

Trade Liberalization and Culture:

The effects of culture on the implementation and success of free trade agreements,
as well as the future of the Trans-Pacific Partnership.

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Abstract

Trade Liberalization and Culture: The effects of culture on the implementation and success of Free Trade Agreements, as well as the future of the Trans-Pacific Partnership (TPP).

How does the culture of a nation affect its ability to negotiate a successful free trade agreement? Many times these agreements fail to pass legislation because of issues that can't be resolved between the leaders of two or more countries. This is due not only to the fact that leaders face many political pressures, but they also make decisions based on their own culturally acceptable values and norms. A clash of cultures may ultimately lead to the failure of a proposed free trade agreement, while culturally similar nations often become very successful in their regional free trade agreements. This study examines the relationship between culture and trade, and includes examples of free trade agreements that have been directly affected by culture. Specifically, it seeks to identify the cultural challenges that the Trans-Pacific Partnership countries will face in securing their own multilateral free trade agreement. Through semi-formal interviews, the analysis reveals that the countries involved in the negotiations still face many difficulties before the TPP can be passed.

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Introduction

Globalization has evolved rapidly since the 1970s. As a result, the relationships between different cultures, people and economic activities have become more complex and intertwined. This has led to increased business transactions across borders, and to governments liberalizing trade by lowering trade barriers. According to Thomas Friedman in *The World is Flat*, “The global competitive playing field [is] being leveled. The world [is] being flattened” (Friedman, Kindle location 186-202). Countries are now able to compete for products and services from around the world, and are negotiating more frequently for mutually beneficial free trade agreements. However, culture can become a major factor in the success or failure of an agreement. Many times these trade agreements fail to pass legislation because of issues that can’t be resolved between the leaders of two or more countries. This is due not only to the fact that leaders face many political pressures, but they also make decisions based on their own culturally acceptable values and norms. A current free trade agreement in progress is the Trans-Pacific Partnership between the countries of the Asia-Pacific Economic Cooperation. This agreement could create a significant benefit for countries on both sides of the Pacific. However, the countries involved have very different cultures and will encounter many difficulties along the way. It is important to study the effects of culture on trading relationships like these in order to better understand how cultural barriers might be overcome in the future to ensure the success of such free trade agreements.

Globalization refers to the increasing relationships between culture, people, and economic activity across borders. This is due in large part to increased communications, trade of goods and services, and ease of travel. People from all around the world are now able to communicate and trade much more easily than in the past. The term globalization has become an

“umbrella label for a wide array of trends intensifying interactions across national boundaries” (Nelson, page 3). In *The World is Flat*, Mr. Friedman writes that globalization “affects everything from individual empowerment to culture to how hierarchical institutions operate” (Kindle location 99-105). Therefore, it is almost impossible to live in today’s world without encountering the effects of globalization, from the common food that people eat to the mass produced goods that are used around the world every day. The globalization phenomenon then led to the term trade liberalization, which refers to a country’s efforts to reduce trade barriers and allow free flow of goods and investments. Trade liberalization policies that open an economy to trade and investment are now necessary in order for a country to actively compete in the globalized world. Thus, globalization and trade liberalization are terms that are inextricably linked in a world where people, goods, and services can move freely without significant barriers.

The term culture refers to the relationship between shared practices and values among a group of people. Practices are the acts or way things are done in a culture, while values are beliefs about the way things should be done. The culture in a nation informs its people how to behave and what to believe. It is something that develops over time and it is a shared experience. The previously defined globalization has led to an increased awareness of cultural similarities and differences between nations. As interactions across borders increase, cultural factors present more opportunities and challenges to those conducting business. As a result, an enormous amount of research has been conducted in order to examine the cultural differences between nations, such as the Global Leadership and Organizational Behavior Effective Research Program or GLOBE study. This research project studied the major attributes of cultures, as well as global leader behaviors from sixty-two different societies from around the world. This study will be

used later in this paper to help examine the differences between the Trans-Pacific Partnership nations.

Culture can also be divided into two levels, societal and organizational. Societal culture consists of “commonly experienced language, ideological belief systems, ethnic heritage, and history” (House & Javidan, page 15). Organizational culture refers to the “practices of entities such as families, schools, work organizations, economic and legal systems, and political institutions” (House & Javidan, page 16). While examining the effects of culture on trade agreements, the organizational culture of a nation will have the most effect on the way economic policies are implemented. However, societal culture will always be the main underlying motivator to how leaders in a nation will behave towards other country leaders in their negotiations. The shared culture within a nation influences the way that it interacts with other countries.

This paper is structured as follows. First, the existing literature on the relationship between culture and trade will be reviewed. This will include examples of free trade agreements that have been directly affected by culture, both negatively and positively. Second, an in depth analysis will be conducted of the proposed Trans-Pacific Partnership free trade agreement between the countries of the Asia-Pacific Economic Cooperation (APEC). The culture of each TPP country will also be studied along with its potential impact on the outcome of the agreement. Finally, empirical research findings will be presented in order to illustrate the importance of culture on free trade agreements. Subsequently, a conclusion will be reached on the future of the Trans-Pacific Partnership.

Literature Review

A connection has been found between culturally similar nations and increased trading activity. Two countries that have very similar beliefs and values often have the same economic goals, and are more easily able to communicate across borders. A recent article in *The Economist* noted that, “Cultural ties matter in business because they lower transaction costs... [and] cultural affinity supercharges communication” (“The Power of Tribes”, 2012). This is important because it shows that countries that are culturally similar have an advantage when it comes to negotiating a free trade agreement. One of these advantages may be a similar language, which often leads to more cross-border collaboration. On the other hand, countries that are very different culturally, will encounter many more challenges in their dealings. If the leaders of these nations that hold very different cultural values can understand their differences, and also learn how to deal with them effectively, they will be better able to compete in the ever globalizing world.

An important effect of cultural differences can be seen in the recent Doha Development Round negotiations of the World Trade Organization (WTO). The Doha Round is the latest round of trade negotiations among WTO members who wish achieve major reform of the international trading system through lower trade barriers and revised trade rules. The goal of the Doha Round has been “to enable developing countries to secure a share in the growth of world trade commensurate with the needs of their economic development” (“What is the Doha Round?” 2012). Developing countries have struggled to meet the trade regulations put forth by the WTO. One of the specific issues amended for developing countries was under the Trade-Related Aspects of Intellectual Property Rights or TRIPS agreement. The TRIPS agreement which gave WTO members minimum standards for intellectual property rights, gave special provisions for developing countries to allow them extra time to meet the requirements. In the

Doha rounds, a special declaration on the TRIPS agreement was passed to allow “developing countries with no or insufficient pharmaceutical manufacturing capacity to access alternative supplies of medicines in the event of a public health crisis” (Health and Intellectual Property). This was seen as a necessary step in order to allow poorer countries access to medicines that they were unable to produce themselves. The amendment included safeguards to ensure that export compulsory licensing was used only as originally intended for public health purposes and not to achieve industrial or commercial goals. However, disputes began to arise when Thailand attempted to use the new rules to circumvent pharmaceutical patent laws and boost their supplies of cheap medicine (Health and Intellectual Property). Policy makers in both Europe and the United States felt that the Thai case did not fall within the terms of the new TRIPS amendment, while the Thai government stated that the generic medicines were necessary to treat AIDS patients. Supporters on both sides of the debate argued over the legitimacy of the new TRIPS rules and how they should be correctly enforced. As a result, pharmaceutical patent issues were a highly contested issue in the Doha Rounds between those developed countries who wished to protect the interests of the pharmaceutical companies who held the patents, and the developing countries who wished to have access to cheaper medicines.

The Doha Rounds encountered many additional hurdles during its eleven years of negotiations. The talks have been characterized by “persistent differences among the United States, the European Union, and developing countries on major issues, such as agriculture, industrial tariffs and non-tariff barriers, services, and trade remedies” (Fergusson, 2011). Developing countries, who were seeking access to agricultural markets in developed countries, came up against strong opposition from developed economies like the United States and Europe who wished to maintain some level of agricultural subsidies to protect their domestic market.

This proved to be a very difficult barrier to overcome, and agriculture has been described as the “linchpin” of the Doha Development Agenda (Fergusson, 2011). While some progress was made, negotiators from the developed and developing countries held very different views about special and differential treatment. U.S. negotiators in particular felt that additional domestic subsidy concessions “must be met with increased offers of market access” (Fergusson, 2011). These debates characterize the lack of progress and persistent challenges that have plagued the Doha Agenda since 2001. With 153 member countries involved, who must agree on every initiative to be passed, there has always been an opposing argument that has presented itself and blocked progress.

The Doha negotiations have since stalled without further progress because some of the leaders involved have refused to change certain terms that they believe would have a negative impact on their own countries. There is “a clear political gap which is not bridgeable” (“Dead Man Talking”, 2011). The leaders have been unable to overcome such a gap because they feel the risks of such an agreement to be too high. This has been referred to as, “culture-based risk aversion”, which is due to the fact that countries have very different risk tolerance levels (Muller, 2003). When a large number of nations come together on a global level, their different risk tolerance levels can be seen much more clearly. Due to this reason, some experts say that regional trade agreements between smaller groups of nations are much easier to negotiate. The *Financial Times* urged the WTO to focus on narrower projects, rather than “persisting with negotiations whose failure is leaching credibility from the very principle of multilateralism” (Fergusson, 2011). The Doha Rounds have shown that cultural differences can be a much larger problem in multilateral trade negotiations. This could also indicate that regional or bilateral trade agreements are much more capable of succeeding.

In addition to the Doha Round example, culture-based risk aversion can also be found in the argument between the United States and Europe over the trade of genetically engineered crops. This argument began because certain countries in Europe have an aversion to genetically modified (GM) food. While there has been “no definitive evidence of harm from GM foods”, specific European countries don’t want to take the risk of consuming such experimental food products (Muller, 2003). For them it is not about what they do know about the products, but about what they don’t know. It is simply a fear of the unknown. In fact, the European Union has passed legislation called the “precautionary principle” that may be invoked when it is believed that a food product may have a dangerous effect on its people (The Precautionary Principle, 2011). This principle may be used even when the risk can’t be determined with “sufficient certainty” (The Precautionary Principle, 2011). The Food and Drug Administration in the United States on the other hand, allows the production and sale of genetically engineered food, and are currently not enforcing any rules about the labeling of the products. The European Union however feels that it is better to be overly cautious and to not allow these foods to be imported. It appears that Europeans have a much higher level of culture-based risk aversion. It is possible from this, and the previous Doha example of cultural risk aversion, to conclude that culture will have an impact on the future of global trade. An article in *The Globalist* confirms this by saying that, “the ripple effects of cultural biases are endangering global trade” (Muller, 2003). In today’s ever globalizing world, countries will continue to struggle with their cultural differences, and in some cases culture will prevent certain economic goals from occurring.

An example of a failed bilateral free trade agreement between two culturally different nations can be found in the proposed bilateral agreement between the United States and Malaysia. The negotiations for this agreement began in 2006. The proposed free trade agreement

held many benefits for both the United States and Malaysia. The U.S. listed four major reasons for pursuing the agreement: “to create new opportunities for U.S. manufacturers, farmers, and service providers; to strengthen U.S. competitiveness and generate high-paying jobs; to strengthen U.S. economic partnerships in the region; and to advance broader U.S. strategic goals” (Martin, 2009). The United States has continuously pursued bilateral and regional free trade agreements as part of its economic foreign policy. These types of free trade agreements allow the U.S. to “demand higher standards and deeper liberalization commitments than those negotiated at the World Trade Organization (WTO)” (Santiago). Additionally, it’s much easier for the U.S. to pursue these agreements on their own, especially after the previously mentioned collapse of the recent Doha Development Round. As a result, the United States decided to pursue more bilateral agreements where it held more control over the terms of the agreement.

In Malaysia, the Ministry of International Trade also listed four major reasons for pursuing a free trade agreement with the United States. These four goals were to: “seek better market access for Malaysian goods and services; further facilitate and promote bilateral trade and investment flows as well as economic development; enhance the competitiveness of Malaysian producers and exporters through collaboration; and build capacity in specific targeted areas through technological cooperation” (Martin, 2009). Both Malaysia and the U.S. saw the enormous opportunity available in developing a free trade agreement. This was due in large part to the fact that in 2006 Malaysia exports to the U.S. totaled \$36.5 million (Foreign Trade - U.S. Trade with Malaysia). A bilateral free trade agreement would boost these exports and increase U.S. imports and foreign investment in Malaysia.

The proposed U.S.-Malaysia Free Trade Agreement, however, ran into several stumbling blocks. Eight rounds of negotiations were held from 2006 to 2008. The ninth round of talks was

postponed until after the inauguration of President Barack Obama, and since the postponement, Malaysia has suspended all negotiations. In addition, the negotiations failed to meet the United States' July 1, 2007 expiration of the Trade Promotion Act. This act allowed the president to "fast track" trade agreements to Congress for an "up-or-down vote" without allowing them any additional amendments (Heng, 2007). There were also many other reasons behind the failure of the agreement, and the major "sticking point" appeared to be Malaysia's "government procurement policies, which give preferential treatment for certain types of Malaysian-owned companies" (Martin, 2009). This is a cultural aspect of Malaysian government, which has historically only pursued policies that would directly benefit the ethnic Malays in the country. This is due to the fact that the Malays have remained in the lower class of society while the Chinese are primarily of the middle and upper class. Malaysia's population currently consists of about 50% ethnic Malays, 24% Chinese, 11% indigenous people, and 7% Indians ("Malaysia." *CIA-World Factbook*). The wide income gap between the racial classes has led to a lot of cultural tensions in the country. As a result the Malaysian government, which is also ruled by a majority of ethnic Malays, has consistently sought policies targeted at achieving racial equality.

Along with Malaysia's economic policies, the U.S. cited several other reasons blocking the agreement. These included "market access for U.S. companies into Malaysia's services sectors, provisions for intellectual property rights protection, and market access for U.S. exports of automobiles and agricultural crops" (Martin, 2009). In the financial services sector, Malaysia limits foreign ownership to "30% of commercial banks and 49% of investment banks (Martin, 2009). Malaysia originally attempted to keep financial services out of the agreement, but eventually agreed to lift some requirements, such as foreign banks having a certain percentage of their credit from local banks. However, the recent financial crisis in the United States has

increased Malaysia's concerns in these areas and this further blocked any progress. Many U.S. exporters were also concerned about intellectual property rights in Malaysia. Malaysia has recently tightened its laws on intellectual property rights, and attempted to step up enforcement efforts, but problems in the country still exist. An area of particular concern is in pharmaceutical patents. The U.S. wants tighter controls on the use of compulsory licensing, while Malaysia fears that these stricter controls could discourage pharmaceutical companies from introducing new drugs. There is also the concern that the new U.S. mandated restrictions would make medicines too expensive in Malaysia. In the automobile industry, Malaysia has long protected its domestic producers from foreign competition with the use of high tariffs and non-tariff trade barriers, including tax rebates to national car companies. These same types of controls have been in place for Malaysia's agricultural industry. Malay negotiators have insisted that rice be considered a "strategic crop" and not be included in the free trade agreement, along with any other products where they felt the need to protect domestic producers (Martin, 2009). As previously mentioned, all of these economic policies were put in place to protect the ethnic Malay business owners in the country and to alleviate any racial tensions between ethnic classes.

Malaysia had several of its own concerns over the proposed U.S.-Malaysia Free Trade Agreement, and interest groups in Malaysia were applying significant pressure on the Malaysian government to terminate their negotiations with the U.S. The most powerful of these interest groups was an organization representing Malaysia's small and medium-sized enterprises (SMEs) which claimed that the proposed agreement would do "irreparable harm to thousands of Malaysia's SMEs" (Martin, 2009). These small and medium sized businesses are primarily owned by ethnic Malays, which would lose some of the protection previously afforded to them by the government's protectionist policies. Since the votes of these Malays were extremely

important to the ruling Malay dominated political party, the debate became much more political in nature. Finally, the negotiations were further complicated by the United States' support for Israel's military operations in Gaza. Malaysia's Minister of International Trade and Industry, Muhyiddin Yassin, said that trade talks with the U.S. were being stopped because of the U.S. support to "Israel's cruelty to Palestinian people" (Martin, 2009). As a Muslim nation, Malaysia has always supported the struggle of the Palestinian people for freedom from Israeli oppression. This cultural belief was a major stumbling block for Malaysian leaders, and they were unable to see the benefit of the free trade agreement over their strong Muslim beliefs.

Malaysia and the United States also have very different approaches to negotiating free trade agreements. Malaysia has previously negotiated all of its free trade agreements using the "positive list" format, which is the method used by the WTO (Heng, 2007). This type of agreement only incorporates those items that are on the list, while all other items not specifically mentioned are automatically excluded from the agreement. Meanwhile, the United States has negotiated all of its agreements using the "negative list" format (Heng, 2007). This allows for all items to be fully liberalized in the free trade agreement unless it is specifically listed and excluded. This presented Malaysia with a lot of unknowns, and a fear of missing something that they did not want to be included in the agreement. This also shows that Malaysia is much more culturally risk averse than the U.S. The Malaysian government officials preferred to have much more control over all sectors of its economy so that it would be able to protect certain industries. Malay representatives were very worried of missing key items that needed to be specifically addressed. These different approaches led to many additional disagreements among negotiators.

After the collapse of the U.S.-Malaysia bilateral trade talks, the trading activity between the two nations took a dramatic hit. As previously mentioned, Malaysian exports to the United

States were approximately \$36.5 million in 2006, and this number immediately began to deteriorate to a low of \$25.7 million in 2011 (Foreign Trade - U.S. Trade with Malaysia). This declining trading economy could have directly resulted from the failed free trade agreement with the United States, which could have had a positive impact on their imports and exports. The declining numbers could also be a result in a shift of global supply chains, which may be causing goods to now travel through other countries on their way to the United States. For example, because of new free trade agreements between China and Malaysia, as well as NAFTA (North America Free Trade Agreement) a product might now go from China through Malaysia to Mexico and then onto the United States. The proposed U.S.-Malaysia free trade agreement would have allowed Malaysia direct access to the enormous market in the United States and allowed them to become much more competitive on a global scale.

While Malaysia was unsuccessful in securing a free trade agreement with the United States, it has been very successful in its free trade agreements through the Association of Southeast Asian Nations or ASEAN. Malaysia was a founding member of ASEAN in 1967, along with Indonesia, Thailand, Singapore, and the Philippines (ASEAN and Economic Cooperation in the Asia-Pacific Region, 2008). These neighboring nations have many of the same cultural aspects. The original goal of the association was to enhance stability and prosperity in the region. The ASEAN Declaration lists “social progress and cultural development in the region through joint endeavors” as its primary purpose (Overview, *Association of Southeast Asian Nations*). ASEAN formed the ASEAN Free Trade Area (AFTA) in 1992. The member countries saw this as a necessary step to compete with the European Union and the North American Free Trade Agreement. The AFTA included the original five founding countries along with a new member, Brunei. The ASEAN nations knew that they had to “counter the trade-bargaining power

of the developed countries by setting up its own regional group” (Yean, page 178). Additionally, its primary purpose was to allow ASEAN countries to be more competitive through the lowering of tariffs and non-tariff barriers among its members. The ASEAN Free Trade Agreement had a very positive effect on the region. ASEAN exports were valued at US \$380.2 billion in 2002, and intra-ASEAN trade for the first two quarters of 2003 registered an increase of 4.2 and 1.6 percent for exports and imports respectively (Overview, *The Official Website of the Association of Southeast Asian Nations*). Furthermore, The United States, the European Union and Japan were ASEAN’s largest export markets (Overview, *The Official Website of the Association of Southeast Asian Nations*). AFTA marked the beginning of increased trading activity for the ASEAN countries, making them much more competitive on a global scale.

An example of a very successful bilateral trading agreement was formed back in 1983 between Australia and New Zealand. The Australia New Zealand Closer Economic Relations and Trade Agreement is one of the world’s most open and successful free trade agreements. Based on trade in goods and services in 2010-11, New Zealand was Australia’s seventh largest market, taking 34.4% of exports and providing the eighth largest source of imports ("Australia - New Zealand Closer Economic Relations Trade Agreement"). Australia was also New Zealand’s principle trading partner during 2010, providing 18.2% of its merchandise imports and taking 23% of its exports ("Australia - New Zealand Closer Economic Relations Trade Agreement"). This is due in large part to the two nations close proximity to one another, both geographically and culturally. More recently the World Trade Organization has noted that the Australia New Zealand trade agreement is "recognized as the world's most comprehensive, effective and multilaterally compatible free trade agreement" (Grant, 2003). As a result, the agreement is now celebrating 20 years of success.

In summary, there are many different cultural variables that will affect the outcome of free trade negotiations. Most importantly, a country's level of culture-based risk aversion will directly affect the level of risk that the country is comfortable with in the new free trade agreement. Two countries that are on opposite sides of the risk aversion scale, will encounter many more challenges in their dealings. There are also cultural factors in each nation, such as language, religion, and ethnicity that will place a large amount of influence on the leaders of the country and the types of policies that they implement. These leaders might also be familiar with either a positive or negative list format in their trade negotiations, depending on their tolerance for uncertainty. Major culture attributes such as uncertainty avoidance, future orientation, institutional collectivism, and assertiveness are described in detail by the GLOBE study. The next part of this paper will examine the details of the Trans-Pacific Partnership free trade agreement and the cultural attributes of the countries involved in the negotiations.

Trans-Pacific Partnership (TPP)

Since the failure of the proposed bilateral U.S.-Malaysia free trade agreement, both countries have entered multilateral negotiations through the Trans-Pacific Partnership or TPP. The proposed TPP will include nine APEC countries: Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the United States. In addition, Canada, Japan, and Mexico have also recently expressed interest in joining the negotiations (Williams, 2012). These countries would significantly increase the benefit of the TPP free trade agreement. Four of the current TPP countries, Brunei Darussalam, Chile, New Zealand, and Singapore signed their own free trade agreement in 2006 called the Trans-Pacific Strategic Economic Agreement (TPSEP). This multilateral free trade agreement was the first to involve countries from both sides of the Pacific. It also allows any APEC country to accede to the agreement, and

since 2008 the five other countries involved have launched negotiations. President Obama announced in November 2009 the United States intention to participate in the negotiations to conclude an “ambitious, next-generation, Asia-Pacific trade agreement” (“The United States in the Trans-Pacific Partnership”). The TPP will not be an extension of the TPSEP, but aims to be a new, much more comprehensive free trade agreement. The U.S. hopes that it will become the new platform for future agreements. The TPP will be especially advantageous to the United States, whose exports to the Asia-Pacific region totaled \$775 billion in 2010 (“The United States in the Trans-Pacific Partnership”). In addition, the Asia-Pacific region is home to 40% of the world’s population, produces over 50% of global GDP, and includes some of the fastest growing economies in the world (Williams, 2012). This region has been described as one of the most dynamic and competitive in the world with an average annual GDP growth rate of 5%. It also plays a significant role in international supply chains. The Trans-Pacific Partnership would be a major free trade area and would have a great impact on global trade (see Figure 1). In addition, the proposed agreement’s ability to attract new members will greatly enhance its significance in the global arena.

Figure 1: Trade by TPP Negotiating Parties (USD millions)

APEC Member Status in TPP	Trade with World		Trade Covered		Share of Trade	
			Current TPSEP	Prospective TPP	Current TPSEP	Prospective TPP
Current TPSEP Members	2006	2009	2006	2009	2006	2009
Brunei Darussalam	9,060	9,009	1,104	2,644	12.2%	29.3%
Chile	93,190	93,454	148	16,706	0.2%	17.9%
New Zealand	48,876	50,661	1,846	19,335	3.8%	38.2%
Singapore	511,348	517,012	2,732	133,502	0.5%	25.8%
New Economies Joining TPP Negotiations	2006	2009	2006	2009	2006	2009
Australia	268,534	330,239	N/A	67,730	N/A	20.5%
Malaysia	291,146	281,262	N/A	81,370	N/A	28.9%
Peru	39,998	49,781	N/A	11,651	N/A	23.4%
United States	2,956,360	2,660,630	N/A	146,813	N/A	5.5%
Vietnam	84,717	127,045	N/A	28,868	N/A	22.7%

Source: “The Mutual Usefulness Between APEC and TPP”

The United States is the largest Trans-Pacific Partnership market in terms of both GDP and population. The majority of U.S. trade and investment flows is with Australia and Singapore, however the United States imports more from Malaysia than any other TPP country (Williams, 2012). The U.S. currently has four bilateral trade agreements in place with other TPP countries. These are with Australia, Chile, Peru, and Singapore. The United States has listed a number of objectives in pursuing the TPP agreement. These objectives include “reducing trade barriers and

increasing opportunities for U.S. trade and investment; allowing the U.S. to play a role in developing a broader platform for trade liberalization, particularly in the Asia-Pacific region; and providing the U.S. an opportunity to establish new rules on emerging trade issues” (Williams, 2012). The United States sees the TPP as a significant opportunity for it to become a major player in the flourishing Asia-Pacific market, and it sees Malaysia and Vietnam as being two significant countries in the region. It is also the only TPP country that does not have some type of trade agreement in negotiation or in place with China, and it wants to be able to compete with China’s increasing global significance. China’s imports from non-U.S. TPP countries increased from 4% to 15% between the years of 2000 to 2010 (Williams, 2012). The TPP will allow the United States to increase its own global significance in the face of Chinese competition. The TPP will also allow the U.S. to meet its National Export Initiative of “doubling exports by the end of 2014” (“Export.gov - About the NEI”). President Obama announced this initiative during his 2010 State of the Union address in order to increase job opportunities for Americans. The TPP would be a major step in meeting the administration’s trade goals, and will become the primary vehicle for U.S. trade in the future.

The Trans-Pacific Partnership nations encompass great diversity in population, economic development, and trade and investment patterns. This enormous diversity will present the nations with both opportunities and challenges in their negotiations. In addition, each country has its own dominant industries and strengths. Machinery and electrical machinery are the largest categories of both imports and exports between the United States and other TPP countries (Williams, 2012). Some of the fastest growing U.S. export categories have been mineral fuels, pharmaceutical products, precious stones and metals, and iron and steel. Australia, Chile, New Zealand, and Peru specialize in exporting agriculture and natural resources to the U.S., while Malaysia and

Singapore export primarily manufactured products, such as machinery, chemicals, and electrical machinery. Whereas Vietnam focuses on the apparel industry with over 40% its exports to the U.S. in knitted and woven apparel (Williams, 2012). The TPP will not however focus on goods alone; the negotiations will also involve trade in services, which is an important emerging trade issue. This includes trade in business services, travel and transportation, education and insurance, as well as financial services. The previously discussed proposed bilateral U.S.-Malaysia free trade agreement showed significant differences in the willingness of representatives to open their markets to financial services. These issues will again present challenges to the TPP negotiators.

The topics discussed in the Trans-Pacific Partnership will also include rules of origin, customs procedures, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, competition policy, intellectual property, temporary entry of business persons, dispute settlement, cooperation, and institutional matters (“The Mutual Usefulness Between APEC and TPP”). In addition, the agreement will address telecommunications, electronic commerce and investment, along with labor and environmental issues. The TPP member countries have undergone many rounds of talks since 2010 in order to negotiate on the large number of topics included in the agreement, and they just concluded their eleventh round of negotiations March 2-9, 2012 in Melbourne, Australia (“Trans-Pacific Partnership”). The United States has been pushing for the TPP to be completed by the end of 2012, and Australia has also named the TPP as their highest trading priority. In the “Malaysia and the Trans-Pacific Partnership (TPP): Challenges and Opportunities” briefing at American University in Washington, DC on April 13, representatives from both U.S. and Malaysia remained positive about ability of the agreement to be passed this year.

The Trans-Pacific Partnership may however encounter several conflicts. These could arise from specific country or cultural issues, as well as from free trade agreements that are already in place among its nine members. These existing free trade agreements show that the TPP members already have various degrees of tariff structures in place. This highlights different levels of openness among the nations towards free trade. The less developed members of the TPP will have even greater difficulty in moving to the zero tariff rates because their tariff levels are already higher than those in the more developed countries. In addition, agriculture will once again prove to be a big issue, in particular dairy and meat products from New Zealand. This is because dairy producers in the United States are concerned about the New Zealand dairy cooperative Fonterra, which controls 90% of their domestic market. The United States believes that Fonterra acts as a monopoly and will cause unfair competition (Fergusson & Vaughn, 2011). Beef producers in the U.S. are also concerned about the removal of import quotas on New Zealand beef.

Other issues that have proven to be sticking points in previous U.S. negotiations have been intellectual property rights, pharmaceuticals, government procurement, transparency, labor and environment. The United States has historically always sought stricter intellectual property rights than those imposed by the WTO, as well as stricter controls over pharmaceutical licensing. Government procurement and transparency was a major stumbling block in the proposed U.S.-Malaysia Free Trade Agreement and will continue to be an issue between those two countries. This again is due to Malaysia's government acting more favorably towards ethnic Malays. A majority of their government contracts are awarded to Malay business owners or in some cases even to foreign companies who pay bribes. The United States has been pushing for more transparency and an increased ability for American companies to be able to compete on

government contracts. They also want to know why one company may be selected over another. However, the Malaysian government would lose their power base if they were no longer able to put their government contracts where they wanted them. In a briefing at the U.S. Embassy in Kuala Lumpur on March 14, 2012, it was estimated that 60% of the UMNO power base subsists on government contracts. In addition to tensions between the U.S. and Malaysia, in the TPP rounds just completed in Melbourne, an article in the *Australian Financial Review* titled “US Demands May Kill Trade Pact” stated that the U.S. and Australia hit a major disagreement over the U.S.’s insistence to include “Investor-State Dispute Settlement” clauses (Kitney & Connors, 2012). These clauses would allow foreign companies to sue federal governments over policy or legal changes that hurt their businesses. Australia has long opposed this type of agreement because they see it as a threat to their country. The issue will prove to be a major stumbling block for Australian representatives who wish to preserve their own national interests.

TPP- Cultural Analysis

The previously mentioned GLOBE study will be used to identify cultural differences among five of the countries involved in the Trans-Pacific Partnership: Australia, Malaysia, New Zealand, Singapore, and the United States. Other sources will be used for the four countries not covered by GLOBE, which are Brunei, Chile, Peru, and Vietnam. The GLOBE study describes how countries score on nine major attributes of cultures: performance orientation, future orientation, cross-cultural differences in gender egalitarianism, assertiveness, institutional collectivism, in-group collectivism, power distance, humane orientation, and uncertainty avoidance. A number of these characteristics can have a significant impact on trading relationships. For example, uncertainty avoidance relates directly to the cultural risk-aversion described earlier. A country that avoids uncertainty, may decide to avoid trade policies where it

feels highly uncertain about the outcome. Also, future orientation in a society will determine its ability to focus on the long term results of the Trans-Pacific Partnership, while institutional collectivism measures the degree to which leaders encourage group loyalty. Lastly, assertiveness will determine the degree to which the countries are confrontational. Rather than describing how each country scores on all nine cultural attributes, this study will focus on these four main attributes: uncertainty avoidance, future orientation, institutional collectivism, and assertiveness. These four attributes are described as follows:

- Uncertainty avoidance: extent to which a society, organization, or group relies on established social norms, rituals, and procedures to avoid uncertainty
- Future orientation: the extent to which people engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification.
- Institutional collectivism: the degree to which an organization or society encourages institutional or societal collective action.
- Assertiveness: the degree to which people in a culture are determined assertive, confrontational, and aggressive in their social relationships.

The following is a summary of the TPP countries' scores on these scales, as well as a summary of the cultural traits present in the countries not included in GLOBE study. This summary will also include the country's score on the Corruption Perceptions Index (CPI). This index is well known for establishing a score for the perceived level of corruption in a country. It ranks the perceived level of corruption in the public sector from 0-10, with 0 being the most corrupt and 10 being the least corrupt. A low CPI score may be negatively correlated with an ability to engage in free trade with other nations.

Australia

The GLOBE study groups countries into clusters based on common factors such as language, geography, and religion. As a result, Australia, New Zealand, and the United States are grouped together in the Anglo cluster. This means that they are much more similar than the other TPP nations and share many of the same attributes. One noted difference is that Australians are not as enamored with the notion of leadership as Americans, who have a very positive correlation with leadership and consider it a very desirable characteristic (Dorfman, P. W., & House, R. J., 2004). A society that is not as enamored with leadership may be more willing to speak out against its leaders, thus having a greater voice in government actions. It would appear however, that other than their different opinions of leadership, that this Anglo cluster of nations would have fewer differences than the other TPP nations.

Australia scored above average on uncertainty avoidance in society practices. Countries that score higher on this scale show stronger resistance to change and less tolerance for breaking rules. This may be seen in the earlier mentioned disagreement between Australia and the United States, where the U.S. was pushing Australia to agree to Investor-State Dispute Settlement clauses. Australia wants to avoid any future uncertainty over the possible effect of having these items included in the TPP. Australia ranked number twenty out of sixty-one countries on future orientation (Ashkanasy, N., Gupta, V., Mayfield, M. & Trevor-Roberts, E., 2004). Their score of 4.09 is slightly higher than the average of 3.85 (Ashkanasy, N., Gupta, V., Mayfield, M. & Trevor-Roberts, E., 2004). This shows that the country is extremely focused on the future and establishing policies that promote long term success. Australia had an average score for societal institutional collectivism practices. This means that Australia does not encourage group loyalty even if individual goals suffer, and the economic system is not designed to maximize either

individual or collective interests. Finally, Australia ranked above the mean on assertiveness in society practices. Countries that score high on this measure tend to value competition, success, and progress. As previously mentioned, Australia has placed the TPP at the top of its trading priorities, and this may be because they value competition in the marketplace.

Australia was ranked by the Corruption Perceptions Index as one of the least corrupt nations in the world. Its CPI score in 2011 was 8.8 and it ranked number eight out of one hundred and eighty three countries (Corruption Perceptions Index: Transparency International). In addition, an overwhelming seventy-two percent of its people believe that the government's anti-corruption efforts have been successful (Corruption Perceptions Index: Transparency International). This score is an excellent indication of Australia's ability to successfully govern its people without resorting to acts of bribery or corruption.

Brunei Darussalam

Brunei is a small country of only 2,226 square miles that is surrounded on three sides by Malaysia on the island of Borneo in Southeast Asia (Wehner & Kleiner, 1998). This makes it smaller than the state of Delaware. Brunei's population is currently estimated at 408,786 people, with 66.3% Malay, 11.2% Chinese, 3.4% indigenous, and 19.1% other ("Brunei"). Because it is surrounded by Malaysia, there is a large Malaysian influence in the country. The official language is Malay and like Malaysia, the official religion is Islam. The country just recently gained independence from Great Britain in 1984 and has a constitutional sultanate form of government that has been ruled by the same royal family for over six centuries ("Brunei"). It benefits from extensive oil and gas fields, and has one of the highest per capita GDPs in Asia. Brunei's primary exports are crude oil, natural gas, and garments, and 45.6% of its exports go to Japan ("Brunei").

The government of Brunei provides well for its citizens, by giving them free medical care and education through the university level, as well as subsidizing rice and housing. This has created a family atmosphere in the country, which would indicate that the country would score very high on the humane orientation attribute. This would also indicate that it is a very collectivist society. The country is described as a cross between the Arab countries of the Middle East and its Asian neighbors (Wehner & Kleiner, 1998). This is because two-thirds of the population adheres to the codes of a strict Islamic lifestyle. This cultural attribute is also why it is described as much more conservative than Malaysia, which does not follow such a strict religious lifestyle. There is also a great respect in Brunei for their former British influences, which leaves them open to Western ideas and products. This creates great opportunities for American companies to introduce new industries into the country.

On the other hand, Brunei would score much lower on the assertiveness in society practices. An article on business practices in the country states that “an aggressive, action-oriented approach would probably serve to alienate rather than impress the average Bruneian” (Wehner & Kleiner, 1998). The people are very conservative and complacent, because the government has never gotten oppressively greedy but has instead chosen to share the wealth with the citizens. The population is actually so well taken care of by the government that they feel no need for any bias for action and are suffering from a lack of productivity through people. The Trans-Pacific Partnership would provide great opportunities for the country, but it is so small and unproductive, that its impact in the trade agreement will probably also be minimal.

Brunei ranked number forty-four on the Corruption Perceptions Index with a score of 5.2 (Corruption Perceptions Index: Transparency International). While this is a low score, nearly two thirds of the nations in the Index scored below a five. Corruption in government is a widespread

problem. It shows some governments failing to protect citizens from corruption, be it abuse of public resources, bribery or secretive decision-making. Transparency International warned that protests around the world often fuelled by corruption and economic instability; clearly show that citizens feel their leaders and public institutions are neither transparent nor accountable enough.

Chile

While Chile was not included in the GLOBE study, the country was studied by Geert Hofstede who conducted one of the most well-known cultural studies in the 1980s. Mr. Hofstede classified a country's cultural attitudes on five dimensions: power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, and time orientation ("ProvenModels"). While the GLOBE study used different methods to derive their cultural attributes, Hofstede's uncertainty avoidance scale was found to be positively correlated with the GLOBE's uncertainty avoidance measures. Also, Hofstede's individualism versus collectivism measures the degree of interdependence in a society, and his time orientation attribute looks at the extent to which a country possesses a future-oriented perspective. These can both be compared to the GLOBE attributes of institutional collectivism and future orientation, which are very similar.

According to the Hofstede study, Chile scored very high on the uncertainty avoidance scale. The country shows a strong need for rules and elaborate legal systems in order to structure life. Uncertainty avoidance means that a country shies away from high levels of risk, but Chile will most likely not see the TPP as a high risk agreement. It has already signed the TPSEP with Brunei, New Zealand, and Singapore, and that agreement allows for more members to join. Therefore, Chile has already endorsed a broadening of the agreement. In addition, Chile already has a bilateral free trade agreement in place with the U.S. and will not have any problems in

agreeing to the U.S.'s high level of standards. There was no time orientation score available for Chile; however it scored very low on individualism in society. This shows that it is a collective country that thinks in terms of "we". It values group relationships over individualism.

Chile scored very well on the Corruption Perceptions Index at 7.2 and number twenty-two out of one hundred and eighty-three nations (Corruption Perceptions Index: Transparency International). In addition, fifty-three percent of its population felt that its government's anti-corruption efforts had increased (Corruption Perceptions Index: Transparency International). This corresponds with its high score for uncertainty avoidance and need for rules in order to structure the country properly.

Malaysia

While the United States, Australia, and New Zealand are grouped together in the Anglo cluster of the GLOBE study, Malaysia is included in the Southern Asia cluster along with India, Indonesia, Philippines, Thailand, and Iran. According to the GLOBE, Malaysia does not have similar language, geography, or religious attributes with the four other TPP countries covered in the study. This may make it difficult for Malaysian representatives to understand the cultures of the other TPP members, and vice versa. It will be important for the leaders of the TPP countries to remember these cultural differences.

Malaysia received a high score on uncertainty avoidance. This is shown in their preference for the positive list format in trade negotiations. Malaysia also scored very high on future orientation society practices at number five out of sixty-one nations (Ashkanasy, N., Gupta, V., Mayfield, M. & Trevor-Roberts, E., 2004). Countries that score very high on future orientation tend to achieve economic success and place a higher priority on long-term success. This has definitely been true for Malaysia because it is one of the most successful countries in

Southeast Asia. This is evidenced by the fact that the nation's real gross domestic product (GDP) has grown every year from 1957 to 2005 at an average rate of 6.5% per year (Malaysia, 2012). The only year that this growth did not occur was during the Asian Financial Crisis in 1998. The country has also implemented many economic policies focused on the future of the country, such as Vision2020 released by Prime Minister Mahathir in 1991. Through the establishment of nine challenges, which incorporated social, economic, political, and cultural dimensions, P.M. Mahathir committed Malaysia to becoming a fully developed country before the year 2020. While the country is very focused on the future, its economic policies granting special privileges to ethnic Malays have prevented it from achieving certain economic goals. These affirmative action policies were one of the main reasons the proposed U.S.-Malaysia bilateral agreement failed. It appears that Malaysia has previously held this cultural value of ethnic equality above the future benefit of a free trade agreement with the United States. This will prove to be a very difficult challenge in the TPP negotiations.

Malaysia has a high score of 4.61 on societal institutional collectivism practices (Gelfand, Bhawuk, Nishii, & Bechtold, 2004). The average score was found to be 4.25. In collectivistic cultures leaders reflect cultural values of interdependence, collaboration, and self-effacement. Subsequently, Malaysia scored below the mean on assertiveness in society practices. Their score was 3.87 while the average was 4.14 (Hartog, D., 2004). This is not surprising given the fact that too much assertiveness may be felt to be a threat to internal integration. The country is very focused on fighting unfair competition with equality for all, which is evidenced by the previously mentioned affirmative action policies.

Malaysia scored 5.1 in both 2007 and 2008 on the Corruption Perceptions Index, however the country fell to a score of 4.3 in 2011 (Corruption Perceptions Index: Transparency

International). This low score is due to deficiencies in several areas of the country, including access to information and public procurement. Transparency International has been working with the government of Malaysia on ways to increase public access to information and on decreasing corruption in public procurement. They have also been working to reform questionable political financing in the country, which has long been tolerated with most citizens not knowing how political parties are being funded. All of these proposed steps to decrease corruption will be necessary for the future of the country. Additionally, these fraudulent practices are a direct result of the government interventionist policies previously enacted. Along with dismantling these out-of-date policies in order to increase trade and investment, these actions will allow Malaysia to be seen as more of a democracy and a competitive global player.

New Zealand

New Zealand's score on uncertainty avoidance was 4.75 compared to the average of 4.16 (Sully De Luque, M. & Javidan, M., 2004). This shows that they are willing to sacrifice experimentation and innovation for orderliness and consistency. The country ranked the lowest on future orientation out of the five TPP countries covered by the GLOBE study. Countries that score lower on future orientation tend to have lower levels of economic success and place a higher priority on immediate rewards. New Zealand scored very high on institutional collectivism. They ranked number five out of sixty-one (Gelfand, Bhawuk, Nishii, & Bechtold, 2004). This indicates that much like Malaysia, the country emphasizes group maintenance activities. New Zealand, like Malaysia, is also a culturally diverse nation focused on cultural cohesion. Over the past 20 years, the government has transformed the country from being focused on agricultural, to a market driven nation focused on globalization and trade liberalization. Its primary trading partner is Australia, but it is actively seeking trading

relationships with other nations. New Zealand also got the second lowest score on assertiveness in society practices. Countries that score low on this attribute tend to place a higher value on modesty and value cooperation over competition.

New Zealand ranked number one on the Corruption Perceptions Index with a score of 9.5 (Corruption Perceptions Index: Transparency International). With the highest score in the entire survey, New Zealand has proven itself to be the least corrupt nation in the entire world. This should make it an extremely easy TPP country to negotiate with since it believes in a high level of transparency.

Peru

Peru and Chile are the only two South American countries represented in the Trans-Pacific Partnership. Because they border each other, one would expect them to have very similar attributes. While Peru was also not covered in the GLOBE study, it was also included in Hofstede's study in the 80's. In this study, it ranked very high on uncertainty avoidance. Hofstede defines this as the measure to "which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these" (Peru- Geert Hofstede). This could pose significant challenges to the leaders of Peru if they are uncertain about joining the TPP. Like Chile, there was not a time orientation score for Peru available in the Hofstede study. The country did however rank very low on the individualism attribute, showing a very collectivistic culture. Much like the rest of Latin America, people prefer having group security over autonomy. This again is very different from the Anglo countries of Australia and the United States.

Peru scored very poorly on the Corruptions Perception Index at 3.4 (Corruption Perceptions Index: Transparency International). Unlike its neighbors in Chile, over half of Peru's

population perceives corruption to be the main problem facing the country. Like their high uncertainty avoidance score, this high level of corruption could become another significant challenge in the TPP negotiations.

Singapore

Singapore is grouped into the Confucian Asia cluster of the GLOBE study along with Taiwan, Hong Kong, South Korea, China, and Japan. Like Malaysia, it does not share similar language, geography, or religious attributes with the other TPP countries covered by GLOBE. However, it's similarity with Japan could make it very easy for it to work with Japan if it joins the agreement in the future. Singapore ranked number three on uncertainty avoidance (Sully De Luque, M. & Javidan, M., 2004). This means that it is a very risk adverse country. It also scored the highest out of all sixty-one GLOBE societies that were rated on future orientation society practices (Ashkanasy, N., Gupta, V., Mayfield, M. & Trevor-Roberts, E., 2004). Singapore practices a governance system in which “the government always opts for what works for the country in the longer term rather than for what will please the people in the short term” (Ashkanasy, N., Gupta, V., Mayfield, M. & Trevor-Roberts, E., 2004). If the country sees that the Trans-Pacific Partnership will have a positive effect on the nation in the long term, it will be more likely to pass the agreement, as long as it does not bring about any uncertainties. Singapore also had a very high score on institutional collectivism and assertiveness. It appears that the country will value the competition that comes with a free trade agreement.

Singapore was the second highest ranked TPP country on the Corruption Perceptions Index with a score of 9.2 (Corruption Perceptions Index: Transparency International). This places it in the top three of the least corrupt TPP countries, along with New Zealand and

Australia. These countries will have a high level of transparency in government which will make negotiations with their leaders much easier.

United States

The United States had the lowest uncertainty avoidance score out of the five TPP countries in the GLOBE study. It does not resist change and shows more tolerance for breaking the rules. Unlike Singapore, it is not risk adverse. This was shown in its disagreement with Europe over the trade of genetically modified food. Not surprisingly, the United States scored very similar with Australia on future orientation with a ranking of seventeen out of sixty-one. Both countries place a high value on planning for the future. It also scored similarly with Australia on institutional collectivism with a just below average score. The United States is a more individualistic society than many of the other countries involved in the negotiations. The U.S. also scored high on assertiveness, with a score of 4.55 compared to Australia's 4.28 (Hartog, D., 2004). Again the countries have very similar scores. While Australia and the U.S. held similar attitudes towards future orientations, collectivism, and assertiveness, New Zealand had very low scores in future orientation and assertiveness. These Anglo countries may share similar language, geography, and religion, but they have very different views on these cultural attributes.

The United States scored a 7.1 on the Corruption Perceptions Index (Corruption Perceptions Index: Transparency International). This score is very similar to Chile's at 7.2. These two countries appear to have the same level of perceived corruption in the public sector. The U.S. dropped out of the top twenty in the rankings for the first time in 2011 after financial scandals and the influence of money in politics tarnished the nation's image.

Vietnam

Vietnam was also covered in Hofstede's culture study. The country scored low on uncertainty avoidance and has a very relaxed attitude in which practice counts more than principles (Vietnam - Geert Hofstede). People in this type of society believe there should be no more rules than necessary, and if the rules don't work, they should be changed. Vietnam scored high on the time orientation scale. This indicates that it is a long term oriented nation with the ability to adapt traditions in a modern context. Hofstede also describes Vietnam as having "a strong propensity to save and invest, thriftiness, perseverance in achieving results and an overriding concern for respecting the demands of virtue" (Vietnam – Geert Hofstede). Finally, Vietnam scored very low on the individualism attribute. It is a very collectivist society (Vietnam - Geert Hofstede). Loyalty in a collectivist society is the most valued trait. Relationships in these cultures are also very strong, with everyone taking responsibility for their group members' actions.

Vietnam has the highest level of corruption out of all nine TPP countries. It scored only 2.9 and ranked one hundred and twelve (Corruption Perceptions Index: Transparency International). This may make it extremely difficult for the United States to push their high level of free trade standards in a country that does not believe in government transparency. Vietnam will most likely be the most difficult country in which to enforce the new TPP trade standards.

Summary

There is a wide range of attitudes towards uncertainty avoidance, future orientation, institutional collectivism, and assertiveness among the countries of the Trans-Pacific Partnership. Figure 2 below presents a summary of these findings, on a scale of very high to very low. The areas of the most concern will be those in which countries scored very high on an attribute, while

another TPP country scores low or very low. The uncertainty avoidance attribute is very high in Chile, Peru, and Singapore, but low in the United States. The U.S. should remember that these countries like to avoid risk in their negotiations. It could appeal to them in a way that presents change over a longer time period. Meanwhile, Malaysia and Singapore scored very high on future orientation, while New Zealand scored very low. These countries should remember that New Zealand likes shorter term goals and rewards, and have a difficulty focusing on long term benefits. Five out of the nine countries scored very high on institutional collectivism. These countries are Brunei, New Zealand, Peru, Singapore, and Vietnam. They will all have similar attitudes about working together as a group. This could be a great benefit to them in the TPP negotiations. Since no other country scored very low on this attribute, it should not pose a large problem. Only Australia and United States scored average on this dimension because they more highly value individualism. These countries should remember the benefit of working together as a collective group in their free trade negotiations. And finally, on the assertiveness measure, only Singapore scored very high. Australia and the U.S. also scored high, with only Brunei and New Zealand scoring very low. All of the TPP members should remember to be less assertive in their dealings with these two very low scoring countries. Assertiveness will not benefit them when negotiating with Brunei and New Zealand. The level of corruption in a country will also likely affect the ability of governments to share information and enact new regulations. The more corrupt TPP countries, such as Peru and Vietnam, will not be as transparent in their dealings as the least corrupt, Australia and Singapore. This may prove to be a point of contention between countries who do not feel that everyone is being open and honest in their policy making decisions.

Figure 2: TPP Cultural Analysis

	Uncertainty Avoidance	Future orientation	Institutional collectivism	Assertiveness	CPI Score
<i>Australia</i>	High	High	Average	High	8.8
<i>Brunei</i>	n/a	n/a	Very High	Very Low	5.2
<i>Chile</i>	Very High	n/a	High	n/a	7.2
<i>Malaysia</i>	High	Very High	High	Low	4.3
<i>New Zealand</i>	High	Very Low	Very High	Very Low	9.5
<i>Peru</i>	Very High	n/a	Very High	n/a	3.4
<i>Singapore</i>	Very High	Very High	Very High	Very High	9.2
<i>United States</i>	Low	High	Average	High	7.1
<i>Vietnam</i>	Low	n/a	Very High	High	2.9

Empirical Study

For the empirical research findings, semi-formal interviews were conducted with government representatives and academics in both the United States and Malaysia. For the most part, the government representatives asked to remain anonymous in their responses so that they could speak freely about their own opinions and on the challenges being faced in the Trans-Pacific Partnership negotiations. The interviewees responded to questions pertaining to how culture affects free trade agreements, and if the Trans-Pacific Partnership countries would be

able to overcome their cultural differences. Since these interviews were conducted in two different types of settings, either one-on-one or in a group environment, there could be differences in the way that responses were formed. However, only opinions that appeared more than once will be presented here, in order to eliminate the outlying responses. In addition, interviews were only able to be conducted in the U.S. and Malaysia. While this does exclude the perspectives of the other seven countries involved in the agreement, the U.S. and Malaysia represent two of the most significant countries in the agreement and they are able to give a very good indication on the current status of the negotiations.

During the interviews, three main responses appeared on cultural factors that affect free trade negotiations. First, culture affects a country's negotiation standards. For example, a collective society will approach negotiations much differently than an individualistic society. It has been found that Latin American countries prefer "relationship building and maintenance" with friendship being a "mechanism for resolution" (Volkema & Leme Fleury, 2002). The United States on the other hand has a "greater likelihood of competitive behavior, including competitive bargaining" (Volkema & Leme Fleury, 2002). The Latin American countries of Chile and Peru will approach the TPP negotiations very differently than the U.S. In addition, countries with high uncertainty avoidance will often view outsiders with some suspicion or distrust. These countries might naturally view those outside of their country in a negative way, which would cause significant delays in negotiations.

Second, culture affects the items to be included or excluded from a free trade agreement. A common example of this can be found in the trade of halal certified meat. Halal meat is "slaughtered and prepared as described by Muslim law" (Gallagher, 2006). Halal meat is also fresh and never frozen. An interviewee at the U.S. Embassy in Kuala Lumpur on March 14, 2012

specifically mentioned halal meat exports as an area of concern between the United States and Malaysia. The United States is currently exporting halal meats to Saudi Arabia, but Malaysia is still not allowing the U.S. to export the meat products into their own country because they claim it does not meet their high Islamic standards. There are other non-food items, like automobiles in Malaysia, which have also been protected in the domestic market by not allowing foreign companies the ability to compete. This was also seen in the Doha Rounds with agricultural subsidies in the U.S. preventing emerging markets from importing their own products into the country.

Finally, the third cultural factor presented in the interviews was how culture affects the type of democracy found in a nation. Both Singapore and Malaysia have been classified as having a more “mixed” or “ambiguous” political system (Crouch, page 57). These countries have both been classified as semi-democratic. The Malaysian government, in particular, has “become more responsive and more repressive at the same time” (Crouch, page 5). For example, the ruling Malaysian coalition has responded to the needs of its people, while still maintaining restrictive control over opposition parties. This mixture of open yet suppressing governing by Malaysian rulers is very different than the democracies found in the United States or Australia. This is caused in part by the fact that Malaysia is also a form of Islamic democracy. The type of democracy in a nation will also affect the ratification process of a free trade agreement. For example, the United States’ bilateral agreements with Panama, South Korea, and Columbia took four years to get passed by Congress. This could cause the TPP to also take just as long to get ratified.

An additional area for future research on the cultural differences among the TPP nations could also be found in examining whether their economic institutions are inclusive or extractive.

In their book, “Why Nations Fail”, Daron Acemoglu and James Robinson argue that the key differentiator between countries is “institutions” (Friedman, T., 2012). Nations thrive when they develop “inclusive” political and economic institutions, and they fail when those institutions become “extractive” and concentrate power and opportunity in the hands of only a few (Friedman, T., 2012). A study of the TPP countries on this measure of being inclusive or extractive may show additional differences in the types of economic institutions present in the countries that will cause additional hurdles in their negotiations.

Responses on the future of the Trans-Pacific Partnership fell on both the negative and positive side. An interviewee at the U.S. Embassy in Kuala Lumpur on March 14, 2012 responded that Malaysia will have to revise its current economic policies in order to pass the TPP and increase investment. Most significantly they will have to address the entitlements for ethnic Malays and how these policies have had a negative effect on the country. The Malaysian government will also encounter very strong opposition from Malay conservatives if it attempts to reduce these entitlements, and it will be very difficult for the UMNO ruling party to appease all sides of the issue. The U.S. Embassy representative stated that while Prime Minister Najib supports reform, he still faces many challenges. One of the challenges that he has been facing is “brain drain” or capital flight. Brain drain refers to the migration of skilled and educated Malaysians to other countries. In 2011 it was estimated that the number of skilled Malaysians living abroad had tripled in the last two decades with two out of every ten Malaysians opting to leave for either OECD (Organization for Economic Co-operation and Development) countries or Singapore (Lian, 2011). Prime Minister Najib must find ways to keep educated Malaysians in the country and attract them back home. This can be done with increased career prospects,

compensation, and social justice. The Trans-Pacific Partnership could help to increase all of these factors in the country.

However, despite the obvious hurdles in Malaysia, interviewees at the U.S. Embassy in Kuala Lumpur also responded that President Obama appears to be very popular in the country. The countries have cooperated in a number of areas, including counter-terrorism, military training, peacekeeping, and law enforcement training. Even though the nations are very far apart politically, there has been a great push in the last three years for free trade between the two. In order to address the unique challenges facing Malaysia, Prime Minister Najib released the Government Transformation Programme (GTP) in 2010. The goal of the GTP is to contribute to the nation's goal of becoming a developed country by 2020. The program established six "National Key Results Areas" or NKRAs. These include reducing crime, fighting corruption, improving student outcomes, raising living standards of low-income households, improving rural basic infrastructure, and improving urban public transport (Government Transformation Programme: The Roadmap). These areas were chosen in order to increase the welfare of all Malaysians. This aggressive government transformation plan states that "we are approaching government transformation in a radical new way" (Government Transformation Programme: The Roadmap). The program also addresses government transparency issues and seeks to make the government more accountable for its actions. If successful, it could have a very positive impact on the country and the TPP agreement.

Despite the significant challenges that Malaysia will have to overcome, all of the U.S. representatives interviewed remained very positive on the outcome of the TPP. One respondent stated that it is "not if but when" the agreement will be passed. Most respondents agreed with this opinion and were very confident in the U.S.'s ability to get the agreement passed, with its

high level of standards intact. This is partially due to the overwhelmingly positive impact that it will have on all of the Trans-Pacific Partnership nations, giving them a tremendous global competitive advantage.

On the other hand, there were responses that believed that the Malaysian government would be unable to pass the agreement. In an interview with Rita Sim the co-founder of the Center for Strategic Engagement in Kuala Lumpur on March 14, 2012, she stated that in order for Prime Minister Najib to stay strong in his party, “he wouldn’t agree to the TPP”. Malaysia is in an election year, and it is believed that politics will take precedence over the TPP in the upcoming general elections. This perspective very much disagreed with the U.S.’s positive opinion of the outcome. Also in agreement with Rita Sim, an interviewee at the Parliament in Kuala Lumpur on March 15, 2012, said the “TPP wouldn’t win elections”. This representative in the UMNO ruling party asked to remain anonymous. He went on the state that, the UMNO party was not excited about the TPP because of its potential negative impact on relations with ethnic Malays. These negative opinions about the future of the TPP were in the minority, but they present a very valid point. It is difficult to see how the Malaysian Prime Minister will be re-elected to office if he has to reduce special privileges for ethnic Malays, as required by the TPP.

Conversely, in a briefing at American University in Washington, DC on April 13, 2012 titled “Malaysia and the Trans-Pacific Partnership (TPP): Challenges and Opportunities” it was noted by Hairil Yahri Yaacob, representing the Ministry of International Trade and Industry of Malaysia, that the TPP pros for Malaysia outweighed the cons. The TPP negotiations are very different from the previous bilateral negotiations because Malaysia now has more countries to help in the negotiations and are no longer facing the United States’ demands alone. It may prove to be much easier for Malaysia to negotiate trading terms with the United States on a multilateral

basis. Mr. Yaacob also stated that there was no comparison between the TPP and the previously proposed bilateral agreement because they were very different types of agreements and both parties had learned a lot since the bilateral attempt. Daniel Watson, the Deputy Assistant U.S. Trade Representative for Southeast Asia, agreed with Mr. Yaacob and said that the two countries were “not hitting brick walls” and were finding ways of moving forward on the issues. These representatives’ responses show that there are two very differing opinions coming out of Malaysia, as they are in direct contrast to those received from those representatives spoken to in the Parliament in Kuala Lumpur.

Conclusion

It will be interesting to see how the varying opinions of the outcome of Trans-Pacific Partnership will play out over the rest of the year, and through the political elections in Malaysia. While there are obvious benefits to getting the free trade agreement passed, there are also obvious downsides to the ruling UMNO party in Malaysia. The TPP would require the government to become more transparent, especially when it comes to government procurement contracts. However, a large majority of UMNO support comes from those benefitting from these government contracts that are awarded to them often unfairly over others. In addition, the UMNO has been charged with holding unfair elections, as evidenced by the large protest that just occurred in Kuala Lumpur on April 28, 2012. Thousands of Malaysians took to the streets to ask for longer campaign periods and changes to ensure that citizens living abroad can cast ballots. These citizens believe that the ruling party that has held power for nearly fifty-five years has assembled an Election Commission that is biased and that voter registration lists include fraudulent names. This shows that the government of Malaysia faces many difficulties outside of the TPP negotiations that will likely take precedence in the upcoming elections. The UMNO will

be more focused on doing whatever it takes to retain its power, and it will not allow the TPP to jeopardize that.

While it is possible that Malaysia could decide to drop out of the negotiations, it is very unlikely that the United States would decide to pursue the agreement without them. It was noted in one interview that the United States sees Malaysia and Vietnam as being the two most significant countries in the agreement. Another difficult factor for many TPP countries to overcome will be the high level of standards that the United States requires in its free trade agreements. The U.S. requires very strict standards for intellectual property rights and transparency, and it uses the negative list format that is very different from the WTO. The countries that scored high on corruption will find it difficult to meet these standards, especially with transparency. It will also be difficult for some of the less developed countries to move to a zero tariff structure.

As shown, the Trans-Pacific Partnership still faces many challenges, even though they have come a long way in their negotiations in the last three years. Each country will present different cultural attributes that will need to be considered in the negotiations, such as different negotiation styles and ways of approaching democracy. If successful the Trans-Pacific Partnership will create a powerful trading block that will put all of the TPP countries at the forefront of global trade. It remains to be seen if the positive benefits of the agreement will outweigh the significant challenges that the countries face. While the majority of people interviewed were very positive that the agreement would be passed, there are still many underlying factors that could prove to be significant stumbling blocks.

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