TPPA FACTS

Fact Sheet #4:
Economic Costs & Benefits

The TPPA is a preferential trade agreement encompassing more than a third of global GDP, 40% of New Zealand's goods exports and 47% of its services exports. It will have economic benefits for New Zealand, but those benefits are minimal, especially given the trade-off. This factsheet digs deeper into the numbers behind the deal.

WHAT WE GET:

➪ According to the Ministry of Foreign Affairs and Trade projection, a 0.9% increase in GDP by 2030 (= $2.7 billion). A different modelling exercise by the World Bank put the potential cumulative boost to GDP at up to 3% by 2030.

➪ Reduced customs clearing times, which would facilitate trade

➪ Removal of Non-Tariff Barriers (regulations and procedures that are burdens on business)

The TPPA will add an extra $2.7 billion to GDP by 2030 (that's a rise of 0.9%).

Our net exports are projected to be the largest in the deal for any TPPA country.

But hang on a minute, real GDP was already projected to increase by 47% without TPPA.

So that's a 47.9% growth rate with TPPA or 47% without it. Is TPPA really worth it?

WHAT WE GIVE UP:

➪ An alternative modelling approach, that doesn't make the unrealistic assumptions of full employment and constant income distribution, projects only a 0.77% increase in GDP by 2025, a loss of 5,000 jobs, and increased levels of income inequality.

➪ New Zealand could be sued for potentially billions of dollars under the ISDS system, meaning that a loss by the government in any such case would threaten to erase any monetary benefit from the TPPA.

➪ TPPA will likely reinforce our position as a commodity producer and hinder our progress up the value chain where greater economic prosperity lies. For example, large-scale overseas companies with close connections to their consumers will find it easier to tap into our resources than our small companies will find it to develop relationships with overseas consumers.

➪ Innovation and technology are key to the future, but the TPPA guarantees longer and stricter monopoly rights over them to big IT companies, ironically in the name of 'free trade'.

These factsheets were crowdfunded by members of: ActionStation people powered change

TPPA FACTS

ECONOMIC MODELLING THAT IGNORES THE COSTS?

The TPPA has been promoted as a great deal for New Zealand because the Ministry of Foreign Affairs and Trade (MFAT) estimate the deal will add an extra $2.7 billion to GDP by 2030. This figure equals a 0.9% real GDP increase.

In contrast, real GDP was already projected to increase by 47% by 2030 without the TPPA. That means that with the TPPA contribution we see a marginal rise in GDP from 47% without TPPA to 47.9% with it.

That said, the models used by MFAT make crude assumptions about the functioning of markets that, if untrue, would drastically impact the validity of the results. [1]

An alternative modelling approach, that doesn't make the unrealistic assumptions of full employment and constant income distribution, projects only a 0.77% increase in GDP by 2025, a loss of 5,000 jobs, and increased levels of income inequality. [2]

In the government's modelling, $1.7 billion of the $2.7 billion projected gains from the TPPA is from loosely-defined and potentially harmful removal of Non-Tariff Barriers (NTBs). Modelling does not explain what constitutes an NTB, or how legitimate regulations (such as environmental or health regulations) that do not exist to limit trade will be protected from elimination. [3]

The TPPA section on dairy products was written to favour some markets over others, including the US, Japan, and Canada over New Zealand. [4]

The Government has not provided comprehensive information on what costs are associated with the TPPA, including costs from inadequate regulation or from defending cases brought against the Government as a part of the investor-state dispute settlement (ISDS). [5] In fact, the MFAT modelling does not factor in any costs, even where the government has calculated them – such as the extra $55 million per year for 20 years longer copyright protection.

New Zealand will be in a power imbalance with the United States, where the US can make it more difficult for New Zealand to label dairy and meat products to differentiate higher standards of animal welfare, consumer health, and food safety. [6]

New Zealand could be sued for hundreds of millions, even a billion dollars under the ISDS system, meaning that a loss by the government in any such case would threaten to erase any monetary benefit from the TPPA. [7]

The TPPA might come into conflict with different agendas from groups not included in the deal that make up a large percentage of world GDP. These include the EU at 46%, and China's Regional Comprehensive Economic Partnership at 29%. (For comparison, the TPPA includes 37% of global GDP.) [8]

Far from a 21st century model, it makes it harder to address challenges like climate change, income inequality, financial instability, and energy scarcity, and harness new technologies to the public good, that should shape our economy in the decades ahead.

REFERENCES:

1. *Page 5, Expert Paper #5, The Economics of the TPPA*
2. *http://www.ase.tufts.edu/gdae/policy_research/TPP_simulations.html*
3. *Page 8, Expert Paper #5, The Economics of the TPPA*
4. *Page 12-13, Expert Paper #5, The Economics of the TPPA*
5. *Page 10, Expert Paper #5, The Economics of the TPPA*
6. *Page 14, Expert Paper #5, The Economics of the TPPA*
7. *Page 24, Expert Paper #5, The Economics of the TPPA*
8. *Page 27, Expert Paper #5, The Economics of the TPPA*