

RTA Exchange News Digest

Vol. 2 May 2016

The month of May has been an intense one for trade agreements. [The TTIP](#) signature remains uncertain with some documents leaked by Greenpeace bursting in critics against some of the draft agreement's provisions. While it is being decided whether or not to sign the TTIP, another agreement already signed – [the TPP](#) – is coming across serious opposition and uncertainty, especially in the upcoming presidential elections in the US. Yet, expectations are rising for [the Brexit](#) referendum outcome, speculating on whether quitting the EU would be beneficial or rather negative for the United Kingdom.

Meanwhile, some of [the TISA](#) negotiations annexes have also been leaked, while China, for its part, is advocating for the [RCEP](#) negotiations to enhance its influence in the region, while the [Mercosur](#) countries expressed their intention to revive trade negotiations with the EU.

The G7 summit confirmed the commitment of the participating countries to advance the negotiations of the [EU-Japan Economic Partnership Agreement](#), and last but not the least, [EFTA and Mexico](#) leaders began a comprehensive review of their existing FTA.

TTIP – VULNERABILITY IN THE LIGHT OF “LEAKS” AND INCREASED CRITICISM

About 250 pages of the TTIP classified internal negotiations documents leaked by Greenpeace at the beginning of May 2016, probably drew the highest attention to the TTIP since the starting of the negotiations two (three years ago). According to these “leaked” documents, various aspects of the TTIP being discussed by the European Union and the U.S. should be of serious concern for consumers and the environment. Greenpeace outlined four specific areas of concern, underlying that long-standing environmental protections appear to be dropped and that climate protection will be harder under the new trade deal. Greenpeace Netherlands posted the documents on its website, and said that they include about half of the draft text as of April 2016, prior to the start of the latest round of trade negotiations which took place in New York from 25 to 29 April 2016. [“Trade should not be excluded from climate action. But nothing indicating climate protection can be found in the obtained texts.”](#) Greenpeace said in a news release.

The European Union and the United States immediately rejected Greenpeace claims, [arguing that the leaked documents do not reflect the final deal](#). EU Trade Commissioner Cecilia Malmstrom rejected many of the accusations, saying the documents only show the differing negotiating positions of the EU and the US, not a final agreement. She considered the alarmist accusations to be nothing else than a storm in a teacup, whereas a US trade representative called the leaks “misleading at best and flat out wrong at worst.”

In general, the antitrade sentiment is rising on both sides of the Atlantic. In the US, presidential candidates have demonstrated that opposition to trade deals can appeal to voters in both parties. In

Europe, many consider that the [TTIP is a Trojan horse](#) that would enable powerful US corporations to bully European governments into eroding safety and environmental standards across the EU. European critics of the deal say that the leaked Greenpeace documents show that the TTIP would replace the EU's "precautionary principle" – which can put the onus on manufacturers of a product to prove it's not dangerous – with a more corporate-friendly US standard. They also charge that the deal would allow US companies to sue European governments in international courts, depriving European lawmakers and courts of their say.



Source - www.thelocal.fr

Adding heat to the TTIP critics, French President Francois Hollande threatened to reject the TTIP "at this stage" because his country opposes "unregulated free trade." [The French comments reflect deep suspicion in Europe that the deal will erode ecological and health regulations to the advantage of big business.](#) Washington and Brussels want the mega-regional deal completed this year, before US President Barack Obama leaves office. Following the comments from French officials, the Obama administration has

reaffirmed it is optimistic about concluding the trade deal despite differences in positions in the ongoing negotiations.

At the same time, German Agriculture Minister Christian Schmidt added to the controversy on the TTIP by claiming the United States is not willing to make ["any serious concessions"](#). He said US negotiators were mistaken if they believe they can lure Germans with concessions in the automotive sector. Even in Austria, which according to [the World Trade Institute's report](#) on the economic assessment of the TTIP, will be among the most obvious TTIP beneficiaries, the two main presidential candidates [are doubting the TTIP](#) and intend to call on consultations.

If negativism about the TTIP around Europe wasn't already huge, the situation was made worse by [some protests against the TTIP took place in Spain](#). Unlike its other European allies, Spain had remained relatively neutral regarding the TTIP until recently. The protests took place in various cities in Spain, and the main issue has been the "geographical indications", with agriculture industry representatives among the most preoccupied about the consequences of the trade deal. Greenpeace activists even [climbed Madrid's Kio Towers](#) to hang a poster against the TTIP negotiations.

Meanwhile, it has been announced that the European Commission President Jean-Claude Juncker will ask EU leaders [to reconfirm their commitment to the TTIP at the European Council in late June](#). Juncker believes "the time has come to ask heads of state and governments of the European Union to have a new discussion on where we are and where we want to get with these negotiations." Despite all this, Chancellor Angela Merkel provided some political support to the TTIP, [making it clear](#) that "she will do everything possible to negotiate the transatlantic agreement this year".

To try to counter all this criticism, the European Commission published [a report](#) detailing the progress achieved during the 13th round of TTIP talks, which took place in late April 2016. The report shows that negotiators made good progress in all three pillars of the negotiations, namely i) better access to markets for EU and US firms, ii) simplifying technical regulations without lowering

standards and iii) global rules of trade, including sustainable development, labour and the environment and a dedicated chapter for smaller firms (SMEs).

The EU Commission also published the [proposal for cooperation in the pharmaceuticals sector](#) submitted to the US during this round of negotiations, which aims to help regulators work more closely together to achieve better efficiency and thereby deliver benefits for patients. The cooperation would take place in three main areas: co-ordinating inspections of pharmaceutical facilities to avoid unnecessary duplication, reducing the need for medicines to undergo duplicate approval processes in both the EU and the US, and supporting each other's work on developing regulations in new areas which could lead to faster and cheaper approval of medicines. The proposal clearly states that both the EU and the US reserve the full right to regulate to achieve public policy objectives and protect human and animal health, and the environment.

TPP - GETTING THROUGH



Source - *The Washington Post*

President Barack Obama is advocating Congressional approval of the TPP as soon as possible. As he put it: “The world has changed. The rules are changing with it. [The United States, not countries like China, should write them.](#) Let’s seize this opportunity, pass the Trans-Pacific Partnership and make sure America isn’t holding the bag, but holding the pen...the Asia-Pacific region will continue its economic integration, with or without the United States. We can lead that process, or we can sit on the side lines and watch prosperity pass us by.”

As the debate on the TPP ratification in the US is getting hotter, President Obama remains ["confident"](#) that his country’s Congress will be able to ratify the sweeping 12-country trade deal, even as election politics and public debate continue to pose questions on the agreement’s actual prospects going forward. “The reason I’m confident is because it’s the right thing to do. It’s good for the country. It’s good for America. It’s good for the region. It’s good for the world,” Barack Obama told reporters in Vietnam. Later, Obama also affirmed that not only does he expect the deal will be approved, but that the objective remains to secure congressional sign-off in 2016, his final full year in office. Obama has touted the deal as being a key component of Washington’s “pivot to Asia,” as well as being an essential step to ensuring that the US remains at the forefront of global trade rule-making.

A review of the ratification process in all TPP countries offers mixed results. To see the status of TPP ratification in all signatory countries see [the attached table](#).

Unlike the common opinion of the United States as being an initiator of the TPP negotiations, the US actually joined the TPP talks in 2009 and the agreement then became an essential element of the Obama administration’s ‘Asia Pivot’. Barack Obama even has labelled the TPP as the key factor in deciding whether Beijing or Washington will shape the future of the Asia Pacific region. Meanwhile, China has a grandiose initiative of its own, [the One Belt, One Road \(OBOR\) plan](#), which aims to integrate Asia, Africa and Europe through deepened diplomatic, commercial and financial

cooperation, as well as improved infrastructural development for 'global connectivity'. The OBOR plan could easily be seen as a rival agenda to the US' Pivot to Asia strategy, in which the TPP plays a central role. Given the commercial interdependence of China and the United States, and their national commitments to economic growth, the TPP and OBOR are likely to be drawn under a common scheme for mutually assured prosperity. In such a scheme, cooperative growth will matter more than the political ideologies of the past.

WILL THE TPP AND OBOR CHALLENGE ASEAN CENTRALITY?

In attempting to place participating countries in a common economic and developmental framework, both the TPP and OBOR are often conceptualised as [instances of 'regionalism'](#). But, as currently constituted, neither truly adheres to the conventional usage or current practices of regional agreements. Washington's general position in the TPP negotiations has been that regional cooperation should proceed not from a commitment to a pre-set idea of the region, but from a set of common functional interests. Thus, the TPP may best be conceptualised in terms of individual, participating states united by a common agenda. In this sense, the TPP may be more plurilateral than it is regional.



Source - www.eastasiaforum.org

The OBOR plan, in contrast, is more typically 'regional' in its starting points as it engages more directly with already existing regions and sub-regions. In proposing to connect China and its border regions to all parts of Asia, the Baltics and the Mediterranean, eastern Africa and the 'developed European circle', OBOR may be less regional than it is inter-regional or pan-continental. This becomes apparent when considering the many, tailored-to-region and tailored-to-state initiatives that constitute the OBOR plan.

But not only do the TPP and OBOR challenge each other's organising principles, they also have the potential to reorder Asia in ways that would make ASEAN and its concerns less central - both initiatives face different challenges in circumventing ASEAN centrality. In both the TPP and OBOR, ASEAN still has an influential role to play. Collectively, ASEAN remains an important audience for both initiatives. Maritime Southeast Asia may also be especially important to the realisation of China's Maritime Silk Road strategy. ASEAN states can use this leverage to expand their efforts to direct Washington and Beijing's engagement.

TO BREXIT OR NOT TO BREXIT

A more immediate concern is related to the referendum on whether the United Kingdom should remain in the European Union, which will take place in just a few weeks. Europe's Trade Commissioner Cecilia Malmstrom was quoted recently in strongly pleading with Britons not to leave the EU by saying literally ["We want them, we love them, we need them and we hope that they love and want us as well."](#) Complimenting her declaration of love with a business approach, she promised to take a tough line on China's steel exports by looking closely at the decision whether or

not to designate China as a “market economy” thus making it harder for the EU to challenge Chinese dumping of cheap goods on the European market. China argues that it was promised this designation in 2001, when it joined the WTO, but Malmstrom has noted that even if China was officially designated as a market economy, the EU would make sure it had "robust" instruments to ensure Beijing trades fairly.



Source - The Guardian

Nile Gardiner, a former aide to British Prime Minister Margaret Thatcher, now working at the conservative Heritage Foundation [named three main reasons for a Brexit](#) - first, the outpouring of regulations from Brussels compromising Britain’s sovereignty, and the fact that the European Court of Justice can overrule British courts on some issues; second, the EU’s liberal migration rules which may expose Britain to terrorists or overburden its welfare system; and third, the costs the EU imposes on Britain, which include its annual

contribution to the EU budget plus the costs of regulations.

Meanwhile, Brexit is regarded by a Washington Post journalist Robert J. Samuelson as an [‘absurdity’ and an ‘act of national insanity’](#) which would weaken the UK economy, one of Europe’s strongest. The main reason is the fact that the EU absorbs 44 % of Britain’s exports, which might suffer because trade barriers, now virtually non-existent between the U.K. and other EU Members, would probably rise.

Pascal Lamy, a former WTO Director-General joined the debate by saying that EU leaders will fear that anti-Europe parties in their own backyard will get momentum from Brexit. Lamy thinks that there is a real risk that the UK would have to fall back on WTO rules and this would be [a terrible replacement for access to the EU single market](#). Any ambitious UK-EU deal will need to be ratified in 27 legislatures as well as the European parliament. Lamy guesses that it might take between five to fifteen years, during which British firms will face an uncertain future, and it is very unlikely that the UK would be a more prosperous place, in his opinion.

Echoing Lamy, but being even tougher in his precautions, the WTO acting Director-General Roberto Azevedo said [Britain would be forced to renegotiate trade deals with all 161 WTO members](#) in an unprecedented move that would be akin to joining from scratch. The impact of new tariffs in overseas markets would also be a burden for UK businesses, adding a further £5.5bn to the costs of trade. “The consumer in the UK will have to pay those duties,” Azevedo said. “The UK is not in a position to decide ‘I’m not charging duties here’. That is impossible. That is illegal.”

Coinciding with the international trade professionals, the National Institute for Economic and Social Research, one of the Britain’s most prominent think tanks based in London, said in its report that [the UK economy could be 3.2% smaller by 2030](#) if it left the EU and traded with the rest of the world under the WTO rules.

Other strong views against Brexit came from the IMF, OECD, the UK Treasury and the Bank of England, whose reports emphasize the significant costs that Brexit would impose on the UK

economy. The IMF even came up with an opinion that Brexit would not only bring substantial negative effects to the British economy, but also would constitute [an important risk for the whole world economy](#).

Yet, some of the proponents of Brexit argue that it would enable the UK to become a more dynamic economy, which would develop stronger relationships with countries beyond Europe, citing Singapore as an example. However, the foundation for Singapore's international economic and political engagement is ASEAN in general, and Asia more broadly. This regional engagement is a complement to, not a substitute for, Singapore's global network of trading and investing relationships. In the opinion of David Skilling, the director of a Singapore-based economic research and advisory firm, [Brexit is not a far-sighted, flexible, Singapore-style strategic diplomacy but rather a step backwards from international economic integration](#).

Being in line with most of opinions, G7 leaders claimed Brexit would pose a serious risk to global growth, the topic widely discussed during the G7 summit held in Japan on May 26-27, 2016. "There are potential shocks of a non-economic origin," the leaders said in a declaration issued during the summit, considering that [the UK exit from the EU would reverse the trend towards greater global trade and investment](#), and the jobs they create, and is a further serious risk to growth.

The former mayor of London and one of the most prominent Brexit supporters, Boris Johnson went as far as comparing the EU's actions and policy with those of [Adolf Hitler and Napoleon Bonaparte](#). "The claims made for the single market are looking [increasingly fraudulent](#)," Mr. Johnson said attacking warnings that an exit from the EU would be "catastrophic" for the UK economy.

Meanwhile, The Economist magazine has produced [an interactive poll-tracker](#), which can be used to find out what a weighted average of the main polls reveals about public opinion towards Brexit. As for the moment 43% think Britain will leave the EU, 42% have a contra-opinion, and 12% do not really know. But it is not until June 23, the day of the referendum, barely two weeks from now, that we'll know for sure which predictions were right.

MERCOSUR AND THE EU – MOVING FORWARD AGAIN

In mid-May, for the first time in 12 years, Mercosur and the EU met in Brussels to exchange concrete proposals on a proposed free trade agreement between the two regions [in a quick meeting of technical teams](#) to discuss the possible agreement.

The expectations of Mercosur negotiations with the EU grew after last December when [Mauricio Macri – a centre-right leader seeking to reinsert Argentina into the world economy](#) — took over as president, replacing Cristina Fernandez de Kirchner, who strongly opposed the EU-Mercosur deal. On top of that, this month, centre-right and pro-trade Michel Temer displaced centre-left Brazilian President Dilma Rousseff, who was suspended for 180 days by Congress over alleged budget irregularities.

OTHER RTAs NEWS

Another "leak" in the world of trade negotiations happened when WikiLeaks released draft texts of three previously unpublished cross-cutting annexes to the proposed Trade in Services Agreement (TISA) – disciplines on the way governments can regulate State-Owned Enterprises, Professional

Services and New Provisions Applicable to All Services. The documents, along with the analysis, highlight the way that [TISA responds to major corporate lobbies' desire to deregulate services](#), even beyond existing WTO rules, mainly exposing their aim to use TISA to further limit the public interest regulatory capacity of democratically elected governments by imposing disciplines on domestic issues from government purchasing and immigration to licensing and certification standards for professionals and business operations, not to mention the regulatory process itself.



Source - www.euroaktiv.com

On another development, Bulgaria and Romania will find it very difficult to ratify the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada because of the refusal by Ottawa to lift the visa requirement for their nationals, considering it to be [a discriminating treatment to their citizens](#), based on unclear and changing criteria, and have proposed that the trade pact be postponed. Instead of issuing a delegated act and introducing visas for Canadian nationals travelling to the EU,

the Commission sent the issue to be debated in the Council and the European Parliament. “We are disappointed by the way chosen by the European Commission to proceed further with the reciprocity mechanism. We expect the Commission to implement the relevant provisions and regulations, thus safeguarding the EU Treaties and their fundamental principles of equality and non-discrimination for all European citizens” – wrote the ambassadors of Bulgaria and Romania.

Countries like China, India, Indonesia and other developing countries in Asia, although in principle are willing to join the TPP, will have trouble doing so in the foreseeable future. That is why trade talks are growing now in Asia, with negotiations between ASEAN and the Regional Comprehensive Economic Partnership (RCEP). The negotiations were initiated by ASEAN in response to the TPP and are designed [to leverage more value out of the existing five ASEAN FTAs](#) with some RCEP countries, which include China, India, South Korea, Australia and New Zealand. An ambitious and high quality RCEP/ASEAN agreement can help to integrate the entire Asia Pacific region and to balance trade and investment diversion from TPP.

At the same time, G7 leaders have agreed, at the margins of their summit in Japan, to instruct their respective negotiators to accelerate the negotiations on the Japan-EU Economic Partnership Agreement (EPA) / Free Trade Agreement (FTA) and [reaffirm their strong commitment](#) to reach agreement in principle as early as possible in 2016.

While some are trying to accelerate the trade negotiations for future trade deals, others commit to reviewing their existing agreements. Delegations from the EFTA countries – Norway, Switzerland, Iceland and Liechtenstein - and Mexico met this month in Geneva for their first round of negotiations on [a comprehensive review](#) of the existing FTA between these countries.