP) Agreement Holds Strategic Underpinnings

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EXECUTIVE SUMMARY

- Economics aside, TPP is strategically relevant for the US and ASEAN member countries.
- The US-led TPP intends to write the global trade rules.
- The TPP is the final step in rounding off bilateral trade agreements in East Asia that the US has long been contemplating or negotiating.
- It is a legal manifestation of enhanced US economic engagement with East Asian economies.
- TPP members are mindful that China will join TPP in the future in order to avoid income loss and slowing investment in the long-run.
- For ASEAN countries, many of the TPP commitments, such as competition policy or intellectual property rights (IPR), are not altogether new. By providing an additional impetus for domestic reforms in national economies, the TPP will strengthen ASEAN's own integration, and help deliver on growth and development over time.

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INTRODUCTION

After prolonged negotiations since 2010², the Trans-Pacific Partnership (TPP) Agreement was broadly agreed upon in October 2015 among the twelve parties – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States (US) and Vietnam. The agreement aims to eliminate barriers to trade and update rules that had been written under the World Trade Organisation (WTO) and the several free trade agreements (FTAs) signed by the Asia-Pacific nations.

A recent study by Petri and Plummer (2016) estimated that the TPP will raise global annual income by US\$492 billion and US annual income by US\$131 billion by 2030.³ Large gains are to be expected for Japan, Malaysia and Vietnam. Some non-members such as Indonesia and the Philippines will suffer small losses while Thailand will face relatively significant setbacks. China will also experience a moderate loss of US\$18 billion by not being part of TPP. This is mainly because of trade diversion from non-members to members and dilution of earlier preferences in TPP countries.

Table 1: Real Income Effects of the TPP (billions of 2015 US\$)

	Real Income Effect		
	Baseline – without TPP		Change with TPP
	2015	2030	2030
World	81035	133801	492 (0.4)
TPP countries	28969	41011	465 (1.1)
US	18154	25754	131 (0.5)
Japan	4214	4924	125 (2.5)
China- a non-member	11499	27839	-18 (-0.1)
<i>Southeast Asia members in TPP</i>			
Brunei	20	31	2 (5.9)
Singapore	320	485	19 (3.9)
Malaysia	349	675	52 (7.6)
Vietnam	209	497	41 (8.1)
<i>Southeast Asia non-members in TPP</i>			
Indonesia	927	2192	-2 (-0.1)
Philippines	329	680	-1 (-0.1)
Thailand	411	812	-7 (-0.8)

Note: The numbers in brackets indicate % change from baseline; baseline scenario includes existing trade agreements among TPP members

Source: Petri and Plummer (2016, p. 20-21)

² There were nineteen rounds of negotiations between March 2010 and August 2013 and another sixteen meetings for chief negotiators and ministers from September 2013 to July 2015.

³ Petri, P and Plummer, M (2016). The Economic Effects of the Trans-Pacific Partnership: New Estimates, Working Paper Series 16-2, Peterson Institute for International Economics (<http://www.iie.com/publications/wp/wp16-2.pdf>; accessed on 13 April 2016).

This is largely the economic scenario expected to emanate from the Agreement. The questions that begs to be asked though is, why is the TPP strategically relevant for the US and ASEAN member countries? This paper suggests four main reasons for the TPP's strategic relevance: the US writing trade rules for the global economy; the US completing unfinished FTAs in East Asia; the institutionalisation of economic relations among the Asia-Pacific nations; and the impact on Beijing's trade practices and international behaviour. It then concludes that for the Southeast Asian countries, the TPP can serve as an extra impetus to embark on sticky domestic reforms and to undertake deeper integration through the ASEAN community in the future.

The TPP's strategic relevance is important to understand as it has been often mentioned that the bilateral and regional FTAs are not meant to achieve only economic ends but are also meant to serve diplomatic and security ends.⁴ Most times, FTAs are driven by strategic actions that may become more important than the economic rationale in several aspects.⁵

STRATEGIC RELEVANCE OF TPP

a) TPP - Writing Global Trade Rules

According to the US Trade Representative (USTR) website, 'Trans-Pacific Partnership (TPP) writes the rules for global trade'.⁶ This claim comes from the fact that the TPP aims to go much beyond market access. It builds on WTO measures, tightening few measures and outlining new mechanisms to implement them.

While three out of the 30 chapters in the TPP document talk about merchandise trade liberalisation and four each concentrate on trade facilitation and trade in services and investment, there are 7 to 8 chapters (chapters 13-20) that focus mainly on rules and regulations and are beyond-the-border measures (Table 2). The agreement looks at technical barriers to trade, strengthens intellectual property rights (IPR) and discusses ways to implement them. With respect to new measures, the TPP sets new standards for accessing telecommunications networks, prohibiting tariffs on e-commerce (digital trade), and limiting restrictions on cross-border data flow. The agreement introduces state-owned enterprises (SOEs) to international rules, ensuring that their dealings on sale, purchase, trade and investment are the same as any other commercial entity. It also includes separate chapters on trade facilitation, small and medium scale enterprises (SMEs), labour standards, environmental standards and a new dispute settlement mechanism.

⁴ Ravenhill, John (2006). 'Regionalism'. In *Global Political Economy*, edited by John Ravenhill. Oxford University Press, pp. 172–210.

⁵ Sen. R. (2006). 'New Regionalism' in Asia: A Comparative Analysis of Emerging Regional and Bilateral Trading Agreements involving ASEAN, China and India. *Journal of World Trade* 40(4): 553-596.

⁶ Office of United States Trade Representative, TPP, <https://ustr.gov/tpp/#what-is-tpp>; accessed on 1 April 2016.

Table 2: The Chapters of the TPP Deal

Chapter 1	Introduction and Definition	Chapter 19	Labour
Chapters 2-4	Merchandise trade, including textiles	Chapter 20	Environment
Chapters 5-8	Trade facilitation, including non-tariff measures	Chapter 21	Capacity Building
Chapter 9	Investment	Chapter 22	Business Facilitation
Chapters 10-11	Services Trade	Chapter 23	Development
Chapter 12	Movement of Business Persons (Mode 4)	Chapter 24	Small- and Medium-scale Enterprises (SMEs)
Chapter 13	Telecom	Chapter 25	Regulatory Coherence
Chapter 14	e-commerce	Chapter 26	Anti-corruption
Chapter 15	Government Procurement	Chapter 27	Institutional Provision
Chapter 16	Competition Policy	Chapter 28	Dispute Settlement Mechanism
Chapter 17	State Owned Enterprises (SOE)	Chapters 29-30	Exceptions and Final Provisions
Chapter 18	Intellectual Property Rights (IPR)		

Source: USTR website (<https://ustr.gov/tpp/#>)

The US decided to set these trade rules due to its concern over the proliferation of FTAs in Asia and other regions in the last two decades during which time progress had stalled under the WTO system. Moreover, the wide coverage of these FTAs marginalised the US role in writing trade rules.⁷ This follows from 2001, when in trying to catch up with the rest of the world in terms of FTAs, President George W. Bush in his International Trade Agenda stated that, ‘There are over 130 preferential trade agreements in the world today – and the United States is a party to only two of them. Now, more than ever, US leadership is essential to reinvigorating the international trading system, including launching a new round of global negotiations, as well as regional and bilateral negotiations.’⁸ Since then, the US has negotiated several bilateral FTAs with countries at different levels of development.⁹ These

⁷ Many FTAs in Asia are termed as Comprehensive Economic Partnership Agreements (CEPAs) as they encompass services and investment liberalization, and facilitation measures like standards, safeguard provisions, and customs administration. Some also cover competition policy, intellectual property rights, government procurement, capacity building etc.

⁸ The White House (2001). The President’s 2001 International Trade Agenda (<http://georgewbush-whitehouse.archives.gov/news/releases/2001/05/20010511.html>; accessed on 13 April 2016).

⁹ Central America FTA is a regional FTA signed by the US and the five Central American states (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican republic in 2004 and passed by the US Congress in 2005.

bilateral pacts are with “can-do” countries, i.e. the ones that are willing to liberalise trade and investment despite the stalemate at the WTO level.¹⁰

In justifying its decision on FTAs, the US Government has often mentioned a series of national interests that can be categorised into four aspects: a) ‘Asymmetric reciprocity’ that opens up markets to benefits US traders and investors; b) Establishment of precedents or models that can act as a catalyst for a wider trade agreement; c) Support for countries that are interested in domestic market-oriented reforms; and d) Enhancement of strategic partnerships. Indeed, some of these reasons go well beyond what a simple cost-benefit analysis of trade agreements will provide, and reflect international political underpinnings in US behaviour.¹¹

A similar story can be told about the TPP. The agreement was not originally a US-led agenda. It grew out of a trade agreement from 2006, known as the Trans-Pacific Strategic Economic Partnership (commonly known as the P4), between four small and, in US terminology, “can-do” countries – Brunei, Chile, New Zealand and Singapore. In September 2008, President Bush announced his country’s intention to join P4 and soon the agreement metamorphosed into the Trans-Pacific Partnership (TPP) plurilateral talks. US participation in TPP reaffirms its presence in Asia, and allows it to gain from economic liberalisation and from an economically thriving Asia. While the US partnership with Vietnam acts as an incentive for the latter to maintain its commitment to market-based economic policies, the US views Malaysia as a moderate Islamic and multicultural country that can serve as an example for other Muslim-majority states.¹² Malaysia is also on the path to becoming a developed nation. Moreover, TPP was negotiated by the US and others as one of the pathways to a wider trade agreement, the Free Trade Area of the Asia-Pacific (FTAAP).¹³ It should be noted that the US’ earlier effort on the Asia-Pacific Economic Cooperation (APEC) resulted only in limited progress due to the diverse nature of the membership and APEC’s soft institutional structure with non-binding commitments.¹⁴

b) TPP - Helping the US Complete Unfinished FTAs in the East Asian Region

After the US demonstrated its interest in bilateral and regional agreements in the early 2000s, many countries expressed their interest in signing a pact with the world’s biggest economy. However, the US became cautious in its approach due to factionalism within its domestic economy. There was a disconnect between the US Congress and the US Trade Representative (USTR) over non-trade issues (like environment and labour standards) and

¹⁰ Zoellick, Robert B (2003). ‘America will not wait for the won’t-do countries’, *The Financial Times*, September 22 (https://ustr.gov/archive/Document_Library/Op-eds/2003/America_will_not_wait_for_the_won't-do_countries.html); accessed on 13 April 2016).

¹¹ Feinberg, R (2003). The Political Economy of United States’ Free Trade Agreement, *The World Economy* 26 (7): 1019-1040.

¹² Alagappa, M (2014). Obama’s Golden Opportunity in Malaysia, Carnegie Endowment for International Peace, 7 April (<http://carnegieendowment.org/2014/04/07/obama-s-golden-opportunity-in-malaysia>); accessed on 13 April 2016).

¹³ APEC 2015 Leaders’ Declaration, 19 November, Philippines (http://www.apec.org/Meeting-Papers/Leaders-Declarations/2015/2015_aelm.aspx); accessed on 13 April 2016).

¹⁴ Basu Das, S (2014). The Political Economy of the Regional Comprehensive Economic Partnership and the Tran-Pacific Partnership Agreements: An ASEAN Perspective.

over how to achieve WTO-plus gains from these agreements.¹⁵ Hence, only two of 20 trade agreements signed by the US were done with East Asian counterparts (South Korea and Singapore). Although bilateral FTA negotiations took place with Thailand in 2004 and with Malaysia in 2006, neither of these could be pursued for long because of domestic concerns in Thailand and Malaysia over SMEs, government procurement, agricultural production, the services sector and IPR.¹⁶ US-Thai bilateral FTA negotiations were also derailed by the 2006 military coup that led to the overthrow of the Thai Rak Thai government.

The US-Japan FTA had been under consideration for more than a decade, picking up momentum after South Korea and the US agreed to an FTA in 2006. However, proper negotiations were never started between the two countries due to concerns over Japan's unique culture of close relationships between the government and business sectors, tight-knit relationships between affiliated companies, and certain cultural attitudes that Japanese products were more appropriate and better than any imported ones.¹⁷ Moreover, Japan was renowned for its sensitivity and protectionist behaviour with regard to five 'sacred' farm products: rice, wheat, beef and poultry, dairy products, and sugar.¹⁸

Given such a context, the TPP helps the US to economically anchor itself in East Asia, especially in countries that have strong economic and strategic relations with the US and which have expressed an interest in institutionalising their relationship with the US. Hence, Malaysia joined TPP negotiations in October 2010, shortly after the US joined the P4 Agreement and then transformed it into the TPP in September 2008. During this time, the USTR officially notified Congress to wrap up bilateral trade discussions with Malaysia as they would now come under the purview of the TPP negotiations.¹⁹ Malaysian policymakers agreed as it fitted into their domestic agenda to undertake national reforms and also to conclude bilateral FTA negotiations with the US.²⁰ Japan, however, was not formally admitted as a member until April 2013. Despite expressing Japanese interest in joining TPP negotiations in November 2011, there were concerns that its entry would seriously slowdown the negotiations. Nevertheless, the US gave its consent as it was in several

¹⁵ Quiliconi, C and Wise, C (2009). The US as a Bilateral Player: The Impetus for Asymmetric Free Trade Agreements, in Mireya Solis, Barbara Stallings and Saori N. Katada (ed) *Competitive Regionalism: FTA Diffusion in the Pacific Rim*, Palgrave Mcmillan.

¹⁶ Malaysia-US FTA: Stop Negotiation Immediately, *Malaysiakini*, 16 July 2008 (<https://www.malaysiakini.com/letters/86216>); Health at Stake in Free-Trade Talks, *The Nation*, 16 February 2006 (http://www.nationmultimedia.com/2006/02/08/opinion/opinion_20000537.php).

¹⁷ Fukushima, Glen S (1989). 'United States-Japan Free Trade Area: A Skeptical View', *Cornell International Law Journal*, Vol 22, Issue 3 (<http://scholarship.law.cornell.edu/cgi/viewcontent.cgi?article=1227&context=cilj>).

¹⁸ Banno, Y., (2014). *Japanese agricultural policy: last chance for change*, The Tokyo Foundation, (<http://www.tokyofoundation.org/en/articles/2014/japanese-agricultural-policy>, accessed 1 April 2016).

¹⁹ Rinehart, I.E (2015). Malaysia: Background and US Relations, Congressional Research Service Report, R43505 (<https://www.fas.org/sgp/crs/row/R43505.pdf>; accessed on 13 April 2016).

²⁰ Lee, C (2016). The Political Economy of Joining TPP: The Case of Malaysia, in Sanchita Basu Das and Masahiro Kawai (ed) *Trade Regionalism in the Asia-Pacific: Developments and Future Challenges*, Singapore: ISEAS.

countries' interest to bring Japan, the world's third largest economy, to the TPP negotiating table.

Thus, the TPP, by including the US, Malaysia, Vietnam and Japan has served the purpose of concluding FTAs that were either dragging on after several rounds of negotiation or were under consideration for a while.

c) TPP – Meeting Demands of US' Asian Partners to Institutionalise Economic Cooperation

Southeast Asian countries view the US and China as sources of both anguish and opportunity. The ten ASEAN countries, acknowledging their weaknesses in terms of size and level of development, wish to pursue cooperative relationships and build institutional frameworks, both within Southeast Asia and with the rest of the world.²¹ All of them have signed FTAs with bigger Asian countries like China, Japan, South Korea and India, either bilaterally or regionally. However, institutional linkages enhancing comprehensive economic cooperation have been missing between the Southeast Asian countries and the US.²² TPP fills this void to a great extent. It included Singapore and Brunei from the beginning and admitted Malaysia and Vietnam later. Vietnam's admission sent a signal that other developing countries can also try to join TPP in the future provided they have the political will to undertake domestic reforms. As almost all nations use economic growth and development as broad indicators for a country's well-being, pursuing domestic reforms is becoming a crucial imperative. Following this logic, three other Southeast Asian countries – Indonesia, Thailand and the Philippines – have expressed interest in joining the TPP. The US has additionally offered capacity-building exercises and a series of US-ASEAN trade workshops under US-ASEAN Connect, a new initiative launched in February 2016, which are likely to prepare and persuade the remaining ASEAN countries, in particular Cambodia, Laos and Myanmar, to join the TPP in the future.²³

Moreover, the TPP, connecting the US, Japan and like-minded ASEAN partners demonstrates a broad consensus of formal or informal alliance and adds institutional credibility to 'shared interests'. The agreement helps this group of countries present a united front on trade issues as they engage China or India in multilateral forums. Indeed, with protectionist attitudes in the agricultural sector greatly reduced, Japan and the developing countries of ASEAN can join the US in promoting free trade ideas in forums like the WTO, APEC and others.

US economic engagement in East Asia becomes more vital as security tensions in the region increases. The South China Sea dispute between China, the four ASEAN claimant states – Vietnam, the Philippines, Malaysia and Brunei – and Taiwan has soured relationships in the

²¹ MacIntyre, Andrew and Soesastro, Hadi (2006). 'Politico-Strategic Dimensions of Economic Cooperation in the Asia Pacific' in Hadi Soesastro and Christopher Findlay and (ed.) *Reshaping the Asia-Pacific Economic Order*, London and New York: Routledge.

²² The US had offered ASEAN states the Enterprise for ASEAN initiative in 2002 and Expanded Economic Engagement Initiative in 2012. But none of these were seen strategically similar to ASEAN-China FTA or ASEAN-Japan FTA.

²³ Basu Das, S (2016). Can the US-ASEAN Connect Initiative Create Stronger US-ASEAN Economic Relation? Asia-Pacific Bulletin No. 339, April 7, East West Centre, Washington.

region, and some of the claimants' now pursue unilateral policies and have become reluctant to the use of multilateral solutions.²⁴ Military tensions regularly arise between the claimant states.²⁵ This pushes the smaller Southeast Asian nations to seek alternatives to balance Beijing's influence in the region. This is observed in ASEAN's regionalism efforts under the East Asia Summit, where countries have taken a functional rather than geographic view of East Asia by including India, Australia, New Zealand, the US and Russia. However, the US was perceived to have been relatively aloof to developments in East Asia due to its own domestic and external challenges. Moreover, the USTR's assertion that FTAs with ASEAN countries have to be of the same high standards set in the US-Singapore FTA has inserted a difficult condition for many of the countries in the region. It should be noted that since Singapore is a free port and is the most-advanced economy in the region, it can undertake high-standard commitments like financial services and capital-account openness, travel by business professionals, e-commerce and IPR, as laid out in the US-Singapore FTA. The TPP agreement, in this regard, is a bold measure to showcase US commitment to the region. Although the agreement is economic in nature, should any tensions arise, participating countries can emphasize the economic underpinnings of their partnership through this comprehensive trade agreement.

In an interview with the Wall Street Journal, Singapore Prime Minister Lee Hsien Loong stressed that the TPP is crucial for maintaining openness and stability in Asia. Despite the 2011 US promise of 'pivot' or 'rebalancing' strategy towards Asia and commitment to providing security and military resources in the region, it is the TPP agreement that is the physical manifestation of enhanced engagement and economic cooperation between the US and Asia.²⁶

d) TPP - Keeping an Economically Rising China in Perspective

In the last two decades, China's rising economic power has been a key topic of discussion. In PPP terms, China's economy was around 25 per cent as large as the US economy in the early 1990s, and the figure grew to 45 per cent by early 2000 and now, the size of the Chinese economy has overtaken that of the US. An underlying factor for this is China's emergence as the 'factory of Asia' in the global production network. The country gained prominence as a destination for final assembly of manufactured products, where components and parts are sourced from elsewhere in Asia and finished goods are shipped to North America and Europe. As a result, China has not only become a major trading partner of almost all countries in Asia, it has also tended to use its economic leverage as a tool to settle international disputes in its favour. For example, when ASEAN members failed in 2012 to produce a joint communique for the first time in 45 years, most foreign policy

²⁴ The Philippines is contending about maritime rights attached to different types of land features in the South China Sea and to the Chinese argument of historic rights overriding what was agreed to under the 1982 UNCLOS. The Chinese "position paper" is arguing against the Philippine case and the jurisdiction of the Tribunal only citing one treaty-level agreement, the TAC.

²⁵ Tang, S.M. and Chalermpanupap, T (2016). A Reality Check and Tests for China, ASEAN, Today, April 7, (<http://www.todayonline.com/chinaindia/china/reality-check-and-tests-china-asean>); accessed on 13 April 2016)

²⁶ PM Lee Hsien Loong's interview with Wall Street Journal (WSJ), On America's Role in Asia and the Trans-Pacific Partnership (TPP), (<http://www.pmo.gov.sg/mediacentre/pm-lee-hsien-loongs-interview-wall-street-journal-wsj#one>); accessed on 13 April 2016).

analysts pointed to Cambodia's close economic relationship with China as a possible reason for the debacle.²⁷ Another instance was in 2012, when Beijing imposed tighter controls on Philippine banana imports, which many viewed as economic collateral damage arising from security tensions over disputed territorial claims in South China Sea.²⁸

In the West, particularly in the US, China is perceived to follow unfair trade practices leading to significant trade imbalances between the two sides. This is reflected in President Obama's address to the Australian Parliament: 'We need growth that is fair, where every nation plays by the rules—where workers rights are respected and our businesses can compete on a level playing field; where the intellectual property and new technologies that fuel innovation are protected; and where currencies are market-driven, so no nation has an unfair advantage. We also need growth that is broad—not just for the few, but for the many, with reforms that protect consumers from abuse and a global commitment to end the corruption that stifles growth'.²⁹

Pressure from China's economic rise has also been felt in multilateral forums like the APEC. In 2006, the US proposed the Free Trade Area of Asia Pacific (FTAAP) but this did not gain much traction due to disagreements between the big economies. One such disagreement was between the US and China over state-owned enterprises (SOEs) and their way of doing business under a liberal economic policy environment.³⁰

In all these contexts, the TPP agreement appears as a viable alternative. The TPP is negotiated and agreed upon by 12 countries, which currently does not include China. It advances values like protecting workers, preserving the environment and safeguarding innovation, and simultaneously propagates standing up for human rights, strengthening good governance, ensuring fair competition with SOEs and promoting digital freedom. From the outset, the TPP has been pronounced as a 'gold standard' trade agreement, which covers issues that may not have any immediate direct trade-related benefits but are relevant in meeting 21st-century challenges.

According to Richard Baldwin, in addition to market access, the important elements in the 21st century trade agreement are the activities under investment and services (such as telecom, logistics, trade finance), competition policy, movement of capital (new FDI and profit repatriation), investment assurance, IPR, and the provision of infrastructure. In his words, 'market access is still important, but the deep provisions are not really about market access – they are about helping foreign companies connect production facilities

²⁷ Luke Hunt, ASEAN Summit Fallout Continues, *The Diplomat*, 20 July 2012.

(<http://thediplomat.com/2012/07/asean-summit-fallout-continues-on/>; accessed on 13 April 2016).

²⁸ Bonnie, Glaser S. 'China's Coercive Economic Diplomacy', *The Diplomat*, 25 July 2012.

²⁹ The White House (2011). Remarks by President Obama to the Australian Parliament (<https://www.whitehouse.gov/the-press-office/2011/11/17/remarks-president-obama-australian-parliament>; accessed on 13 April 2016).

³⁰ Prassetya, Rully (not-dated). 'Is TPP a logical consequence of failing APEC FTAAP? An Assessment from the US point of view', Case Studies in Japan Foreign Economic Policy (<https://rully02.files.wordpress.com/2010/11/is-tpp-a-consequence-of-failing-apec-ftaap.pdf>; accessed on 20 April 2016).

internationally, and do business locally'.³¹ This inducement of the TPP agreement has been emphasized by the US along with the hope that it will side-line inferior agreements in Asia or any China-led regional integration. Moreover, this will eventually push China to join the TPP agreement and undertake domestic reforms in the process. By not joining TPP, there are high chances that China will lose momentum of its Foreign Direct Investment (FDI) inflows and will face some capital flight to TPP members. As Table 1 at the beginning of the paper shows, China is estimated to lose US\$18 billion by 2030 (at 2015 prices) when TPP enters into force.

CONCLUSION: IMPLICATIONS FOR SOUTHEAST ASIA'S REGIONAL INTEGRATION

The TPP is a landmark trade pact for Asia-Pacific nations. In 2014, the member countries accounted for US\$28 trillion or almost 40 per cent of global GDP and US\$5.3 trillion or 23 per cent of world trade. The TPP countries are very diverse, ranging from being low- to medium- and high- income countries and also in terms of economic structure and political system. Although the TPP emerged with a lot of fanfare that it is a one of a kind trade agreement and deep and comprehensive in nature, the actual level of economic integration with next-generation trade rules is yet to be seen and is possibly a long-term phenomenon.

For Southeast Asian countries, the TPP agreement will act as an impetus to strengthen the region's own economic integration and promote ASEAN Centrality.³² This is for three reasons. First, the ASEAN Community has helped the ten small economies gain prominence in the global community. Since 2002, ASEAN has not only negotiated and signed FTAs with big economies like China, Japan and South Korea, but it has also played the role of a 'bridge builder' between the West and the East. The region is a convener of high-profile forums like ASEAN Regional Forum, East Asia Summit and ASEAN Defense Ministers' Meeting +. More recently, the ten ASEAN Leaders were invited by the US President for a Special Summit in California, during which the US proposed a new initiative called the US-ASEAN Connect. All these initiatives are a result of a united and strong ASEAN rather than a fragmented and weak one. The existence of the TPP will require member countries to undertake domestic reforms, and force Southeast Asian countries to prepare themselves to manage the political and economic consequences of domestic reforms. In the process, the ten developing countries can build up confidence to commit to deeper ASEAN integration.

Second, many of the TPP commitments are already discussed in some form under the ASEAN Economic Community (AEC) or the ASEAN Socio-cultural Community (ASCC) pillars. Hence, they are not altogether new to ASEAN countries. For example, besides market access, non-tariff measures and trade in services and investment have been discussed since the 1990s; the AEC documents have mentioned the movement of professionals, e-

³¹ Baldwin, R (2011). '21st century regionalism: Filling the gap between 21st century trade and 20th century trade rules', *Staff Working Paper ERSD- 2011-08*, World Trade Organisation (https://www.wto.org/english/res_e/reser_e/ersd201108_e.pdf; accessed on 7 December 2015)

³² Petri, P and Plummer, M (2014). ASEAN Centrality and the ASEAN-US Economic Relationship, East west Centre, Policy Studies 69 (<http://www.eastwestcenter.org/sites/default/files/private/ps069.pdf>; accessed on 13 April 2016)

commerce, competition policy, IPR, SME, good governance, capacity building since 2007. Environment and other sustainable development issues are discussed under the ASCC pillar. Of course, the ASEAN documents have not yet covered telecom³³, government procurement, treatment of SOEs and labour standards.³⁴ However, the rest should give confidence to the less-developed ASEAN members that complying with ASEAN measures will in due course act as a building block for the TPP commitments.

Lastly, countries in Southeast Asia are driven by the imperatives of growth, which they try to achieve by balancing the needs of their domestic economies with the demands of globalisation. Raising productivity by investing in knowledge, innovation and human resource has become a mantra for countries like Malaysia, Thailand, the Philippines and Vietnam that are either in or are about to risk entering the middle income trap. Singapore, the most developed country in the region, has already laid down a clear roadmap. While the AEC raises awareness of increasing productivity and competitiveness to attract long-term FDI, the TPP has the potential to push ASEAN countries to undertake the last mile of domestic reforms, thereby delivering on their objectives of growth and development.

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³³ Though ICT and broadband are mentioned in AEC and Connectivity documents.

³⁴ Government procurement and labour standards are discussed in Southeast Asia's bilateral trade documents