

## **Mega Regional Free Trade Agreements: Potential Game Changers for Global Fresh Produce**

Since the 1990s, there has been a significant increase in the number of free trade agreements (FTAs) occurring. These trade agreements facilitate trade by removing barriers such as tariffs, taxes and other regulations. As a result, total global exports of agricultural products have grown to approximately US\$1.8 trillion as of 2013 (Euromonitor).

There are a few major regional FTAs or economic blocks currently in play that could reshape world trade rules for the 21st century. These include the Trans-Pacific Partnership, ASEAN Economic Community (AEC), Free Trade Area of the Asia Pacific (FTAAP), and Transatlantic Trade Investment Partnership.

Here are some key highlights about these current agreements:

- **Mega regional**  
FTAs have been on the rise for decades and have taken many forms – bilateral, local, within regions, and across regions. There is a new trend towards mega regional agreements, which aim to streamline trading even further. Additionally, for geopolitical motivations, these large scale agreements are among many countries of different sizes and different levels of development.
- **Asia Pacific is a key focus area**  
The Asia Pacific region is a key growth area, both economically and as a consumption market with a growing middle class. Between the ASEAN block, Trans-Pacific Partnership and the proposed Free Trade Area of the Asia Pacific, many agreements and key stakeholders are vying for access to liberalize trade in this sought-after region.
- **Africa not included**  
The key agreements under negotiation do not include African countries. Stakeholders in the current FTAs under negotiation, including the EU and U.S. are key markets for African producers. Implications for Africa may include diversifying their market opportunities.

### **The Trans-Pacific Partnership (TPP)**

The TPP is a regional trade agreement between **12 countries in the Asia-Pacific and Americas regions including Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New**



**Zealand, Peru, Singapore, the United States and Vietnam.** It is the largest trade deal to be negotiated to date and will liberalize trade among economies of varying size and growth in Asia Pacific.

China is not included in the TPP. China's absence could create leverage for the United States and Japan, larger economies in the TPP, and potentially undermine China's leading role in the Asia Pacific.

As of October 2014, with the exception of Japan, all countries in the partnership have committed to eliminate or phase out their tariffs on everything, including agricultural exports. Japan refuses to eliminate its tariffs on several agricultural imports. Negotiations are expected to conclude soon.

The 12 major economies of TPP have a combined population of 798 million and 38% of total global GDP. The Asia Pacific region will account for over 65% of the world's fresh food consumption in 2016 (Euromonitor). Two of the top producing fresh produce countries in the world, the United States and Mexico are part of this agreement.

## **Association of South East Asian Nations (ASEAN): Economic Community and FTA's**

The Association of South East Asian Nations (ASEAN) is a free-trade association in the Asia Pacific region between **10 members - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.** This was originally established in 1992 and helped exports from the region grow by +567% in real terms between 1992 and 2012. Presently, this group is aiming to create an EU-style economic community by 2015, the ASEAN Economic Community (AEC), to create a single market and production base.

ASEAN members offer opportunity with growing consumer markets:

- Combined population of 615 million
- Total GDP of US\$2.4 trillion in 2013
- GDP growth +56.5% 2008-2013, averaging +9% annually

"Given the association's unique mix of frontier economies and more mature emerging markets, the association has a burgeoning middle class whose consumption levels will be a key driver of this growth." (Euromonitor). Indonesia, Philippines, and Vietnam are among leading growth markets for fresh food globally, posting double digit consumption growth 2010-2015.

ASEAN's impending Economic Community could impact fresh produce trade globally. Malaysia and Singapore are the world's leading fresh citrus exporters and Singapore is among the world's top fresh vegetable exporters (Euromonitor, 2014). And as of 2012, Indonesia was the fifth largest producer of fresh fruit worldwide (FAOSTAT 2013). Additionally, the ASEAN block poses competition for China with FDI from other countries. As China is the largest producer of fruits and vegetables globally, this could shift future growth prospects.



ASEAN currently has six key FTA's with Australia, China, India, Japan, New Zealand, and South Korea. And there is talk of creating a single FTA between these six countries and ASEAN, a more interconnected trade deal within a trade deal (Euromonitor). In addition, ASEAN is currently negotiating a free trade agreement with the EU.

### **The Free Trade Area of the Asia Pacific (FTAAP)**

Work on FTAAP is just beginning as of November 2014 and a study into its feasibility could last two years. Backed by China, the proposal is among the 21-nation Asia-Pacific Economic Cooperation (APEC) members.

APEC, which includes the United States, China, Japan, South Korea, Indonesia and Canada, groups countries which account for 40 percent of the world's population, 54 percent of its economic output and 44 percent of trade.

As China is not included in the Trans-Pacific Partnership trade agreement, some see FTAPP as China's way to protect its leadership in the Asia Pacific.

### **Transatlantic Trade Investment Partnership (TTIP)**

TTIP negotiations, scheduled for completion in 2014, are intended to create a transatlantic marketplace between 28 European Union member states and the USA. Agriculture is included in the negotiations.

According to a World Economic Forum report, TTIP is "focusing on trade liberalization and behind-the-border and other non-tariff barriers, as well as seeking a "high standards" approach to alignment, compatibility and possible harmonization of regulations." (WEF "Mega-regional Trade Agreements" 2014).

The US and EU are two of the largest markets for fresh fruits and vegetables worldwide.