

The TPP is being overplayed by Robb as 'free' benefits put under microscope

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A lot of nonsense has been talked in recent weeks about the likely benefits of the Trans-Pacific Partnership. Some commentators have claimed the TPP will be a great help for Australia. This is a false assessment. Why can't Minister for Trade Andrew Robb and his supporters see the wood for the trees?

The biggest mistake the advocates make is to assume any free trade agreement must be a good thing. They should closely read a "free trade" agreement. Wading through the standard trade gobbledegook is not easy, but anyone who tries can soon see that FTAs are not about free trade at all. They are about preferential trade, whereby countries form trade groups to discriminate against countries not in the agreement. FTAs are laced with exclusions and exceptions that make them anything but free trade. They are just preferential trade agreements.

Negotiation of PTAs is dominated by mercantilism, ie, the silly view that exports are good and imports are bad. While economists have long known this is nonsense, governments and trade officials still seemingly have it in their veins.

Defenders of the TPP and PTAs always stress the benefits from having greater export market access in partner countries. Form shows such claims are exaggerated. Stakeholders will be disappointed once the details of the actual TPP are released. And nothing will be rescued by the usual hollow excuses that "we got the best deal possible" and "nobody can get all they want".

The reality of PTAs is that any tariff reductions negotiated with others will be phased in slowly. The common stand-out example is farm products. Furthermore, negotiated deals will contain a complex and restrictive array of non-tariff measures that will thwart access to these markets. Forgotten will be the obstacles caused by complex rules-of-origin that prevent most manufacturing exporters from using tariff preferences, and elaborate safeguards on farm and other products, that will allow countries to raise tariffs to protect against an import surge.

Also forgotten will be backsliding of the kind that allowed Japan to financially assist its beef producers soon after agreeing to lower meat tariffs. Finally, ignored by the dreamers is the reality that most negotiations, including on services and government procurement, will be pre-occupied with on "paper" commitments (or "bindings") that bear little relation to actual barriers.

It is unclear in any case how effectively Australia could enforce commitments made during trade negotiations. Since many commitments will be beyond the WTO, the WTO's standard dispute settlement system will be out of reach. Instead, disputes will be left to be resolved using dispute systems established separately in each PTA, usually arbitral tribunals. Each represents a step into the unknown.

The official line contains the usual smoke and mirrors. The problem many commentators have pointed to is the secrecy of the TPP talks. If Minister Robb is convinced the TPP will significantly benefit Australia, why not release details before sealing the deal? Arguing that confidentiality is needed to craft a mutually beneficial deal is twaddle.

The usual excuse is that such secrecy is not new and should be of no concern since there is plenty of time to examine them through the parliamentary processes once details are released on completion of the negotiations. This is inadequate. Once negotiations are done, the PTA cannot be properly and independently assessed because the government has already agreed to the PTA. Months later we will still be learning what was really agreed – as was our experience with Australia's FTA with the US a decade ago.

And yet on that occasion, we also found that once the ink was dry, we were locked in to whatever fine print had been

agreed behind closed doors. But their main architecture is immutable, binding future governments so that not even changes in governments can reverse them.

Secrecy as shown by our PTAs leads to bad agreements with their supposed benefits being oversold (see the Productivity Commission's Report on Bilateral Trade Agreements, 2010). Governments do not walk away from trade negotiations. Once started, at some stage completing a PTA becomes the end-game and economic considerations give way to negotiating and political expediencies. Early transparency and on-going independent public scrutiny will help limit deception from false and unsubstantiated claims.

A problem it shares with all PTAs is that the TPP is not structured to allow the Minister to offer up our protection, of which we have plenty. Protective measures cover services (like advertising, insurance, TV content, foreign actors), quarantine (eg, apples, tomatoes, bananas, potatoes, onions), medicines, veterinary chemicals, steel, second-hand trucks and cars, coastal shipping, and government procurement, to name a few. Taking our sensitive protection measures off the table only weakens any benefits to Australia. No matter how trade negotiations are sold they do not promote self-liberalisation and thus cannot fix what really matters to our prosperity.

At the same time it is becoming clear we have succumbed to US pressures to add to the TPP provisions on intellectual property and investor state dispute settlement. Many economists such as those at the PC would argue that such provisions should not be included in trade agreements. It can be seen that ISDS provisions discriminate against domestic investors by allowing foreign investors access to international arbitration. Obviously we are net importers of both IP and capital, so it is not surprising that in both regards our national interest differs from that of the US.

The simple truth is the world has far too many PTAs. They are spreading discrimination like an infectious disease. Imagining a world in which PTAs will somehow be multilateralised, including by forming mega-regionals like the TPP, is dreaming. Of the 12 TPP announced members, Australia already has PTAs with the US, Brunei and Vietnam, Chile, Japan, Malaysia, New Zealand and Singapore. With the TPP we will have three PTAs each with New Zealand, Malaysia and Singapore, and two with the rest. The TPP will replace none of these PTAs but simply add another confusing layer of discrimination on top.

Those who support PTAs like the TPP neglect the unilateral option. As Australia found in the 1980s and 90s the best option will always be to implement unilateral trade-related reforms that maximise the economic benefits to Australia and avoid the labyrinthine intrigues of international negotiations.

The futility of PTAs is that they are not needed to self-liberalise. Above all, Australia needs to regain an appetite for unilateral trade reform. This has been lost, not coincidentally as we have negotiated PTAs. The change will require a reversal in policy led by ministers with an economy-wide focus such as the Treasurer, with independent advice from the Productivity Commission.

A necessary pre-requisite for this is to start independently scrutinising the TPP and other PTAs to expose their real worth to the nation before they are concluded. We also need to appreciate that PTAs are not benign. Their damage to the WTO and our unilateral efforts should be recognised. We can be sure the WTO will not be revived or Australia regain its enthusiasm to unilateral reform while negotiating PTAs rules the trade policy roost.

Likewise it is high time that and business representative groups and other private commentators lifted their game and started demanding PTAs be critically assessed rather than them simply regurgitating the Government's storyline.

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