



# Assessing TPP Impacts in the Trading System: Too Soon to Make a Call

Future Global Trade Regime & Investment Seminar  
Session 3

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Tokyo, Japan  
July 12, 2016



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## I. TPP: Assessing its Impact Based on the Nature of its Preferences

- **Hard preferences** imply discrimination- Will not tend to be the main focus since tariffs among parties are already low.
- **Soft preferences** lack discrimination- Will tend to be the main focus (e.g. non tariff barriers, rules for treatment of firms and services, intellectual property and capital, trade facilitation, usually are of general application).
- **Non-preferences**- Act like multilateral liberalization (e.g. require parties to accede to existing treaties).

## II. TPP: Assessing its Impact to Countries

Based on the following considerations:

- **FTA partner of a TPP Party or Parties-** (e.g. preference erosion, not participating in new value chain)
- **Relevance of the TPP markets-** (e.g. exports, imports, FDI)
- **Party to the mega-regional-** (e.g. additional market access, if it deepens previous commitments or affects previous concessions, accumulation of origin, expands cooperation in new generation disciplines)

### III. TPP: Measures that Could Contribute to Further Global Liberalization (parties or non-parties)

1. Adoption of **unilateral liberalization** measures to improve their competitiveness.
2. **Deepening and broadening** of their FTA's.
3. Connection of their FTA's through **accumulation of origin** and/or **convergence** of their agreements.
4. Request **accession** to the TPP or other megaregional agreements.

### III. TPP: Measures that Could Contribute to Further Global Liberalization (parties or non-parties)

5. Increase in common FTA's could facilitate the negotiation of **customs unions** or other deeper agreements.
6. Negotiation of **plurilateral agreements under the WTO** with MFN treatment to non-members - the broader the TPP in membership, the easier to reach the critical mass required.
7. Full participation of firms in **standards' development**, not only those from the parties to the agreements and **trade facilitation** measures applicable to all trade and services liberalization in a **non-discriminatory basis**.

### III. TPP: Measures that Could Contribute to Further Global Liberalization (parties or non-parties)

8. "Multilateralization of 21st Century Regionalism"-  
Docking the TPP into the WTO:
  - contemplating **special flexibilities** and concessions to developing countries with low share in global trade (e.g. providing **exceptions and long transition periods**).

## IV. TPP: Possible Risks to Global Liberalization

1. Excluded members could face greater **trade and investment diversion** and therefore, reduced opportunities for growth and development.
2. The **coexistence** of TPP with other FTA's represents a challenge to companies in identifying under which Agreement to operate.



## IV. TPP: Possible Risks to Global Liberalization

3. **Proliferation of dispute settlement mechanisms** could lead to conflict of forums, procedures and rules, as well as the weakening of the WTO dispute settlement system.
4. The proliferation of FTA's and mega regionals could lead to the further **fragmentation of global markets** (the spaghetti bowl becoming larger).

## v. The Way Forward: WTO Reform

To become once again the central pillar of the global trade system, the WTO needs, among other measures, to:

1. Revisit the **consensus** requirement and **negotiation** procedures
2. Adopt other article XXIV type of exceptions to negotiate special rules without having to grant MFN treatment (e.g. environment, services, investment, competition)
3. Negotiate **plurilaterals** with MFN provisions

## v. The Way Forward: WTO Reform

To become once again the central pillar of the global trade system, the WTO needs, among other measures, to:

3. Continue to strengthen its **dispute settlement system** promoting judicial cooperation between those mechanisms contemplated in mega-regional agreements, RTAs and FTAs.
4. Design a **multilateral-system impact statements-** to ensure transparency and grant the WTO authority to closely monitor the systemic impacts of mega-regionals.

*" Architects have made architecture too complex.*

*We need to simplify it and use a language that everyone can understand."*

Toyo Ito, Pritzker Award of Architecture, 2013.

- Trade and economic policy makers need to apply his formula.

## Toyo Ito's most recent creation



The International Baroque Museum in Puebla, Mexico, opened Feb. 2016.

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