

# **An Assessment of the TPP: Innovations in Trading Rules**

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# TPP is a Big Deal and Different from Previous FTAs

- Multi-country that spans Asia-Pacific region; like-minded partners but not alike—developed and developing countries, large and small economies.
- Developing countries accept full obligations in almost all areas—with additional time to implement some reforms.
- More limited exceptions from liberalization commitments compared to other FTAs.
- Updates and improves upon existing FTAs in areas such as intellectual property, competition policy, and dispute settlement.
- Innovative rulemaking in environment, labor, SOEs, digital trade/e-commerce—all subject to binding dispute settlement procedures.
- Parallel declaration on macroeconomic policies and exchange rates.

# Assessment of TPP: Volume II

## Outline

- Adjustment and Income Distribution Impacts of the TPP
- Intellectual Property Rights
- Environment
- Labor Standards
- Other Areas: Trade Facilitation, SMEs, Development, Anti-Corruption, and more
- Digital trade/E-commerce
- Competition Policy
- State-Owned Enterprises
- General Dispute Settlement
- TPP and Exchange Rates

# TPP Highlights: Intellectual Property Rights

- New rules governing patents for pharmaceuticals, e.g., patent linkages and patent term extension, and copyright protections.
- Sets criteria for data protection for patented drugs, including biologics, that spur innovation and broader access to new medicines.
- Strengthens protection of trade secrets and requires criminal procedures and penalties for theft, including cyber-theft.
- Strong enforcement for copyright infringement, including online and media products.

# TPP Highlights: Environment

- Broader coverage of environmental issues than previous FTAs and obligations subject to dispute settlement.
- Bans damaging fish subsidies, including those provided to illegal, unreported, and unregulated (IUU) fishing vessels.
- Strengthens enforcement of multilateral environmental agreements (MEAs) to which a country already is a party.
- Promotes conservation programs for specific marine species, wetlands, and forest/fisheries management.
- Combats illegal taking and trafficking in wildlife and illegal logging.

# TPP Highlights: Labor

- Commits countries to maintain and enforce domestic labor laws, as well as the core labor rights of the ILO Declaration on Fundamental Principles and Rights at Work.
- Requires TPP members to maintain “acceptable conditions of work”; calls for new constraints on trade in goods made by forced labor; and mandates upgraded labor standards in export processing zones.
- Bilateral labor plans between the United States and Brunei, Malaysia, and Vietnam address implementation requirements.
- Labor chapter and bilateral plans subject to TPP dispute settlement procedures.

# TPP Highlights: Trade Facilitation

- Customs administration and trade facilitation chapter aims to simplify and speed up processing of trade at the border—could stimulate trade and strengthen supply chains more than tariff reductions.
- TF chapter goes beyond WTO agreement by mandating strict time limits on goods at border transit, expedited shipments, and advance rulings.
- TPP developing countries and SMEs particularly benefit from easing border procedures.
- Development, cooperation and capacity building, and SME chapters offer few real commitments and unlike TF, not subject to dispute settlement.

# TPP Highlights: Digital Trade

- Promotes a free, open market for trade in digital goods and online services.
- Limits restrictions on data flows, prohibits data localization (ex. financial services), but still big gray area between data/privacy concerns.
- Enables/encourages trade by SMEs.

# TPP Highlights: State-Owned Enterprises

- Does not prohibit SOEs but imposes constraints on financial and other preferences provided by all TPP governments.
- Requires substantial reforms over time to SOEs in Vietnam and Malaysia.
- Widespread exceptions for sub-central SOEs, including Tennessee Valley Authority in the US.
- Sets precedents for future members and template for WTO and other trade agreements.

# TPP and Exchange Rates

- TPP officials adopted “Joint Declaration of the Macroeconomic Policy Authorities of Trans-Pacific Partnership Countries” in parallel with the trade pact, but not subject to dispute settlement.
- Commits each TPP member to “avoid persistent exchange rate misalignments” and “refrain from competitive devaluation.”
- Requires each country to disclose foreign exchange reserves and interventions in spot and forward currency markets.
- Establishes new Group of TPP Macroeconomic Officials to monitor and assess exchange rate and macroeconomic policies.
- Requires future TPP members to accede to the Declaration.
- 2016 US customs law gives Treasury new mandate and tools to deter currency manipulation.
- New law and TPP Declaration satisfy Trade Promotion Authority negotiating objectives in this area.

# What the TPP Does NOT Cover

- Significant changes in US sugar, dairy programs or US auto tariffs over next two decades.
- Major new services or procurement liberalization by the United States.
- Disciplines related to global warming, particularly subsidies and other measures that distort demand for fossil fuels and renewable energy supplies.
- Labor adjustment issues in each country.