

Elżbieta Majchrowska

PhD, Andrzej Frycz Modrzewski Kraków University
ORCID: 0000-0001-5980-2903

PROMOTING FREE TRADE IN ASIA-PACIFIC – CPTPP AS AN ANSWER TO TRUMP’S PROTECTIONISM*

Introduction

The present-day world economy is a global system, characterized by multifaceted and dynamic changes. The pace of these transformations has increased considerably in recent years and the world trade system has undergone profound transformations. The global economic landscape has changed because of the growing economic influence of emerging economies and a shift of the economic development pole towards Asia, particularly the Far East. These aspects, in combination with the negotiations impasse within the World Trade Organization (WTO)¹, which is difficult to resolve, compels a lot of countries to take alternative steps to secure their interests in this regard. The transformations in the structure of the global economy are, therefore, also related to the proliferation of regional trade agreements (RTAs) under which more extensive and comprehensive

* The research has been co-financed with the funds dedicated to operational activities of the Faculty of Law, Administration and International Relations of Andrzej Frycz Modrzewski Krakow University no. WPAiSM/DS/19/2018 [Badania dofinansowano ze środków przeznaczonych na działalność statutową WPAiSM Krakowskiej Akademii im. Andrzeja Frycza Modrzewskiego w ramach projektu badawczego nr WPAiSM/DS/19/2018].

¹ The prolonging weakening of multilateral negotiations was also related to the involvement of the U.S. and EU in the regional liberalization, i.e. TPP and TTIP.

liberalization of trade is possible, as compared with that of the multilateral format. The integration tendencies have, thus, seen a huge growth and not only within the same region. The trade regionalism has, therefore, emerged as a key form of economic cooperation between countries. Mainly for this reason, since the turn of centuries, we have been able to witness a significant increase in the number of regional trade initiatives.²

On the other hand U.S. protectionism is becoming an increasingly characteristic element of the U.S. trade policy and Trump presents himself as a supporter of protectionism. From the beginning of his term of office he has undertaken significant actions in this regard, which concerns the majority of the U.S. key trade partners.

The significance and topicality of the problem entail a need for an in-depth analysis and assessment of changes occurring in the structures of the world trade, which, to some extent, impose new reference points for these issues, which, in turn, indicates new directions in international trade policies of particular countries. The analysis of these transformations reveals the emergence of new world trade trends, which is manifested by such phenomena as forming new RTAs, of which mega-regional trade agreements (MRTAs)³ are of great importance to the world economy. It, undoubtedly, included the Trans-Pacific Partnership (TPP), which was negotiated and signed by 12 countries at different levels of economic development. However, the withdrawal from the agreement by the U.S., which was a key member, changed the whole situation completely. Taking into consideration the economic significance of the TPP, both for the individual countries as well as the world economy, the remaining 11 countries have agreed on the way forward and decided to put the deal into effect without the original partner, regarding the agreement as a powerful force driving the regional economic integration.

It must be stressed that the evolution of the world trade policy has allowed for discriminating between two major types, i.e. the policy of free trade and the policy of protectionism. In the case of imposing the doctrine of economic liberalism on the economic policy of the country, the trade policy assumes the form of free trade. The policy of protectionism, however, consists in making use of means

² This situation is referred to as the “spaghetti bowl effect” illustrating the criss-crossing and overlapping RTAs on a global scale. See: J. Bhagwati, D. Greenaway, A. Panagariya, “Trading Preferentially: Theory and Policy”, *The Economic Journal* 1998, Vol. 108, No. 449, p. 1139.

³ Mega-regional trade agreements (MRTAs), are defined as “regional agreements that have systemic, global impact. In other words, they are large enough and ambitious to influence trade rules and trade flows beyond their areas of application”. See: C. Lakatos, M. Maliszewska, F. Ohn-sorge, P. Petri, M. Plummer, *Potential Macroeconomic Implications of the Trans-Pacific Partnership*, World Bank Global Economic Prospects, January 2016, p. 221; E. Majchrowska, “New Trends in the Global Trade: TPP – Pivot to Asia?”, *Research Papers of Wrocław University of Economics* 2014, No. 370: *Redefinition of the Role of Asia-Pacific Region in the Global Economy*, eds. B. Drelich-Skulska, A.H. Jankowiak, S. Mazurek, pp. 153–163.

and instruments of one country's foreign trade policy for achieving goals of that policy, i.e. shielding the national production and trade from foreign competition.⁴

Despite considerable progress in the process of liberalization, related to the activity of the GATT/WTO or endeavors within regional forums, leaders, often due to political reasons, resign from complete elimination of trade barriers. Thus, the notion of a mixed foreign policy is sometimes invoked, which, depending on the current economic situation, incorporates a greater or smaller number of elements of liberalism and protectionism. It is worth noting at this stage that the history of economic development had witnessed periods of liberal approaches towards trade that alternated with hindrances and restrictions. From the occurrence of the world economic crisis, a return to application of protective trade instruments has been observed. It is estimated that the protectionist pressures are still expected to occur, as they have been, from the beginning of the economic downturn, resulting from the crisis. It must, however, be stressed that since 2016, we have observed marked improvement in the world trade as far as trade restrictions are concerned. Nevertheless, the current, growing American protectionist tendencies still remain a challenge.

The aim of the paper is to present the results of research concerning the analysis of the recently-proposed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and to indicate the foundation and perspectives of that deal in the context of changes in the U.S. foreign trade policy. Due to the extent and complexity of the subject, the author has focused on selected aspects of the problem.

The Polish literature on the subject is limited due to lack of papers accounting for the current scene. Thus, the research method employed in the article is grounded on the analysis of the English-language publications, resources from official ministerial websites of selected countries that are parties to the CPTPP, Office of the United States Trade Representative, the original TPP text and WTO reports. In its methodological assumptions, the research is mainly based on the study of international economy, especially the area which refers to the theory of economic integration and trade regionalism, as well as trade policy.

The origin of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The Trans-Pacific Partnership (TPP) was built on the free trade agreements signed by the Pacific 4 (P4) countries, Brunei, Chile, New Zealand and Singapore in 2005 (the Trans-Pacific Strategic Economic Partnership) and came into

⁴ See more: E. Majchrowska, *Wpływ członkostwa w WTO na handel zagraniczny Chin. Implikacje dla gospodarki światowej*, Kraków 2014, pp. 33–34.

effect in 2009.⁵ The TPP transformed into a U.S.-led initiative during Obama administration, which actively promoted the TPP as one of its most significant achievements.

TPP was a trade agreement between 12 Pacific Rim nations: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. It was said to be one of the most important agreements on free trade. It was stressed that it could significantly change the distribution of power in the international trade and also shape the discussions held within the World Trade Organization in the ongoing Doha Development Round. Moreover, the TPP was also considered to be one of the most ambitious U.S. trade negotiations as it aimed to set up free trade standards between the U.S. and eleven other countries at different levels of development. As a crucial 21st century agreement, the TPP was intended to establish a new standard for the world trade while adopting next-generation issues and covering a wide thematic range (including customs rates, non-tariff barriers, intellectual property rights, services, environment protection, etc.). The TPP had originally been designed as a “living agreement”, allowing the possibility of accepting new members in the future as well as expanding the thematic scope of the agreement.⁶

Negotiations on the TPP officially commenced in March 2010 and they were intended to be finalized by the end of 2013. That deadline was not met but after many negotiation rounds⁷, the 12 countries made an important step forward. On 5 October 2015, the 12 countries had successfully concluded the negotiations⁸, however, the agreement signed in February 2016, in New Zealand, did not come into effect. On 23 January 2017, the newly-elected US President – Donald Trump signed a Presidential Memorandum⁹ to withdraw the U.S. from the treaty.¹⁰ The deal in that form could not come into effect without

⁵ Trans-Pacific Strategic Economic Partnership (P4), New Zealand Ministry of Foreign Affairs and Trade, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/p4/> [accessed: 30.01.2018].

⁶ It is particularly important in terms of a possibility of joining the agreement by South Korea and even the UK, after Brexit. See: E. Majchrowska, “New Trends in the Global Trade...”, *op. cit.*, pp. 155–157 and Sh. Donnan, R. Harding, M. Odell, “Trans-Pacific Trade Deal to Go Ahead Without US”, *Financial Times*, 23.01.2018, <https://www.ft.com/content/7a10d70a-0031-11e8-9650-9c0ad2d7c5b5> [accessed: 30.01.2018].

⁷ Negotiations on the ultimate shape of this trade agreement had lasted for over 5 years.

⁸ It was relatively easy for the TPP countries to reach an agreement since some of them had already signed free trade deals with each other.

⁹ White House, “Presidential Memorandum Regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreement”, 23.01.2017, <https://www.whitehouse.gov/presidential-actions/presidential-memorandum-regarding-withdrawal-united-states-trans-pacific-partnership-negotiations-agreement/> [accessed: 30.01.2018].

¹⁰ “The Office of the U.S. Trade Representative (USTR) issued a letter to signatories of the Trans-Pacific Partnership Agreement that the United States has formally withdrawn from the agreement per guidance from the President of the United States. The letter emphasizes the commitment of the United States to free and fair trade, and encourages future discussions on ‘measures designed

the U.S.¹¹, as it accounted for almost 60% of the joint GDP of the 12 TPP countries. Moreover, it is worth emphasizing that for some countries (e.g. Malaysia or Vietnam), the agreement had lost most of its attractiveness without access to the American market.

It is noteworthy, especially in the context of U.S. resignation that the motivation to begin the negotiations arose mainly from the U.S. interest in the Asia-Pacific region. It was related to the so-called American pivot to Asia policy.¹² 12 TPP countries together represent almost 40% of the world GDP and over 25% of the world goods exports. According to the estimations of the Peterson Institute for International Economics, the TPP agreement could be particularly profitable for smaller economies (such as Vietnam) as far as their GDP growth is concerned. On the other hand, benefits of this deal may also be enjoyed by developed countries. For the U.S., it was said to be particularly important, especially when considering its position in the Asia-Pacific region and competition with China, which is currently holding the leading position not only in the Asia-Pacific region, but in the whole world trade.¹³

The TPP was said to increase U.S. competitiveness in the Asia-Pacific and to be the foundation of the current U.S. foreign economic policy in that region. The sizeable and constantly growing markets of the Asia-Pacific have become the main destinations for U.S. manufactured goods, agricultural products, and services suppliers, and the TPP would further intensify this trade as well as investments. As a group, the TPP countries make up the biggest goods and services export market of the United States.¹⁴ This, together with the aforementioned economic potential of the partnership members, might result in the outcomes of the negotiations affecting significantly the distribution of power in the world trade as well as the discussions held within the Doha Development Round in the forum of WTO.¹⁵

to promote more efficient markets and higher levels of economic growth”. See: Trans-Pacific Partnership (TPP), Office of the United States Trade Representative, <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership> [accessed: 30.01.2018].

¹¹ Ratification by at least 6 original signatories was required with a requirement of the joined GDP amounting to 85% of GDP of that region.

¹² In 2011, Hillary Clinton, the then Secretary of State, emphatically referred to this process with such words. See: H. Clinton, “America’s Pacific Century”, U.S. Department of State, 10.10.2011, <https://2009-2017.state.gov/secretary/20092013clinton/rm/2011/11/176999.htm> [accessed: 28.01.2018].

¹³ E. Majchrowska, “New Trends in the Global Trade...”, *op. cit.*, pp. 155–156.

¹⁴ As a group, the TPP countries make up the biggest goods and services export market of the United States. *Ibidem*.

¹⁵ Growing position of emerging markets has influence over the cooperation development, e.g. between the U.S. and the EU. See: “Trade, Partnership and Politics”, *The Economist*, 24.08.2013, <https://www.economist.com/asia/2013/08/24/trade-partnership-and-politics> [accessed: 10.02.2018].

After the U.S. pulled out of the agreement, the ministers from the remaining 11 TPP member countries confirmed the economic and strategic significance of the TPP during the meeting in May 2017, in Vietnam. They concurred that the agreement is seen “[...] as a vehicle for regional economic integration”.¹⁶ In November 2017, in Vietnam, 11 TPP countries agreed on the way forward to put into effect the Trans-Pacific Partnership Agreement (TPP).¹⁷ They approved the text of the treaty and its name was changed to the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP).¹⁸ It is described as comprehensive and progressive since it goes beyond cutting down costs for businesses. It is also related to commitments to protect labor and environmental standards in the region of Asia-Pacific.¹⁹

The original TPP agreement will be incorporated in the CPTPP²⁰ but a limited number of provisions will be suspended.²¹ The comprehensive nature and a high standard of the agreement are to be maintained. Ministers from 11 countries approved the List of Suspended Provisions²², which were part of the original TPP deal. Additionally, some issues remain to be concluded by the moment of signature of the partnership. After finalizing all the technical aspects and unresolved matters, all countries will finally decide on signing of the CPTPP. The CPTPP negotiations were concluded on 23 January 2018. The final deal was signed on 8th March 2018 and is planned to come into force in 2019.²³

CPTPP and TPP – similarities and differences

The CPTPP will be a new agreement between 11 member countries, built on the main characteristics of a revised partnership, covering all of the results related

¹⁶ Trans-Pacific Partnership Agreement (TPP) & Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Malaysia’s Free Trade Agreements, <https://fta.miti.gov.my/index.php/pages/view/71> [accessed: 30.01.2018].

¹⁷ Trans-Pacific Partnership Ministerial Statement, http://fta.miti.gov.my/miti/resources/Media%20Release/TPP_Ministerial_Statement_10112017.pdf [accessed: 2.02.2018].

¹⁸ Trans-Pacific Partnership Agreement (TPP) & Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), *op. cit.*

¹⁹ It is related to the so-called WTO + and WTO-x issues.

²⁰ Comprehensive And Progressive Agreement For Trans-Pacific Partnership, Annex I – Outline of the TPP 11 Agreement, Article 1: Incorporation of the Trans-Pacific Partnership Agreement, http://fta.miti.gov.my/miti/resources/Media%20Release/Annex_I_Outline_of_Agreement.pdf [accessed: 5.02.2018].

²¹ Comprehensive And Progressive Agreement For Trans-Pacific, Annex I – Outline of the TPP 11 Agreement, Article 2: Suspension of the Application of Certain Provisions, http://fta.miti.gov.my/miti/resources/Media%20Release/Annex_I_Outline_of_Agreement.pdf [accessed: 5.02.2018].

²² Annex II – List of Suspended Provisions, http://fta.miti.gov.my/miti/resources/Media%20Release/ANNEX_II_List_of_Suspended_Provisions.pdf [accessed: 5.02.2018].

²³ “Asia Is Taking the Lead in Promoting Free Trade”, *The Economist*, 24.01.2018, <https://www.economist.com/asia/2018/01/24/asia-is-taking-the-lead-in-promoting-free-trade> [accessed: 10.02.2018].

to reduction of tariffs and access to markets²⁴ originally proposed. In spite of the close resemblance between the CPTPP and the TPP, there will also be some significant dissimilarities connected with the intellectual property, investment and pharmaceuticals-related issues.

As mentioned before, the member countries reached an agreement on the essential elements of the CPTPP in November 2017 and negotiations concluded in January 2018. Owing to lack of approval of selected provisions in the deal by some members of the agreement, as an effect of the negotiation process, over 20 items from the original TPP will be suspended temporarily under the CPTPP.²⁵ These provisions are connected with environment, intellectual property rights, investments, public procurement, services, trade facilitation and transparency. All members need to reach an agreement for the abovementioned provisions to be incorporated in the CPTPP in the future. Some of these suspensions are specified below.²⁶

- Suspensions in the Investment Chapter (chapter 9) – the scope of the investor-state dispute settlement (ISDS) mechanism is narrower in the CPTPP. That means that under the agreement private companies entering into an investment contract with the government will not be able to use ISDS clauses if there is an argument concerning that contract.
- Copyright term will not be changed (Article 18.63: Term of Protection for Copyright and Related Rights). The extension of the term of protection for copyright from 50 years to 70 years will no longer be required in member countries.
- No obligation for any member-country to modify its data or market protection settings for new medicines (Article 18.50: Protection of Undisclosed Test or Other Data and Article 18.51: Biologics) – that means the special protection for biologics, a developing category of drugs, has been put on hold.²⁷
- More flexibility on what is patentable (Article 18.37 paragraph 2 and part of paragraph 4 suspended).
- No patent term extension requirements (Articles 18.46 and 18.48 suspended).
- Government procurement processes unaffected (Article 15.8.5 suspended) – that article was included to explain and specify that procuring entities

²⁴ In the long run, duties on 95% of trade (in goods) will be removed.

²⁵ These rules were mainly insisted on by the U.S. and they could eventually be back on in the future.

²⁶ “TPP Full Text”, Office of the United States Trade Representative, <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-full-text> and CPTPP vs TPP, New Zealand Ministry of Foreign Affairs and Trade, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/cptpp/tpp-and-cptpp-the-differences-explained> [accessed: 10.02.2018].

²⁷ “Asia Is Taking the Lead in Promoting Free Trade”, *op. cit.*

may promote observance of the international labor rights as part of their procurement operation. This situation will not change even with that suspension.

- No requirements around the liability of Internet service providers (Article 18.82 and associated Annexes suspended).
- Limitation of disciplines on postal monopolies (Annex 10-B paragraphs 5 and 6 suspended) – that means that individual postal operators are able to proceed within members of the agreement.
- National treatment of intellectual property is put in line with international rules (Part of footnote 4 in Article 18.8 suspended). It is connected with the situation on how countries have to treat the intellectual property of foreigners. The suspension of that rule means that the new deal complies with the current international rules on the national treatment of intellectual property.

Some concessions have been made with regard to several parties to the agreement. It mainly concerns Canada (the second largest economy among the members, after Japan), Vietnam, Brunei and Malaysia. As far as Canada is concerned, it was connected with the special treatment for cultural industries (television and music) and changes to the rules of cars imports. In the case of Vietnam – a possibility to postpone the imposition of new labor rules connected with resolving disputes and independent trade unions. The last two countries will not be required to promptly liberalize their state-owned enterprises. Abovementioned problems had been resolved by exchanging the so-called “side letters” with other countries on those issues.²⁸

The rise of U.S. and decline of world protectionism

In the context of the conducted analysis, it is worth mentioning that throughout the history of economic development, periods of liberal approaches towards trade had alternated with barrier and limitations, which was particularly visible in the activity of GATT/WTO and an increase of protectionist tendencies could be observed over the period following the 2008+ world economic crisis. The threat of protectionism grew markedly then. It is evidenced in the reports jointly published by WTO, OECD and UNCTAD (supported by the World Bank), which indicated implementation of protectionist measures by countries of the G20 group (representing 2/3 of the world population, generating 85% of the world GDP and responsible for 75% of the entire world trade). From the onset of the examined period (October 2018) until the second half of 2014, the total

²⁸ Side letters are not part of the agreement in the official sense. One of them assured greater access to the Japanese car market for Canada. See: *Ibidem*, and Sh. Donnan, R. Harding, M. Odell, *op. cit.*

number of 1244 protectionist measures had been introduced, which accounted for over 4% of world imports and over 5% of the G20 imports.²⁹ In the following years, these barriers were implemented (e.g. 92 market protection measures in 2015). It must, however, be stressed that since 2016, these tendencies have started diminishing, to some extent – in that year, 61 measures were introduced. The consecutive two reports, i.e. from mid-October 2016 to mid-May 2017 and from mid-May to mid-October 2017, confirmed this downward trend – over these periods, 42 and 16 measures were introduced, which is a good result in comparison with the previous periods. It reveals restraint in trade restrictions and serves as confirmation that countries recognize benefits of opening their markets and free trade.³⁰

Nevertheless, U.S. protectionism is becoming an increasingly characteristic element of the U.S. trade policy and the United States president presents himself as a staunch supporter of protectionism.³¹ In April 2017, president Trump issued the “Presidential Executive Order on Buy American and Hire American”³², and, two months later, he announced the withdrawal from the Paris Agreement on climate change of 2015. Moreover, South Korea was ordered to renegotiate its agreement on free trade with the U.S. In January 2018, the U.S. applied punitive tariff duties on imported washing machines and solar panels from South Korea and China.³³

Aside from the TPP withdrawal, shortly after taking office, Trump is also making an effort to renegotiate the tripartite NAFTA agreement with Canada and Mexico. In his statements, he has often pointed out that “[...] he’ll pull

²⁹ In the discussed period, only 20% of protectionist measures had been eliminated, the rest of them continued to apply. See more: E. Majchrowska, „Odrodzenie się tendencji protekcjonistycznych w handlu światowym jako następstwo światowego kryzysu gospodarczego”, [in:] *Gospodarka światowa w XXI wieku. Współczesne uwarunkowania i wyzwania*, ed. M. Czermińska, Kraków 2015, pp. 11–29.

³⁰ WTO OMC, *Report on G20 Trade Measures*, 9.11.2017, https://www.wto.org/english/news_e/news17_e/g20_wto_report_november17_e.pdf [accessed: 15.01.2018].

³¹ Even as early as in the late 80’s, Donald Trump made public statements against free trade. It needs to be mentioned that protectionism is a key element of the U.S. trade policy. In the 19th century, American economy was, to a large extent, actually built on the principles of protectionism. In the first half of the 19th century, average tariffs rose by 25% to 40% but it did not negatively affect the growth of prosperity of American society. The success of the American protectionist policy is explained by the principle of the country size, according to which, domestic companies take advantage of the great internal market. This factor was responsible for the rapid growth of American industry in the 19th century. However, currently, the protectionist approach does not seem to be valid. See more: Ch. Dembik, “Ameryka i protekcjonizm na pierwszym miejscu”, *Rzeczpospolita*, 1.02.2017, <https://www.rp.pl/Opinie/170209893-Ameryka-i-protekcjonizm-na-pierwszym-miejsku.html> [accessed: 10.02.2018].

³² White House, “Presidential Executive Order on Buy American and Hire American”, 18.04.2017, <https://www.whitehouse.gov/presidential-actions/presidential-executive-order-buy-american-hire-american/> [accessed: 28.01.2018].

³³ “Asia Is Taking the Lead in Promoting Free Trade”, *op. cit.*

out of that if the US can't secure better terms", while the agreement has been referred to as "[...] the worst trade deal ever signed by the United States".³⁴

U.S. president stressed that he would take re-entering the TPP into consideration if he can reach a "substantially better deal" for the U.S.³⁵ In an interview in Davos, Trump stated that he "[...] would do TPP if we made a much better deal than we had". He said: "We had a horrible deal".³⁶ However, he also emphasized that he would consider bilateral deals with the other countries.³⁷ The representatives of the CPTPP member countries have also remarked that the U.S. return to the pact, in the future, is also possible.³⁸

It is, however, quite noticeable that other countries are not in favor of American protectionism. It is manifested in the statements of world leader, who have voiced their concerns for the direction of the policy adopted by the U.S.³⁹ It is evidenced also in the general increase of the number of negotiated and concluded RTAs⁴⁰, both the bilateral as well as plurilateral agreements, which is confirmed by data of the World Trade Organization, which currently consists of 164 members. A lot of WTO countries⁴¹ are involved in new RTA negotiations. Negotiations between several WTO members have been very popular recently,

³⁴ The U.S. is responsible for 80% of Mexican exports. The position of Canada and Mexico in the TPP negotiation was also complicated by the difficult renegotiations of the NAFTA with the U.S. "Trump: NAFTA Is Worst Trade Deal Ever Signed", Bloomberg, 27.09.2016, <https://www.bloomberg.com/news/videos/2016-09-27/trump-nafta-is-worst-trade-deal-ever-signed> [accessed: 20.02.2018].

³⁵ It is worth noting that these actions are definitely connected with huge trade deficits with Asian markets, particularly China and Japan, which are recorded by the U.S.

³⁶ J. Pramuk, "Read President Trump's Full Remarks On the Trade Deals", CNBC, 26.01.2018, <https://www.cnbc.com/2018/01/26/president-trumps-full-remarks-on-nafta-tpp-in-cnbc-interview.html> [accessed: 20.02.2018].

³⁷ Trans-Pacific Partnership (TPP), Office of the United States Trade Representative, *op. cit.*

³⁸ In the opinion of Singaporean ambassador, it is generally possible because the CPTPP is a specific agreement. „[...] CPTPP [...] is not typical of the tariff-cutting deals that Mr Trump claims have shafted America. Rather, it breaks ground in setting American-inspired standards and safeguards [...]". See more: "Asia Is Taking the Lead In Promoting Free Trade", *op. cit.*

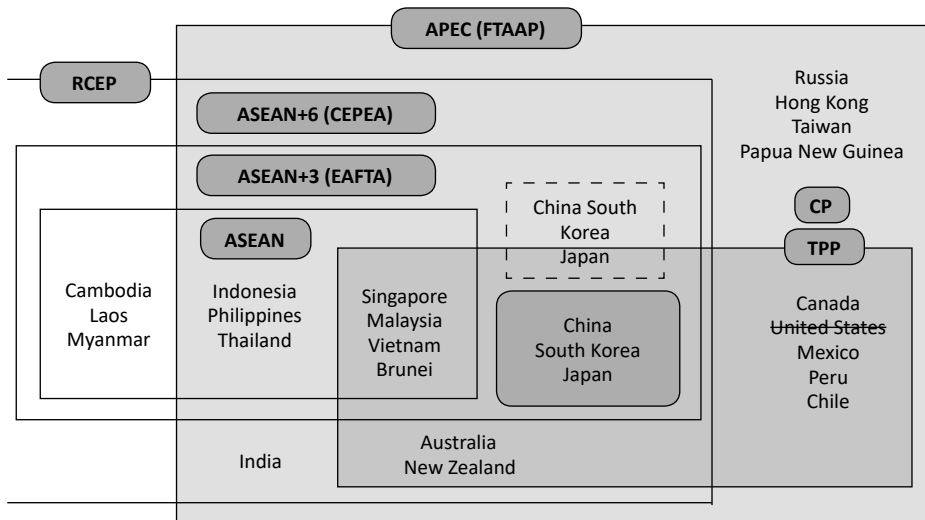
³⁹ „The uncertainty at the G20 and the handshaking between Berlin and Beijing are in response to an anticipated US turn to protectionism under President Donald Trump's 'America First' economic rhetoric and statements from Trump threatening import duties on Chinese and German goods". See more: W. Rahn, "China May Not Be the EU's Answer to US Protectionism", *DW*, 17.03.2017, <http://www.dw.com/en/china-may-not-be-the-eus-answer-to-us-protectionism/a-37999849> [accessed: 26.02.2018].

⁴⁰ Already in the beginning of 2018, the WTO had registered almost 670 notification concerning RTAs, 284 of which have entered into force and are legally binding. In comparison with the first quarter of 2017 it is about 20 RTAs more. It is worth noting that all members of the organization belong to at least one trade agreement. See: Regional Trade Agreements. Facts and Figures, WTO, https://www.wto.org/english/tratop_e/region_e/regfac_e.htm [accessed: 6.02.2018].

⁴¹ Members and Observers, WTO, https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm [accessed: 6.02.2018].

including negotiations in the region of Asia-Pacific between ASEAN countries and six other WTO members (ASEAN+6) with which the ASEAN has agreements in force (the Regional Comprehensive Partnership Agreement, RCEP), which was built as a China-led counterbalance to the TPP and the strengthening position of the U.S. in the region. Such deals, once effective, have the capability to decrease “the spaghetti bowl” effect of RTAs, particularly, if they replace the existing bilateral agreements and expand common rules (ROO) to be applied by all the members of the deal.⁴²

Figure 1. FTAs in the Asia-Pacific region



Source: E. Majchrowska, “New Trends in the Global Trade...?”, *op. cit.*, p. 160.

What is important, the CPTPP is not the only trade agreement that makes progress in that region. Apart from the aforementioned deals, another free trade agreement that may be considered a good example is the agreement between the EU and Japan (EU-Japan Economic Partnership Agreement, JEEPA). The two parties concluded negotiations in December 2017, which was a clear signal, both against American protectionism and in defense of free trade, based on global rules. Japan is the EU’s second-biggest trading partner in Asia, after China, and together they account for about a quarter of the world’s GDP, which makes it an agreement of paramount importance not only of the two parties but also for the world economy.⁴³

⁴² Regional Trade Agreements..., *op. cit.*

⁴³ European Commission, “EU–Japan Economic Partnership Agreement”, http://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/index_en.htm [accessed: 10.02.2018].

It should also be noted that negotiations on the Transatlantic Trade and Investment Partnership (TTIP)⁴⁴ between the EU and U.S. have been suspended and the EU recognizes the potential of the Asian market (“EU pivot to Asia”), which is reflected in the negotiated and concluded agreements with countries from this region, e.g. South Korea, Singapore, Vietnam or Japan mentioned before.

It needs to be stressed that Japan was an ardent advocate of reactivating the transpacific agreement.⁴⁵ The success of the new CPTPP is important insofar as its failure would mean that some of its members could consider joining the rival, to some point, China-led RCEP, which covers almost 3.5 billion people and accounts for almost a third of the world’s GDP. Seven of these member-economies are also CPTPP parties. Moreover, it is almost finalized and could be signed even by the end of 2018. It may, thus, be inferred that the game of dominance and making trade-rules decisions in the Asia-Pacific region will be settled between the two competing agreements. It should be mentioned that even during the TPP negotiations, there was a concern that rules in this regard would be imposed by China. Therefore, it is emphasized that the CPTPP clearly sends a signal for China as far as trade legal standards are concerned.⁴⁶

Conclusions

The proliferation of RTAs in the Asia-Pacific region is a response to regionalism in other parts of the world, as well as an answer to the slow progress in WTO negotiations on the multilateral level. Since the turn of the century, trade regionalism has been the most frequently adopted form of regulating economic cooperation. At the same time, U.S. protectionism is emerging as a salient element of its policy, which is a cause for concern for other countries, e.g. China or Germany. It is related to restrictions in accessing the absorbent American market and it may negatively impact the dynamics and value of the world trade.

Therefore, the revival of the transpacific agreement, under the name of CPTPP, is crucial for its members, the Asia-Pacific region as well as the world economy. Despite the fact that after the U.S. withdrawal it only covers approximately 13% of the world GDP, instead of the previous 40%, this comprehensive and innovative agreement may still become a reference point for concluding other trade deals. Based on the agreement, the partners are surely on the way

⁴⁴ The announcement of the TPP in October 2015 also changed the context of talks on the TTIP. There were opinions that the outcome of TPP would, to some extent, affect the TTIP negotiations, which may currently be observed.

⁴⁵ Japan regards reviving this agreement not only as an opportunity to increase trade with the member-countries but also as a trump-card in negotiating a possible bilateral agreement with the U.S.

⁴⁶ “Trans-Pacific Trade Deal to Go Ahead Without US”, *op. cit.*

to further expand and deepen their relations. It must be borne in mind that the agreement is not only a trade deal. Indeed, it is related to limiting and then eliminating the existing barriers, however, the most significant matters concern the so-called WTO+ or even WTO-x, such as elimination of non-tariff barriers, trade in services, investments or regulations on intellectual property rights. The success or failure of the CPTPP will determine who will make decisions on trade rules in the region. It must be noted that the competition in the form of the China-led RCEP is strong.

Japanese economy minister – Toshihiko Motegi said that the CPTPP would be the „engine to overcome protectionism”. He also expressed hope for the U.S. return to the agreement.⁴⁷

The question, therefore, remains of how the protectionist U.S. will fit into the global “noodle bowl”. Undeniably, it does not rely so heavily on the international trade, in comparison with the largest exporters, still, in the long-term perspective, it is rather unlikely that this approach will bring benefits to both, the American and world economy.

To conclude, it is worth referring to Warner Max Corden’s renowned argument that there should be one rule in economic practice: as much free trade as it is possible and (only) as much protectionism as it is necessary.⁴⁸

References

- “Asia Is Taking the Lead in Promoting Free Trade”, *The Economist*, 24.01.2018, <https://www.economist.com/asia/2018/01/24/asia-is-taking-the-lead-in-promoting-free-trade> [accessed: 10.02.2018].
- Annex II – List of Suspended Provisions, http://fta.miti.gov.my/miti/resources/Media%20Release/ANNEX_II_List_of_Suspended_Provisions.pdf [accessed: 5.02.2018].
- Bhagwati J., Greenaway D., Panagariya A., “Trading Preferentially: Theory and Policy”, *The Economic Journal* 1998, Vol. 108, No. 449, p. 1128–1148.
- Clinton H., “America’s Pacific Century”, U.S. Department of State, 10.10.2011, <https://2009-2017.state.gov/secretary/20092013clinton/rm/2011/11/176999.htm> [accessed: 28.01.2018].
- Comprehensive And Progressive Agreement For Trans-Pacific Partnership, Annex I – Outline of the TPP 11 Agreement, http://fta.miti.gov.my/miti/resources/Media%20Release/Annex_I_Outline_of_Agreement.pdf [accessed: 5.02.2018].
- Corden W.M., *International Trade Theory and Policy: Selected Essays of W.M. Corden*, London 1992.

⁴⁷ N. Smith, “All 11 TPP Countries Agree On a Huge Deal in Japan”, *The National Business Review*, 24.01.2018, <https://www.nbr.co.nz/article/all-11-cptpp-countries-agree-huge-deal-japan-ns-211857> [accessed: 15.02.2018].

⁴⁸ W.M. Corden, *International Trade Theory and Policy: Selected Essays of W.M. Corden*, London 1992, p. 297.

- CPTPP vs TPP, New Zealand Ministry of Foreign Affairs and Trade, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/cptpp/tpp-and-cptpp-the-differences-explained> [accessed: 10.02.2018].
- Dembik Ch., „Ameryka i protekcjonizm na pierwszym miejscu”, *Rzeczpospolita*, 1.02.2017, <https://www.rp.pl/Opinie/170209893-Ameryka-i-protekcjonizm-na-pierwszym-miejscu.html> [accessed: 10.02.2018].
- Donnan Sh., Harding R., Odell M., „Trans-Pacific Trade Deal to Go Ahead Without US”, *Financial Times*, 23.01.2018, <https://www.ft.com/content/7a10d70a-0031-11e8-9650-9c0ad2d7c5b5> [accessed: 30.01.2018].
- European Commission, „EU–Japan Economic Partnership Agreement”, http://ec.europa.eu/trade/policy/in-focus/eu-japan-economic-partnership-agreement/index_en.htm [accessed: 10.02.2018].
- Lakatos C., Maliszewska M., Ohnsorge F., Petri P., Plummer M., *Potential Macroeconomic Implications of the Trans-Pacific Partnership*, World Bank Global Economic Prospects, January 2016.
- Majchrowska E., „New Trends in the Global Trade: TPP – Pivot to Asia?”, *Research Papers of Wrocław University of Economics* 2014, No. 370: *Redefinition of the Role of Asia-Pacific Region in the Global Economy*, eds. B. Drelich-Skulska, A.H. Jankowiak, S. Mazurek, pp. 153–163.
- Majchrowska E., „Odrodzenie się tendencji protekcjonistycznych w handlu światowym jako następstwo światowego kryzysu gospodarczego”, [in:] *Gospodarka światowa w XXI wieku. Współczesne uwarunkowania i wyzwania*, ed. M. Czermińska, Kraków 2015, pp. 11–29.
- Majchrowska E., *Wpływ członkostwa w WTO na handel zagraniczny Chin. Implikacje dla gospodarki światowej*, Kraków 2014.
- Members and Observers, WTO, https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm [accessed: 6.02.2018].
- Pramuk J., „Read President Trump’s Full Remarks On the Trade Deals”, *CNBC*, 26.01.2018, <https://www.cnn.com/2018/01/26/president-trumps-full-remarks-on-nafta-tpp-in-cnn-interview.html> [accessed: 20.02.2018].
- Rahn W., „China May Not Be the EU’s Answer to US Protectionism”, *DW*, 17.03.2017, <http://www.dw.com/en/china-may-not-be-the-eus-answer-to-us-protectionism/a-37999849> [accessed: 26.02.2018].
- Regional Trade Agreements. Facts and Figures, WTO, https://www.wto.org/english/tratop_e/region_e/regfac_e.htm [accessed: 6.02.2018].
- Smith N., „All 11 TPP Countries Agree On a Huge Deal in Japan”, *The National Business Review*, 24.01.2018, <https://www.nbr.co.nz/article/all-11-cptpp-countries-agree-huge-deal-japan-ns-211857> [accessed: 15.02.2018].
- “TPP Full Text”, Office of the United States Trade Representative, <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-full-text> [accessed: 10.02.2018].
- “Trade, Partnership and Politics”, *The Economist*, 24.08.2013, <https://www.economist.com/asia/2013/08/24/trade-partnership-and-politics> [accessed: 10.02.2018].
- Trans-Pacific Partnership (TPP), Office of the United States Trade Representative, <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership> [accessed: 30.01.2018].

- Trans-Pacific Partnership Agreement (TPP) & Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Malaysia's Free Trade Agreements, <https://fta.miti.gov.my/index.php/pages/view/71> [accessed: 30.01.2018].
- Trans-Pacific Partnership Ministerial Statement, http://fta.miti.gov.my/miti/resources/Media%20Release/TPP_Ministerial_Statement_10112017.pdf [accessed: 2.02.2018].
- Trans-Pacific Strategic Economic Partnership (P4), New Zealand Ministry of Foreign Affairs and Trade, <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/p4/> [accessed: 30.01.2018].
- “Trump: NAFTA Is Worst Trade Deal Ever Signed”, Bloomberg, 27.09.2016, <https://www.bloomberg.com/news/videos/2016-09-27/trump-nafta-is-worst-trade-deal-ever-signed> [accessed: 20.02.2018].
- White House, “Presidential Executive Order on Buy American and Hire American”, 18.04.2017, <https://www.whitehouse.gov/presidential-actions/presidential-executive-order-buy-american-hire-american/> [accessed: 28.01.2018].
- White House, “Presidential Memorandum Regarding Withdrawal of the United States from the Trans-Pacific Partnership Negotiations and Agreement”, 23.01.2017, <https://www.whitehouse.gov/presidential-actions/presidential-memorandum-regarding-withdrawal-united-states-trans-pacific-partnership-negotiations-agreement> [accessed: 30.01.2018].
- WTO OMC, *Report on G20 Trade Measures*, 9.11.2017, https://www.wto.org/english/news_e/news17_e/g20_wto_report_november17_e.pdf [accessed: 15.01.2018].

Promując wolny handel w regionie Azji-Pacyfiku – CPTPP jako odpowiedź na protekcjonizm Trumpa

Dynamiczne zmiany zachodzące w strukturze gospodarki światowej znajdują swoje odzwierciedlenie w działaniach poszczególnych państw, które – w związku z kryzysem na forum negocjacji wielostronnych – poszukują alternatywnych możliwości korzystniejszego dostępu do innych rynków. Analiza zachodzących zmian jednoznacznie wskazuje, że pojawiły się nowe trendy w handlu światowym, co przejawia się m.in. w tworzeniu kolejnych regionalnych umów handlowych (RTAs), z których mega-regionalne bloki handlowe (MRTAs) są szczególnie istotne dla gospodarki światowej. Do takich bez wątpienia należało TPP, które było negocjowane przez 12 państw o różnym poziomie rozwoju gospodarczego. W efekcie narastających działań protekcjonistycznych Trumpa, USA – członek o kluczowym znaczeniu – wycofały się z porozumienia. Biorąc jednak pod uwagę znaczenie TPP zarówno dla poszczególnych członków, jak i gospodarki światowej, pozostałych 11 państw zdecydowało o jego reaktywacji bez kluczowego partnera, uważając porozumienie za szczególną siłę napędową regionalnej integracji gospodarczej. Dlatego też wznowienie porozumienia transpacyficznego pod nazwą Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) jest tak istotne zarówno z punktu widzenia jego uczestników, regionu Azji Pacyfiku, jak i gospodarki światowej. Od sukcesu tej umowy może bowiem zależeć, kto będzie decydował o regulach handlu w regionie, a w nawet gospodarce globalnej.

Słowa kluczowe: Azja-Pacyfik, CPTPP, TPP, polityka handlowa, protekcjonizm

Promoting Free Trade in Asia-Pacific – CPTPP as an Answer to Trump’s Protectionism

Dynamic changes occurring in the structure of world economy are reflected in the activities of particular countries which, owing to the multilateral negotiations stalemate, have been searching for alternative opportunities to access other markets. The analysis of the transformations which have taken place clearly indicates that new trends in world trade have emerged, which is manifested, among other things, by concluding new RTAs, among which the mega-regional trade blocs (MRTAs) are of paramount importance to world economy. This certainly included the TPP, which had been subject to negotiations by 12 countries at various levels of economic development. As a result of the increasingly protectionist measures taken by President Trump, the U.S., which had been a key player of the TPP, withdrew from the agreement. However, taking into account the significance of the TPP, both for its individual members, as well as world economy, the remaining 11 members decided to reactivate the agreement without its key partner since it is collectively regarded as the driving force for the regional economic integration. Thus, the resumption of the transpacific trade deal under the name Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is pivotal from the perspective of its member states, the Asia-Pacific region, as well as world economy. It is particularly important since the success of the agreement will determine who will be deciding on the rules of trade not only in the region but even in global economy.

Key words: Asia-Pacific, CPTPP, TPP, trade policy, protectionism