

What Can Be Expected from TPP? TPP as Pathway to FTAAP?

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Objective and Challenge

Objective

Assess potential TPP outcomes against ambition for region-wide integration

- **A region where “goods, services, and business people move seamlessly across and within borders” (AELM 2010)**
 - **“Fit for purpose” in a world of global value chains?**
 - **How much “mercantilist dross” remains contaminating the gold?**

Challenge

- **TPP negotiations are**
 - **Secret**
 - **Incomplete**
 - **Not assured of success**

Tariffs

Ambition

- **100% elimination**
- **Common concessions i.e. non-discrimination within the region**

Anticipated outcome

- **Bilateral concessions?**
 - **Transitional or permanent?**
 - **Eventual significance depends on achievement of 100% elimination**

Rules of Origin

Requirements for region-wide integration, GVC friendliness

- **Trade facilitative rules and operational certification procedures (OCPs)**
- **Co-equal rules**
- **Full cumulation**

Prospective TPP Outcome

- **Details unknown but almost certain to fall short of requirements**

Trade Facilitation

Scope

- **Customs, SPS, TBT, Logistics and Infrastructure**

Obvious importance for regional integration, value chain operation

- **Need to allow for GVC operations to expand beyond traditional sectors of machinery, transport equipment, optical equipment**
 - **e.g. allow for GVCs in clothing and apparel, food**

TPP Contribution

- **Ambition high, controversy in some areas, details remain to be seen**

Services

Crucial importance of services in modern international trade

- **Providing the links in supply chains and value chains**
- **Emergence of services GVCs**
- **Underpinning competitiveness of goods production**
- **Near 50% share of global trade on value added (TIVA) basis**
- **Majority share of economic activity in most APEC economies**
- **Many key sectors heavily restricted**

Challenge

- **Bankruptcy of traditional GATS approach (in FTAs as well as WTO)**
 - **Commitments falling short of existing practice**

TPP Potential

- **Adoption of negative list approach is positive**
- **Details unknown**

Investment

High priority for regional integration

- **Intimate connection of trade and investment in today's global economy**
- **Trade and investment inextricably linked in development of value chains and supply chains**
- **Major channel for liberalisation of services trade**

Challenging issue for Asia-Pacific economies

- **Twenty years after Bogor**
- **APEC economies generally rate poorly on OECD FDI Restrictiveness Index**
- **Is ISDS necessary, and if so, what is the appropriate model?**

TPP

- **Adoption of negative list approach is positive, but details unknown**
- **ISDS has been controversial**

Intellectual Property

Key Issues

- **Need welfare-optimising balance between incentivisation and use of innovation**
 - **Too much IP reduces welfare and creates trade barriers**
 - **Patents: need flexibilities for experimental use, avoidance of excessive delays on introduction of generic medicines (patent extensions, data exclusivity), appropriate definition of incremental steps**
 - **Copyright: need evidence-based choice of optimum copyright period, ensure appropriate use of copyright material for education, research, cultural and non-profit purposes, transmission of ideas**
 - **Developing country interests likely to centre on trademarks rather than patents, copyright**
 - **Flexibilities needed to allow for different interests at different development levels**
 - **GVC issues: interests of GVC subsidiary units that produce IP**
(IP provisions typically assume production and first use of IP in same country)

Concerns over TPP

- **TPP outcome unlikely to satisfy above criteria**
- **Regionally appropriate FTAAP approach to IP likely to differ from TPP outcome**

Other Behind the Border Issues

Competition Policy

- **SOEs controversial, likely to be resolved by extensive carve-outs**
- **Little information on other aspects**

Government Procurement, E-Commerce

- **Few details available**

Cross-Border Data Flows

- **Controversial, likely outcome unknown**

Regulatory Coherence

- **Mixed reports, details unknown**

Labour and Environment

Difficulties

- **Political necessity v. trade policy considerations**
- **Mercantilism/protectionism v. legitimate divergences of interest**
- **Assessment of outcomes depends on perspective**

TPP outcomes unclear

Thank you!
