The first academic debate on one of today’s most relevant international trade issues, Asia-Pacific’s Mega Agreements, is the result of an objective of the Academic Forum of the Latin America – Asia Pacific Observatory established at the first academic seminar in November 2013.

1. Proposal for Debate

Trade agreements negotiated at the international level during the past few years acquired new characteristics in terms of the formats for negotiation and their economic and commercial impact. Such is the case of the documents called Mega Agreements that involve actors from Asia Pacific and from Latin America.

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1. Paper by Ignacio Bartesaghi, Coordinator of the Latin America – Asia Pacific Observatory. It should be noted that the considerations of the referred Coordinator, as well as those by the participating academicians at the debate do not reflect, nor are they binding upon, the opinion of the three entities that comprise the Latin America – Asia Pacific Observatory (ALADI, CAF and CEPAL).

This agreement category includes the renowned **Trans-Pacific Partnership** (TPP), at present the most commented on the media due to the advances made in negotiations (19 Rounds to this date), the profound treatment of issues sought (disciplines negotiated), and as a result of the countries participating in it (new countries have been joining the negotiating process).

Equally important are negotiations at the **Regional Comprehensive Economic Partnership** (RCEP), involving a significant number of economies from Asia Pacific, as well as the meetings that have taken place as part of the **Asia Pacific Economic Cooperation** (APEC) process, despite some difficulties encountered in the latest advances in this case.

Likewise, the **Association of Southeast Asian Nations** (ASEAN) is now facing a double challenge with the objective of attaining an Economic Community for the year 2015, in addition to its external negotiations, representing a risk for its role as regional articulator, given the significant number of bilateral and multilateral agreements in addition to the ASEAN + 1 agreements and negotiations between block members.

A noticeably characteristic in the negotiations mentioned is their lack of information, resulting detrimental against the assessment of the possible impact of these agreements on the various economies that comprise the two regions, which is expected to be of significance.

In this regard, the case of the TPP is particularly noticeably, since it is known to negotiate aspects relative to a variety of issues such as access to markets, services, Customs procedures, telecommunications, State acquisitions, investments, intellectual property, environmental regulations, and financial services, among other aspects of great significance for the two regions. Of the 19 Commercial Rounds held so far, the outcome is practically unknown. This is the reason why the Academic Forum of the Latin America - Asia Pacific Observatory deemed it convenient for members to have a
discussion regarding the Mega Agreements, for which purpose the following questions are suggested as guidelines:

- Within a context lacking information on the scope of negotiations implied by all Mega Agreements, how could the academic community approach the study of such negotiations?

- Given the obvious geopolitical component of the above-referred negotiations, has the identification of such agreements’ actual economic and commercial impact not been put in the back burner?

- What are the risks of an eventual opposition between two of the most significant Mega Agreements so far?, particularly the TPP and the RCEP, since these two negotiations are led by two world powers.

- In the event of negotiations coming to a close, particularly the more profound ones like the TPP, what would be the impact of such results upon the multilateral trade system and on the development of ASEAN as a referential integration process for the Asia Pacific region?
2. Contributions by Academicians

- Mega-agreements and Geopolitics

One of the features mostly pointed out by the academic participants at the debate relates to the significance, in geopolitical terms, of the so-called “Mega Agreements of Asia Pacific”. This is particularly important given the actors promoting some of the most significant negotiations, such as the TPP or the RCEP. Actually, these Mega Agreements would be reflecting the “re-balances” of global power and indicating the presence of “two different ways of organizing industrial production”. The political impact of the agreements of reference is probably one of the most evident aspects shared by the participating academicians.

The significance attributed to the political impact relates to the two main actors of today’s international geopolitics, the U.S.A. and China, whose respective economies have been granted a highly privileged consideration in the promotion of both initiatives. The U.S.A. as leader of the TPP and China, to a lesser extent, in the RCEP. Concerning initiatives, the U.S.A.’s turning into the leading negotiator in the TPP is brought into question if the current Administration does not accept the TPA, while in the case of China and the RCEP, there are opinions challenging the actual leadership of this country in such negotiations.

3 The contributions by the following academicians and entities is highly appreciated: Mariano Bullón (Cuba), International Business and Integration Office (Uruguay), Vinicio Sandi Meza (Costa Rica), Shintiro Hamanaka from the Asian Development Bank (Philippines), Latin American Studies Center on China (Chile), Xulio Ríos from the Chinese Politics Observatory (Spain), Alonso P. Ferrando (Argentina), Mia Mikic (Thailand), Evelyn S. Davadson (Malaysia), Roberto Hernández Hernández (Mexico), Juan José Ramírez Bonilla (Mexico), Sergio Cesarín (Argentina) and Haibin NIU (China).

The Coordinator of the Latin America – Asia Pacific Observatory is fully responsible for the construction of the comments made by the referred academicians and entities, and such construction does not reflect nor bind the opinion of the debate’s participants. The original comments by the participating academicians are available at:

The differences existing between the respective processes have also been commented from a geopolitical perspective, particularly in what regards negotiation methods and integrational philosophy, where the TPP is viewed as a less flexible agreement in what concerns the reserves allowed for defending national interests. As opposed to other negotiations in process, such as the RCEP, the TPP is considered instrument for empowering the geopolitical interests of the U.S.A. for imposing a counterweight for Chinese interests in the region, with the deployment of a strategy that seeks “a balance between security and economy”.

Within this analytical framework, we should also recall China’s stand, as well as that of other regional powers in some territorial conflicts (China Sea), given the strong diplomatic cross fires occurred, which might have an effect upon the regular course of negotiations of the RCEP, affecting Chinese interests in the region.

The political significance of Mega Agreements relates not only to the relations between the two main powers (U.S.A. and China), but also to the relations that these powers hold with other regional powers like Japan, the Korean Republic and India, all of which are directly or indirectly involved in the negotiations.

➤ Mega-agreements and the WTO

The numerous bilateral and regional trade agreements subscribed during the past decade might be a cause for the weakening multilateral system. Even when the outcome of the Bali Ministerial Meeting are a breath of fresh air for the WTO’s Doha Round, Mega Agreement negotiations subject the multilateral system to the new challenge of a more profound multilateral agenda by way of such agreements and the loss of incentives for ongoing negotiations at the multilateral level.
It is natural for the bilateral or multilateral advances in the multilateral agenda to affect specifically the economies that are not part of the negotiations, for the multilateral trade system guarantees the inclusion of the less developed economies, which do not have the chance for an easy integration in the Mega Agreements phenomenon. The general opinion is that Mega Agreements do not pursue the same interests as the WTO, and they are considered a direct competitor of the multilateral system.

On the other hand, some academicians believe that Mega Agreements could be advantageous for the multilateral system, as they could make the agenda oriented at new trade regulations more dynamic, which would otherwise not be treated in the multilateral context.

- **Economic impact of agreements**

Further to the noted political significance of negotiations, the comments made do not ignore the economic impact that those agreements would have upon the economies of the two regions, in spite of the absence of agreement regarding the characteristics of such effects (considered positive or negative by different members).

However there is still agreement on the idea that the current format proposed by the TPP would imply a protectionist system to benefit mainly the interests of the U.S.A. over the interest of the other countries participating in the negotiations. Opposed to this, the RCEP is viewed as a more balanced agreement that relates to other central integration processes in Asia Pacific like the ASEAN. Its stipulations are seen as less aggressive and flexible in relation to the TPP.

Beyond the asymmetries considered above, the impact of trade agreements of such nature should include the viewpoint of “economic and commercial interdependence”, and more particularly the one existing between the U.S.A. and China, or the latter’s with Japan. This approach enables the hypothesis that U.S.A.’s and China’s interests
are closer than we would think, and this reality could lead to asserting that Mega Agreements are not necessarily competitive with one another, at least in the economic aspect.

Within this context, we should point out the challenge lying ahead for the economies that are not part of the negotiating process, and especially the cases of less developed economies. In fact, these could be excluded from the so-called “new economy” promoted by productive chains. Also the degree pursued by the agreements and the participation in international trade by some of the members are an alert on the possible global impact that would reach an unprecedented magnitude in the international scene.

Also, we should consider that not all Latin American countries are on the same baseline for facing this kind of negotiations. And this affects not only the outcome of the negotiating process but also, and particularly, the benefits further to the implementation of the agreement (internal agenda). By way of example, the different degrees in the level of trade with Asia Pacific of each country considered, the internal regulatory development (particularly concerning the so-called “new issues”), the maturity of productive structures and professional negotiating teams, among other differences that increase the negative effects on this kind of negotiations. In order to mitigate such differences, the cooperation aspects play a central role in the case of less developed countries.

Also, in what concerns the differences on the positions for approaching the negotiations, some academicians made positive comments regarding the Pacific Alliance, regardless of its initial stage, since its member countries are actively participating in international negotiations with countries from Asia Pacific. This agreement is also considered as geopolitically significant considering how it relates to the TPP, and more particularly to the interest of the U.S.A.
The inclusion of the Pacific Alliance in the analysis by some academicians could be reflecting an underlying role played by this new integration process in the generation of shared positions concerning relations with Asia Pacific, which up to now have included an endless number of bilateral strategies, not necessarily integrated with subregional or regional interests.

> Are mega-agreements closed?

Partly due to the political significance of Asia Pacific’s Mega Agreements, academicians consider that one of the features of the negotiating format is the low degree of open negotiations. Such philosophy, contrary to regionalism, will have an effect especially on the less developed economies, while it contradicts the integration spirit that Asia Pacific has adhered to in recent years (such as, for instance, the ASEAN’s perfecting process).

There is a need, particularly in the case of the TPP, for opening the debate as well as the participation of other national actors. The absence of information regarding the progress of negotiations has led to doubts and opposition in relation to the expected impact, and this hinders a positive perspective in viewing these negotiations.

All agree on considering that, at least the TPP, though including most of the countries in Asia Pacific, is currently disconnected from the other regional initiatives of that region, particularly due to the non-inclusion of China, a country with a strategic geographical position. This seems to be a central aspect in the analysis, since the exclusion of China generates tension between nations that were undergoing a more flexible integration process. We should not forget the fact that China has already defined its trade preferences with several countries that are part of the TPP, and such preferences were negotiated within bilateral and regional initiatives (ASEAN). Also, the future of the RCEP appears to be depending on the progress of ASEAN, not only in
what concerns its internal enhancement process (Economic Community), but also in relation to how the network of regional trade agreements is managed.

The RCEP is seen as an agreement allowing for a more gradual and flexible liberalization and as a mechanism more openly prone to including developing countries which could, through this agreement, become part of the value chains that are being implemented in Asia Pacific as a result of China’s initiatives.

Among the outstanding aspects resulting from the contributions by specialists, we should mention the fact that the APEC was not considered in the analysis, even when it was included as part of the guidelines for the debate. This could be an evidence of how the TPP and RCEP initiatives have led the focus towards the new negotiating formats since they show a greater dynamism at Commercial Rounds, as well as an evident national interest by some members in what regards the APEC.

➢ What role does the academy play?

Even when the lack of information is one of the central issues, it does not prevent us from implementing impact assessments in order to be alert regarding the results of these negotiations upon national economies. Furthermore, the quality of national statistics of the countries involved in the negotiations represents an even greater obstacle than the lack of public information to pursue academic studies of this nature.

The academy also has the possibility of interaction amongst academicians, particularly between the two regions, allowing for access to reliable information for assessing the progress of negotiations. In what concerns the academy, the standing of Asian academicians is to be highlighted, even in their role as active participants in the negotiations, showing a clear difference in relation to the involvement of the Latin American academy in this sense.
The academy’s position in what regards the subject matter is evident in the outcome of the first debate of the Academic Forum, for the contributions made show different views that in addition to providing a variety of quality information for better understanding of the negotiation scenarios under analysis, and also allow for the communication to the public of the concerns of experts from the two regions, all of which might be of use for decision makers involved in the negotiating process.