

Moving On: TPP Signatories Meet in Chile

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On March 14-15, representatives from the 12 original signatories to the proposed Trans-Pacific Partnership (TPP) free trade agreement (FTA) met in Chile to discuss the future direction of regional integration efforts in the Asia-Pacific (see CRS In Focus IF10000, [TPP: Overview and Current Status](#)). China, Colombia, and South Korea were also represented. The meeting follows the Trump Administration's January announcement of U.S. withdrawal from the TPP, which effectively ended the possibility of TPP's entry into force in its current form (see CRS Insight IN10646, [The United States Withdraws from the TPP](#)). The United States has existing FTAs with six of the TPP countries, but not with Brunei, Japan, Malaysia, New Zealand, or Vietnam. The Trump Administration says it plans to focus its future trade efforts on possibly renegotiating and modernizing existing FTAs, beginning with the North American Free Trade Agreement (NAFTA), and then potentially pursuing new bilateral FTAs with TPP participants, particularly Japan and, possibly, other countries (see CRS Report R42965, [The North American Free Trade Agreement \(NAFTA\)](#)).

The remaining 11 TPP signatories, many of whom expended considerable political capital in negotiating and signing the agreement, would like to build on the pact in future deliberations, though no clear path forward was announced at the meeting. The [11 countries released a statement](#) reiterating their commitment to liberalizing international markets and advancing a rules-based trading system, and their intent to continue the discussions on the sidelines of the May APEC ministerial. Options moving forward include pursuing TPP without U.S. participation, individually proceeding with commitments in TPP, or incorporating TPP provisions into new or ongoing bilateral and regional trade negotiations. Among the Asian signatories of TPP, the ongoing 16-country-Regional Comprehensive Economic Partnership (RCEP) negotiations, which include seven TPP countries (Australia, Brunei, Japan, Malaysia, New Zealand, Singapore, and Vietnam), the six other Association of Southeast Asian Nation (ASEAN) nations (Burma, Cambodia, Indonesia, Laos, the Philippines, and Thailand), along with China, India, and South Korea, provide one such venue. Meanwhile, members of the Pacific Alliance, an existing regional integration bloc including the three Latin American countries in TPP (Chile, Mexico, and Peru) as well as Colombia, have also expressed interest in using their grouping as a platform for broader Asia-Pacific trade and economic liberalization (see CRS Report R43748, [The Pacific Alliance: A Trade Integration Initiative in Latin America](#)). In addition, the European Union (EU) has concluded, is negotiating, or has in place FTAs with all remaining TPP countries, except Brunei. Below we examine the perspectives of each remaining TPP signatory country.

- **Australia.** At the summit, [Australian Trade Minister Steve Ciobo said](#) that the TPP "is very much worth keeping alive" and that his government "see[s] merit in not letting the gains achieved through TPP slip through our fingers." Ratification of the TPP is in the early stages of parliamentary consideration in Australia. Two committees have reported on the proposed agreement, one supporting its ratification and one recommending deferral of action until TPP's status is clarified with other TPP parties. Meanwhile, under the existing Australia-Japan FTA, Australia exports beef to Japan at an increasingly lower tariff level than U.S. exports face (currently 27.5% vs 38.5%).
- **Brunei Darussalam** was one of the founding members of the forerunner to the TPP, the [Trans-Pacific Strategic Economic Partnership \(TPSEP\)](#), which is still in effect among it, New Zealand, Chile and Singapore.
- **Canada.** Despite its International Trade Minister signing the TPP agreement in February 2016, the Liberal government of Justin Trudeau never actually committed to supporting the agreement. Now it is committed to renegotiate NAFTA with the United States and Mexico, which may include some TPP provisions. Elsewhere, it is awaiting ratification by European Union member states of the Comprehensive Economic and Trade Agreement (CETA). It has begun to engage in [consultations](#) on an FTA with China and may seek to restart FTA negotiations with Japan, which were put in abeyance during the TPP negotiations.
- **Chile.** Chile, which hosted the summit, has existing FTAs with all the TPP signatories and therefore may be more interested in the regional integration aspects of TPP and a path forward involving a broad membership, [possibly including China](#).
- **Japan.** Japan, which relies heavily on its military alliance with the United States, appears hesitant to move forward with the TPP without U.S. participation and continues to stress [the agreement's importance as a regional initiative](#) to the Trump Administration. Having already ratified the agreement despite a politically contentious debate, particularly on agriculture commitments, Japan may face domestic challenges in revisiting those issues in future bilateral negotiations favored by the United States. For now the two governments have agreed to [begin a commercial dialogue](#).
- **Mexico.** Along with Canada, Mexico is grappling over the contours of a proposed renegotiation of NAFTA. The country is also negotiating with the European Union to update and expand its 1995 FTA and has expressed interest in expanding the Pacific Alliance. Mexico is also [reportedly keen on pursuing bilateral negotiations](#) with TPP members including Australia, Brunei, Malaysia, New Zealand, Singapore, and Vietnam.
- **Malaysia.** The [Malaysian trade minister recently stated](#) Malaysia is not interested in joining the TPP without the United States. However, he also indicated that the Dewan Rakyat (Malaysia's lower house of Parliament) nonetheless would consider amendments to Malaysian law necessary to bring the pact into force. Australian exporters of steel products to Malaysia have up a 20% tariff advantage over U.S. exporters due to tariff eliminations in the 2013 Australia-Malaysia FTA.
- **New Zealand.** [New Zealand's trade minister maintained](#) "there is still life in the TPP" at the summit, while its Parliament adopted its TPP implementation bill in November 2016. Along with Australia, it plans to begin FTA talks with the European Union. A Commonwealth-centered trade and free movement area (CANZUK) is also being [contemplated](#) for New Zealand, Canada, Australia, and the United Kingdom.
- **Peru.** The [Peruvian trade minister has maintained](#) that the TPP could be changed so ratification does not depend on U.S. participation. Peru also has had discussions with China on joining RCEP and updating its bilateral FTA.
- **Vietnam.** Vietnam will not proceed with ratification of TPP at present, but its government plans to enact changes to Vietnamese law necessary to come into compliance. Vietnam has aggressively pursued an export-focused development strategy in recent years including signing FTAs with the [EU](#) and South Korea. If the concluded EU FTA with Vietnam becomes effective, EU auto exporters will have up to a 70% tariff advantage over U.S. exporters as Vietnam phases out its auto tariff over 10 years.
- **Singapore.** Singapore has FTAs with all other TPP partners save Canada and Mexico, with which it may seek to restart talks. Singapore concluded an FTA with the EU in October 2014.