Reconsider TPPA in public interest

Use the next two years to think about the TPPA and its many implications for present as well as future generations of Malaysians.

DR JOMO KWAME SUNDARAM
comment

LAST week, Malaysia's Parliament authorised the Government to sign and ratify the 6350-page Trans-Pacific Partnership Agreement (TPPA). Thankfully, as the minister has emphasised, countries will not need to ratify the deal for about two years, and can withdraw after that, though neither option will be costless. Hence, it is important to use the next two years to have a careful consideration of the TPPA and its many implications for present as well as future generations of Malaysians.

Despite touting the TPP in Asia as his main foreign policy priority for 2016, United States President Barack Obama only spent half a minute of his State of the Union address on it, triumphantly announcing, "With TPP, China does not set the rules in that region, we do", making clear the main US motivation while realising its widespread unpopularity with the American public, especially his own Democratic Party base.

Like many other recent US-led bilateral and plurilateral economic agreements, the TPPA has little to do with liberalising trade, but instead advances the interests of powerful foreign business interests in ways Organisation for Economic Co-operation and Development countries have not been able to do at the World Trade Organisation (WTO). Even the conservative libertarian Cato Institute has denounced the TPP as the tool of corporate lobbyists.

Concluding the TPPA was then used by US Trade Representative Michael Froman to kill the Doha Round of trade negotiations. The Doha Round had begun in late 2001, after 9/11, with the promise of rectifying the anti-development and food security outcomes of the previous Uruguay Round following the Seattle WTO ministerial failure.

The re-alignment also abandons the late Tun Abdul Razak's commitment to make Asean a "zone of peace, freedom and neutrality". Despite their denials, the four Asean members joining the TPPA have effectively undermined existing commitments to the Asean Free Trade Area and the Asean Economic Community, though of course, no serving government leader in Asean is going to offend the US by rejecting the TPPA outright.

Already, some other, mainly European, governments have privately expressed their dismay at the TPPA provisions as it will weaken their own negotiating positions for the Trans-Atlantic Trade and Investment Partnership. It is the US which has secured "first-mover" advantage.

It is unclear to most analysts what great advantage Malaysia has secured beyond some New Economic Policy-related "carve-outs". The Malaysian negotiating team appears to have been quite competent in some areas at least.

Since negotiations ended, the minister in the new centrist Liberal Party Canadian government has already called for reconsideration of the TPPA provisions. Meanwhile, in Australia and New Zealand, the public and parliamentarians are outraged after a new 2016 World Bank report projected paltry gains for them.

With two years provided for ratification, there is nothing to be gained by being the first to commit to ratify the TPPA. Instead, more careful consideration through more informed public discussion of its many provisions can only help the nation.

Most people think the TTPA is about greater growth from freer trade. Nothing could be further from the truth. Even the cheerleaders' projections recognise that more trade does not mean more growth.

After all, freer trade not only means more exports, but also more imports. While the TPPA will mean greater trade, there is no basis for assuming that increased trade will improve economic welfare for all. Without adequate compensatory mechanisms, which the TPPA does not provide for, nothing guarantees that all will benefit.

The only US government study of the TPP's growth effects did not see much growth coming from increased trade. Rather, significant growth gains are expected from large, but dubious projected increases in foreign direct investment (FDI), which will greatly increase foreign control of the Malaysian economy.

Both the US and Malaysia are among the world's most open economies, with little more trade to be gained by further reducing tariffs. Also, the TPPA does not address many non-tariff barriers.

More production for export will partly replace production for domestic markets. Exports are less labour-intensive and use more imported inputs than production for domestic markets. Businesses become more competitive by cutting labour costs.

As a middle income country, it will be difficult for Malaysia to compete successfully with Vietnam on the basis of wages for the labour-intensive primary commodity and export-oriented manufacturing envisaged by the TPPA for Malaysia, thus keeping us in the "middle income trap".

Yet, despite the exaggerated claims of its advocates, TPPA provisions for the goods trade are probably its least harmful aspects. For example, provisions for further liberalisation of financial services will undermine national prudential regulation.

For Malaysia, instead of trade, the TPPA is mainly about greatly strengthening investor rights, including intellectual property rights (IPRs). But most contemporary IPR regimes actually impede innovation, besides undermining public health and consumer welfare by limiting competition and raising prices.

Drafting the TPPA was "assisted" by over 500 official corporate advisers to the US Trade Representative, greatly strengthening foreign investor rights at the expense of Malaysian business and public interests.

The TPPA's investor-state dispute settlement (ISDS) system obliges governments to compensate foreign investors for the loss of expected profits in binding private

> TURN TO PAGE 23