

Report: “TPP or RCEP?” – 28th EAF Seminar

This report is written by Danny Jeon and Fabian Kozielski, researchers at Hanns Seidel Foundation Korea. This report is based on the seminar and Prof. Aggarwal’s presentation.

The 28th EAF Seminar “TPP or RCEP?” took place on Thursday, July 10th 2014 at East Asia Foundation in Seoul, South Korea. The East Asia Foundation was established as a non-profit organization officially registered with the Ministry of Foreign Affairs and Trade of the Republic of Korea since 2005. It strives to promote peace and prosperity in East Asia by providing an open and creative forum for human and knowledge networking, the exchange of ideas and policy on regional cooperation and integration, and the formation of a viable regional identity.

The seminar was attended by many guests, including National Assemblywoman Choo Mi-Ae, a representative from Vietnam Embassy, Professor Moon Chung-In of Political Science at Yonsei University, Seoul, former National Assemblyman Lee Bu-young, and other participants from Australia and Norway. After a short lunch, the seminar started with opening remarks by Moderator Prof. Moon, introducing Professor Aggarwal for the main presentation.

Prof. Aggarwal is currently a professor of Political Science at UC Berkeley & Director of Berkeley Asia Pacific Economic Cooperation Study Center (BASC). Prof. Aggarwal is a life time member of the Council on Foreign Relations and founding member of the U.S. Asia Pacific Council and consults regularly with governments and multinational corporations on strategy, trade policy, and international negotiations. He began his presentation on Trans Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP). His presentation was composed of four main parts: Trade Agreements in Asia and Pacific, Mega Free Trade Agreements and Zones, Asia-Pacific Economic Cooperation (APEC)/Free Trade Agreement of the Asia and Pacific (FTAAP), and the future prospect of the US-led TPP and China-led RCEP.

Prof. Aggarwal’s presentation dealt deeply with the recent developments of Free Trade Agreements in Asia. He stated that the East-Asia region was generally under-institutionalized due to its heavy interest in stimulating nascent, domestic industries for import substitution industrialization. He added that many of the recent developments in trade agreements started as a direct result of the Asian Financial Crisis in the mid-1990s. With the Asian Financial Crisis and United States’ push for free trade negotiations in the region, numerous bilateral negotiations between countries transpired at a rapid pace, leading to current status of multiple and complex trade agreements among nations in the Asia Pacific. These complex bilateral free trade agreements in the region led to another problem known as the “noodle bowl effect,” which multiple layers of free trade agreements lead to conflicting policies and inefficiency during trade. To address this “noodle bowl effect”, Prof. Aggarwal stated that mega-free trade zones like TPP, RCEP, APEC, ASEAN+6, and FTAAP are taking into shape.

Then he continued with his presentation on the various specifications of policy differences among countries that make the TPP or RCEP formulation difficult. For example, Japan’s strong subsidies on agriculture, China’s refusal to adopt copyrights rules, and Laos’ effort to protect its nascent industries are some of the biggest obstacles in implementing mega-sized free trade zones in the Asia-Pacific region. In addition, Prof. Aggarwal presented statements made by APEC supporter Mr. Bregsten, who argues that APEC will prevent exclusions on

Asian economic zone, mitigate US-China relations, and create strong APEC institutions. Prof. Aggarwal then counter argued Bregsten's argument saying that APEC would not be successful due to the region's desire to form its special economic zones like the European Union (EU), US's unemployment rate that would avoid APEC commitment, and that APEC's weak institutional organization.

Prof. Aggarwal then concluded the presentation with the possibility of merging TPP and RCEP into one large free trade zone under a broad FTAAP framework. He stated that although many differences in standards and regulations exist between China led RCEP and US led TPP, two agreements can be nested under FTAAP to mend the differences in order to formulate one large trade zone. To back his argument, Prof. Aggarwal presented the case study of European Union and European Free Trade Association, which successfully merged Eastern European countries to the systems and regulations of EU to create a large European economic zone.

After the presentation, the seminar moderator Prof. Moon opened the floor for questions and comments. Prof. Moon argued against Prof. Aggarwal's view on the possibility of merging of TPP and RCEP, as these free trade agreements involve not only economic conditions but also political conditions. He argued that China and US merging the system is unlikely, as China and United States are becoming tense over both the economic and military control of the Asia-Pacific region. Prof. Moon further stated that Xi Jinping's recent visit to Korea that stimulated Korea's consideration of participating in China-led Asian Infrastructure Investment Bank and Korea-China Free Trade Agreements is a sign of China's effort to undermine United States' effort on expanding TPP.

Former National Assemblyman Lee Bu-Young commented that TPP would be a beneficial opportunity for South Korea to further penetrate the US market and other markets in the Asia-Pacific. However, National Assemblywoman Choo Mi-Ae opposed former Assemblyman Lee's support for TPP, as the free trade agreements would devastate South Korea's farmers, agriculture, fisheries, and small firms. Assemblywoman Choo further added that such free trade agreements are usually designed to benefit large corporations.

After listening to Assemblywoman Choo's comment, Prof. Aggarwal stated that numerous free trade agreements are faced with the local and domestic challenges, and South Korea is not an exception, especially being protective about rice farming. He stated that South Korea should participate in TPP and establish an effective system to distribute the wealth to individuals who are associated with businesses that are harmed by the free trade agreements.