

Presentation on
TPP & TTIP
Background and Implications

by

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What is TPP?

Coverage

Membership coverage: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam

Population Coverage: 800 million (11.3%)

Percentage of World GDP of Members – 38%

Percentage of World Trade – 25%

GDP per capita – US\$35,488

Figure 1 Countries Participating in the TPP Negotiations



What is TPP seeking to achieve?

- ❖ A 'high-standard' comprehensive '21st Century agreement'
- ❖ Will eliminate / reduce trade and investment barriers by not only addressing border measures but also behind the border barriers.
- ❖ High level of intellectual property standards

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What is TPP seeking to achieve?

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- ❖ Observance of Environmental and Labour standards.
- ❖ State Owned Enterprises will operate in a commercially neutral way.
- ❖ Will provide for trade facilitation and enable supply chains to be competitive.
- ❖ Ensure regulatory coherence.

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What is TPP seeking to achieve?

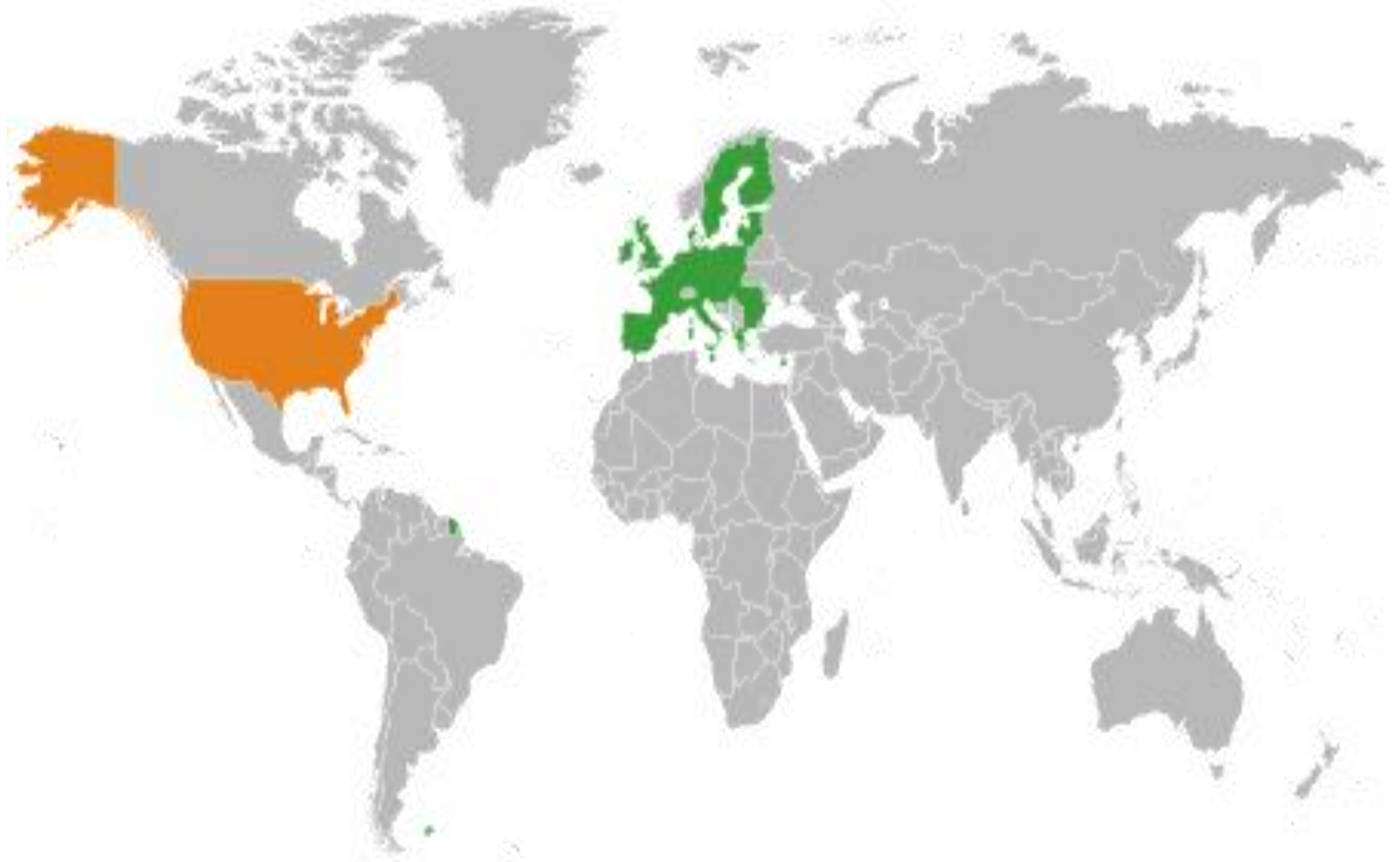
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- ❖ Harmonization of standards or equivalence and science based safety standards for farm products.
- ❖ Broader coverage on governmental procurement.
- ❖ There will be a mandatory Dispute Resolution Mechanism.
- ❖ 29 Chapters in all.

What is TTIP?

- ❖ Membership Coverage: 28 member countries of European Union and United States
- ❖ Population coverage – 820 million
- ❖ Percentage of World GDP of Members – 45%
- ❖ Percentage of World Trade – 30%
- ❖ GDP per capita - EU – US\$33,000
US – US\$51,749

Countries participating in the TTIP Negotiations



What is TTIP seeking to achieve?

- ❖ EU and US already have a large trade and investment relationship:
 - Annual Two way trade – US\$ 1 trillion in goods and services
 - Total stock of investment in – US\$ 3.7 trillion each other's economies
- ❖ Comprehensive agreement that will address a broad range of trade and investment issues including regulatory issues.

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What is TTIP seeking to achieve?

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Ambitious outcomes in following areas:

- ❖ Market access in goods, services, investment and Government procurement.
- ❖ Regulatory issues and Non-tariff barriers.
- ❖ Rules in IPR, Environment, Labour, Customs and trade facilitation, competition policy, State owned enterprises.

TTIP *versus* TPP

While these are all mostly similar to what is envisaged in TPP, points of emphasis will be different on following in TTIP.

- ❖ Regulatory issues and Non-tariff barriers will be main focus.
- ❖ Basis for determining food safety
 - Science or precaution?
- ❖ Geographical indications - Minimalist approach of US versus EU's strong interests.
- ❖ Raw Materials and Energy – a New Topic

How are TTIP and TPP different from WTO rules?

1. WTO rules based on non-discrimination (but article XXIV of GATT allows RTAs/FTAs as an exception).
2. Basically cover trade in goods, services and intellectual property rights.
3. Limited membership Government Procurement Agreement.
4. Do not at present cover Investment beyond TRIMS, Competition, Environment, Labour, State Owned Enterprises, Regulatory Coherence etc.

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How are TTIP and TPP different from WTO rules?

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5. Present rules and level of liberalisation in WTO not as deep as in many FTAs.
6. Doha Round launched in 2001 for a further round of trade liberalisation not successful yet, although limited progress made at Bali – a deal on Trade facilitation finalised.

TPP and TTIP *versus* other FTAs

1. RTAs or FTAs have hugely gone up in the last several years. As per WTO some 379 are in force.
2. Some RTAs like European Union are deep integration agreements. In the case of EU, perhaps an extreme example, it involves a Customs Union, a single market, etc. Most other RTAs however cover trade in goods and /or services. Some also include investment.
3. High Standard approach taken by US in respect of FTAs in recent years.

Background to formation of TPP

1. US was unable or unwilling to take necessary concessions in Doha Round particularly on Agricultural Subsidies.
2. Was also disappointed that issues like Investment, Competition and Government procurement were not included in Doha agenda.
3. Sought to explore deep FTA route instead – concluded ‘high standard’ agreement with several Latin American Countries, South Korea, Australia, etc.
4. In 2008 picked up a relatively small four country agreement (Transpacific Strategic Partnership – Singapore, Brunei, Chile, New Zealand) and worked on strengthening and expanding it.

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Background to formation of TPP

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5. Once US pitched for it, and gave leadership Australia, Peru and Vietnam followed.
6. Joined in by Malaysia in October 2010, Canada and Mexico in October 2012 and Japan in April 2013.
7. President Obama – February 2013 – TPP ‘to boost American exports, support American jobs and level the playing field in growing markets of Asia’.
8. Political perspective – identified as part of US rebalancing strategy in Asia.
9. Objective also to see if TPP can improve WTO trade rules – ‘Our goal is for high standards of TPP to enter the bloodstream of the global system and improve the rules and norms’ – VP Biden

Background to launch of TTIP

1. Study process to explore closer partnership between EU and US announced on 29 November 2011, few days after TPP declaration of 12 November 2011. To correct impression US was not reaching out to Asia at the expense of Europe.
2. Severe economic downturn has forced EU and US to look at all possible ways to revive growth and employment.
3. Lisbon Treaty of December 2009 also brought FDI and Trade in Services under EU Commercial policy.
4. Good TTIP could revive growth, dispel doubts about Euro and persuade EU to stay together.

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Background to launch of TTIP

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5. With a perception that emerging economies were seen as gathering influence, important for two major western economic powers to come together.
6. IF TTIP (and TPP) successful the high standard disciplines could be sought to be pushed through WTO for multilateralisation.

Current state of progress in the negotiations

TPP

1. 19 Rounds of negotiations held up to August 2013.
2. Almost monthly meetings being held since then , between Chief negotiators and at ministerial level, although these are no more called Rounds.
 - Latest held in Singapore from 22-25 February 2014.
3. Chances of finalising TPP by March/April before President Obama's Asia trip presently look dim.
4. Major striking point at Singapore appeared to be market access and tariffs. But differences apparently continue on many chapters including IPR, Environment, Investment, State Owned Enterprises.
5. Severe criticism generally about negotiations being held in a most confidential manner.
6. Will Trade Promotion Authority bill be adopted soon?

Current state of progress in the negotiations

TTIP

1. Three Rounds of TTIP held, last one in December 2013 in Washington DC. Meeting between USTR Michael Froman and EU Trade Commissioner De Gucht held on 17-18 February 2014. Next round of negotiations to be held in Brussels from 10-14 March 2014.
2. 'We are firmly in the phase of discerning proposals on core elements of each of the main negotiating areas as well as beginning to confront and reconcile our differences on many important issues' – USTR summary in December 2013. 'We are now entering the heart of the negotiations' – EU statement a week ago.
3. Too early to give an idea about shape of negotiations. Considering issues involved, and the length of time taken in respect of TPP, conclusion may not be before 2016.
4. Negotiations, at one level, are between 28 States of EU and 50 States of United States.

Possibility of new members joining

TPP

1. Korea – Consultations already underway.
2. Thailand – Cabinet has approved joining.
3. Taiwan – Has shown clear interest.
4. Philippines (?)
5. Indonesia (?)
6. China (?)

TTIP

- Unlikely any new members will be admitted now. Turkey has shown interest. Canada and Mexico could also be interested.

TPP and China

1. China is world's second largest economy, world's largest exporter and exported US\$425 billion to US and US\$428 billion to EU in 2012.
2. Initially it viewed the initiative as basically directed against it and as designed to exclude it from joining.
3. In May 2013 a Chinese statement said will study pros and cons as well as possibility of joining 'based on careful research and principles of equality and mutual benefit'.

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TPP and China

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4. More recent reports indicate China is 'serious and proactive' in engaging US on TPP.
5. In any case unlikely China will join before TPP is concluded.

TPP and TTIP

Implications for Developing Countries

1. Tariff elimination could create trade diversion particularly in tariff sheltered sectors like agriculture, textiles and foot wear.
2. Elimination of non-tariff barriers, particularly in heavily regulated sectors like food products, chemicals, pharmaceuticals, automobiles and parts.
3. Could also change fortunes. But if countries can adapt to standards, regulations in keeping in the evolving agreements, could be turned into opportunity.

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TPP and TTIP

Implications for Developing Countries

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3. More than trade there could be investment diversions to TPP/TTIP destinations in preference to other markets. The combined market of over 1.2 billion with a congenial and competitive business environment could help draw investments including at different stages of supply chain.
4. If TPP and TTIP get successfully concluded it could put pressure on ongoing Doha negotiations to multilateralising some of the 'high standard' disciplines – this will need extreme vigilance.

TPP and TTIP

Implications for Developing Countries?

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5. It does not seem easy for other developing countries to be able to join TPP with all its 'high standard' requirements relating to IPR, supply chains, SOEs, regulatory coherence and investment.

6. Focus more on
 - Ongoing FTA negotiations with some of the TPP/TTIP participants could contribute to reducing the impact.
 - Take continued unilateral measures on improving Competiveness, improve standards, keep pace with evolving global standards.

Thank you.