The Trans-Pacific Partnership (TPP) as an Opportunity for Integration

A WTO Perspective

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The Rise of the South at a Crossroads: A View from East Asia and Latin America

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WTO and RTAs...

- Measured effects of multilateral rounds larger than regional agreements. Potential impact of TFA greater than removal of all remaining tariffs.
- WTO view is that generally RTAs have been more building blocks than stumbling blocks.
  - Why? – so far trade creation effects seem, on balance to far exceed trade diversion effects.
  - But that analysis is largely based on tariff changes.
- Most RTAs contain significant WTO DNA
  - Increasingly RTAs go deeper and/or beyond WTO commitments.
- Will these deeper aspects be stumbling blocks?
- Many view the historical development and evolution of the MTS as building upon regional and plurilaterals. Question for the MTS appears to be – will the regional efforts add to WTO or subtract from WTO?
The WTO, TPP, and RTAS

Issues covered in RTAs notified to WTO

% as a share of G20 RTAs notified from 2000 to March 2016

- Competition
- Environment
- Government Procurement
- Intellectual Property
- Labour
- Services
- Investment
- Electronic Commerce
TPP

- 12 Parties (Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Japan, Peru, Singapore, United States, and Vietnam)

- Will enter into force if parties accounting for at least 85% of combined GDP of original parties have ratified within 2 years of signature (or later)

- Substantial challenges for TPP legislation to pass in US – IP (around biologics) and ROO have been pointed out by important members of Congress.
  - Some in Congress say TPP has not done a good enough job meeting Congressional negotiating instructions.
### Background: existing RTAs, quite the network

**Note:** existing bilateral and plurilateral RTAs in blue
Overview

- 30 Chapters covering market access in goods and services, rules of origin, SPS and TBT issues, trade facilitation, intellectual property, investment, government procurement, competition and dispute settlement.

- Chapters traditionally in US agreements but not necessarily in other Party RTAs: labour and environment, electronic commerce.

- But also relatively “new chapters”, such as: cooperation and capacity building, competitiveness, development, SMEs, SOEs, regulatory coherence and transparency and anti-corruption.

- Large number of side letters clarifying TPP “coexistence” with other RTAs and/or bilateral commitments between the TPP parties.
A pause in integration?

- Without US, TPP will not be in force. TTIP negotiations not progressing quickly.
- Major political challenges in US and Europe – a pause in their efforts at global (multilateral and regional) integration?
  - Domestic political challenges from slow growth, wage stagnation, job loss, and rising income inequality.
  - While likely driven more by non-trade factors such as technology and domestic economic policy – trade is the focus of constituent anger.
WTO RTA analysis

- A steady increase in the number of RTAs that cover not only trade liberalization in goods (and accompanying rules such as on standards, SPS and trade defence measures) and services, but increasingly "behind the border" issues such as investment, competition, labour, environment and electronic commerce.

- For some RTA issues for which there are WTO rules, standards are simply maintained. These include anti-dumping for which almost all RTAs examined reaffirm WTO rules; to a lesser extent we found a tendency to maintain WTO rules in other areas such as safeguards, technical barriers to trade, SPS measures and rules of origin in services (referred to as "substantive business operations").

- For issues for which there are no WTO rules eg. investment, competition, labour and environment, electronic commerce, RTAs clearly introduce new standards.
WTO RTA analysis

- In market access in goods and services, generally RTAs liberalize further. In goods, while some RTAs eliminate all or nearly all tariffs, for a number of G20 economies, sensitive products are not liberalized further, suggesting that RTAs are not able to tackle such sensitivities.

- In market access in services, while generally economies tend in their RTAs to go beyond their GATS commitments, some such as the United States, Canada and to a large extent the EU tend to follow a similar approach in terms of the number of sectors liberalized, in their RTAs.

- For some issues, while commitments are increased or new commitments are made, they tend to be in any case carved out of the RTAs dispute settlement mechanism (e.g. SPS, TBT, trade remedies, competition, environment, labour). For the issues covered by the WTO therefore the WTO DSU applies, and for the others there are no dispute settlement disciplines.

- For a number of issues not covered by WTO rules, the commitments tend to be extended to all partners, some for practical reasons (e.g. regulatory legislation), others because it is part of their WTO commitments (intellectual property).

- Investment is an increasingly covered issue, often included in RTAs and in BITS.
South to South Cooperation and Integration?

- Most integration is north – south, north – north?
- Asian integration has been an outlier.
- In general South-South tariffs remain high.
- In general South-South integration is low.
- GVCs still tend to be regional, reflecting historical evolution of RTA patterns.
- RTAs such as TPP and TTIP reflect even deeper n-s and n-n integration.
  - But are the developed countries experiencing “integration fatigue?” Will there be a pause?
- What should the south do?
  - Opportunity to catch up through further integration
  - Different approaches to integration – consolidation?
    - See Estevadeordal and Talvi on Trans American Partnership for some interesting ideas - [http://www.brookings.edu/research/opinions/2016/04/12-new-trans-american-partnership-estevadeordal-talvi](http://www.brookings.edu/research/opinions/2016/04/12-new-trans-american-partnership-estevadeordal-talvi)
    - WTO has been looking at thinking areas from a multilateral perspective for trade facilitation, as well as tariff commitments. E and T on ROO could be challenging, but useful.