

TPP: the good, the bad and the ugly

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Outline

- Positive elements
- Where the TPP should be ambitious
 - Goods, services and investment
- Where the TPP should be cautious
 - Labour, environment, financial services, government procurement and investor-state dispute settlement
- High risk area
 - intellectual property (IP), capital controls
- Single undertaking and flexibility

Positive elements

- Customs
- Technical Barriers to Trade (TBT)
- Development
- SMEs
- Transparency? Regulatory coherence?
- Non-discriminatory, economic efficiency gains and win-win

Areas to be ambitious

- Trade in Goods/Agriculture and Rules of Origin
 - exclusions at the starting line
 - US not opening up any FTAs (sugar and AUSFTA)
 - Yarn forward and Vietnam: excluding Chinese inputs and punishing non-members
- Cross Border Trade in Services
- Should be ambitious and can be multilateralised

Areas to be cautious

- Labour and environment: enforceable, binding measures eroding comparative advantage for developing countries?
- Investment:
 - Investor-state dispute settlement: depends on domestic regime and have to ensure foreign companies do not get greater than national treatment
 - Restricting capital controls
- Can countries leapfrog stages of development?
- Can countries import institutions?
- If not designed well, could be punitive for some (especially) developing countries. Best practice depends on context

High risk: Intellectual Property

- Balance between incentive to innovate and public goods: tipped too much towards business in US?
- Pushing for even stronger in TPP
- Evidence that strong patent regime *stifles* innovation
- AUSFTA example
 - Life of author plus 70 years (rents for Walt Disney!)
 - Restrictions on generic medicines (rents for pharmaceuticals)
- Zero-sum? Some evidence of IP in trade being globally net welfare reducing (Deardroff)
- Direct wealth transfers to United States (and other developed countries) as net exporters of IP

Single undertaking and alternatives

- Single undertaking and some of the content in TPP a dangerous mix
- RCEP offers more flexibility:
 - Realistic periods of adjustment for developing countries: more time, not lower quality
 - Working from existing FTAs (ASEAN+1s)

Conclusion

- TPP should be ambitious on goods, services, RoO and other traditional trade areas
- Some aspects can be punitive for developing countries if not designed properly
- IP as *platinum transfers* to the United States
- Flexibility in TPP without loss of quality?
 - Designed for easy expansion
 - More implementation time for developing countries