

Book Review

The Trans-Pacific Partnership and the Path to Free Trade in Asia-Pacific

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Edward Elgar Publishing

The Trans-Pacific Partnership (TPP) was signed by 12 signatories in October, 2015. Even after a decade-long negotiation process, its effectiveness still rests on the domestic politics of the United States (US) and other international dynamics. This book views the TPP from various angles, i.e., geopolitics between China and the US, Taiwan's accession to the TPP, and sector-specific liberalization under the TPP such as agriculture, pharmaceuticals, services, and intellectual property protections. It is a useful guide for those who would like to understand regionalism in the Asia-Pacific region from the general to the particular with a historical context.

There is no doubt that the Western Pacific region has vital strategic interests for China and the US, such as the territorial disputes in the East China Sea, South China Sea, and the North Korean issues since 1950. With all the disputes and unpleasant encounters in military affairs, trade agreements are relatively civilized expressions for intense international relations, that is, inclusion versus exclusion of countries and deepening versus enlarging of specific issues. China anchors the Regional Comprehensive Economic Partnership (RCEP) and the Asian Infrastructure Investment Bank (AIIB), whereas the US shifts toward the Asian Pivot and the TPP, which compose the salient features of the G-2 power competition in the 21st century.

Based on geopolitics, trade policy inevitably stands at the intersection of a nation's diplomatic and security strategies and its comprehensive economic goals. Inevitably, economic interests and the ego of sovereign states reflected on political leaders are entangled. This book has long-term views on the RCEP, the TPP, and their paths toward a region-wide free trade area; however, the value of this volume

lies in setting out the current web of strategic interests and the intersection of geopolitics and economic effects, rather than wishful prospects for a remote future.

Given the US presidential election in November 2016, the vagaries will at least partly materialize by the time this review is published in the *Journal of Economic Integration* (December 2016). The TPP is the latest version of the US post-war world order in the Asia-Pacific region. From the Chinese perspective, however, it could be construed as a containment policy. Some chapters are fully devoted to this relation while other chapters focus on the what-if experiments detached from political reality, thus offering help for cool-headed negotiations.

In the context of an expansion of the TPP membership base, a number of chapters in this book examine the format and the direct as well as spillover effects from Taiwan's TPP accession, starting from membership nomenclature for this vibrant economy. When Taiwan joined Asia Pacific Economic Cooperation (APEC), it was under the name "Chinese Taipei." However, Taiwan was not able to host APEC meetings, whereas China joined APEC as a sovereign state. By and large, contributors conclude that Taiwan is the natural trading partner of the US and that Taiwan's accession would be beneficial to most members of the TPP. Japan and the US make the greatest economic welfare gains, Vietnam and Malaysia make moderate gains, and Canada and Chile make negligible gains. From the viewpoints of countries that are currently excluded from the TPP, China, the European Union, Korea, India, and other APEC economies will incur a loss.

A number of chapters mention services trade. The liberalization of services trade is a crucial ingredient of the TPP and the members of the TPP agreed to the negative list arrangements. Contributors perceive the nature of services trade as follows: (1) the trade in services is intertwined with socio-culture factors; thus, liberalization may involve the dismantling of domestic regulatory regimes among trading partners; (2) modern services, compared with traditional services, are able to create more employment with higher wage rates.

In that sense, structural reforms in Asian countries are said to be facilitated by the liberalization of services trade. This book has a quantitative analysis, i.e., the potential income redistribution effects from changing prices in services under the TPP are measured using a specific-factors model for various labor skills of each country.

Considering China's fast-growing agricultural economy, one chapter in this book analyzes the inclusion of China in the TPP, which naturally creates trade diversion

in agriculture among TPP members and non-members, while creating benefits for consumers participating in the TPP. Regarding pharmaceuticals, finding out the optimal Intellectual Property (IP) rights regime is the key issue. The US is keen to expand IP protection for branded patented drugs; however, this possibly collides with much nobler goal, i.e., the United Nations' Millennium Development Goals and Sustainable Development Goals for poverty reduction. For example, charging lower prices in developing countries requires market segmentation that results in an undersupply of drugs to poorer countries. For this, policies like licensing to guarantee access to necessary drugs on an affordable basis are required. This book sheds lights on this gray area and allows readers to contemplate what future-oriented regionalism should be.

The book also emphasizes that the IP Chapter of the TPP should honor public health and food safety to ensure that the rights of disadvantaged people in the developing world are not diminished. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) has served as the standard for protection and enforcement since the mid-1990s; thus any TPP provisions that propose stronger IP protections are considered "TRIPS-plus" provisions. This book proposes "transparency" that is the way of enforcing balances between private and public interests in intellectual property under the TPP. Before the TPP is hailed as the new model for a 21st century trade agreement, constructive discussions could spawn emotional and intellectual interactions in the Asia-Pacific Region.

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