

## Why Australia Should Fight for the Trans-Pacific Partnership

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This weekend in Vietnam, at the sidelines of an APEC meeting, Australian Trade Minister Steven Ciobo will meet with trade ministers from ten other countries to discuss the future of the Trans-Pacific Partnership (TPP).

There were twelve TPP members, until Donald Trump (in one of his first acts as president) withdrew the United States from the agreement in January.

Many celebrated the TPP's demise. Some civil society groups saw its Investor-State Dispute Settlement (ISDS) provisions as an attack on sovereignty. Some commentators argued that it was a bad deal—according to the World Bank Group, Australia's GDP would only increase by 0.7% by 2030. (By contrast, Vietnam's would increase by 10%.) Others, who supported the TPP, saw little point pursuing an agreement without the United States.

So, given all this, why should Australia be at the forefront of resurrecting the TPP? There are two reasons—one economic, one political.

First, it is a good agreement for Australia's economy. It gives Australian businesses new market access to some countries (Canada, Mexico and Peru) as well as improved market access to others. It has measures to ensure goods and services flow more freely between members. And when it comes to trade agreements, bigger is better. Even without the United States, the 11 remaining countries represent over one-eighth of global GDP. This is important because it creates a free (or more accurately, freer) trade zone between these markets, meaning there are significantly lower transaction costs for goods and services traded within the region.

The World Bank estimates the TPP (including the United States) would 'only' increase Australia's GDP by 0.7% by 2030—but for context that's around \$12bn in today's dollars. There aren't many other reform options currently on the table that can deliver that sort of number. Plus, the Bank notes that the benefits accrue slowly, then accelerate. It takes businesses time to develop new markets, or optimise their supply chains. So, the real benefits will be seen over the long term. But increasing GDP is only half the story. This measure doesn't include the benefits to consumers and business from greater choice and lower prices that would ultimately come from removing restrictions on imports.

(As an aside, one of the points that often gets overlooked is that the main beneficiaries of the TPP are developing countries. What other policy could deliver major GDP boosts to developing countries, improve their labour and environmental protections, while at the same time deliver a material increase to our own wealth?)

Secondly, it would help to reset the trade debate in Australia. Over the years, the TPP became the ideal straw man for the anti-trade movement to attack. While it's normal for trade negotiations to be done behind closed doors, with the 12 parties involved in the TPP, many imaginations wandered to almost conspiracy-theory realms: multi-nationals over-riding sovereign governments, the end of the Pharmaceutical Benefits Scheme. An effective scare-campaign was run, based on worst-possible scenarios.

But now the detail is out. People can go to the DFAT website and read the dreaded ISDS clauses for themselves and make up their own mind. If they do, they'll see an agreement that was drafted to attempt to allay concerns, with 'carve-outs' for areas like public health and the environment. Yes, it allows for investors to sue governments, in instances such the expropriation of an investment without adequate compensation. But while this could be interpreted as eroding sovereignty, isn't it more properly seen strengthening the rule of law?

A resurrected TPP could be a rare opportunity for a trade agreement to be finalised with the details publicly available. It will give the chance for an informed public discussion about the pros and cons of these measures. And negotiators might find that with greater consultation and openness, there may be tweaks that could improve the agreement.



Since negotiations began in 2010, the TPP has become lightning-rod for anti-trade, anti-big business sentiment. But it's important to remember that negotiations started under Labour and were continued by the Coalition. It was meant to be one of the main legacies of its champion, President Barack Obama. It is not a conspiracy by multinationals to erode the power of sovereign governments. It is an agreement that, if implemented, will benefit big business in Australia... as well as consumers and SMEs (who the Export Council represent). It will do far more for developing countries than our stagnant aid budget. We wish Steven Ciobo well in Vietnam.

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