The Trans-Pacific Partnership (TPP)
Potential regional and global impacts

SUMMARY
On 4 February 2016, the Trans-Pacific Partnership (TPP) agreement was signed by 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. It encompasses about 800 million people, and the participating countries account for roughly a quarter of global trade and approximately 40% of the world’s GDP.

The TPP – described by US President Barack Obama as 'a regional agreement that will have broad-based membership and the high standards worthy of a 21st century trade agreement' – provides deeper liberalisation for trade in goods and services and introduces a set of common rules in a number of fields, going beyond current WTO-plus commitments in existing free trade agreements.

It is highly probable that the TPP, although yet to be ratified, will influence the way that regional free trade agreements, including the Transatlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP), develop. Alongside China’s growing stature and the increase in intraregional economic relations in the Asia-Pacific region, the TPP could adversely affect the interests of the EU.

It remains to be seen how quickly the forthcoming ratification and implementation process can be completed, what the ultimate economic significance of the TPP will be, and whether other countries will be able to join the partnership.

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The Asia-Pacific region as economic powerhouse

The Asia-Pacific region is now the world’s fastest growing region, accounting for almost two thirds of the world’s real GDP growth in 2014. Its consumption rate is rising and its production achieved nearly 40% of the world’s output in 2014.

Despite the challenging global economic environment, the region is expected to go on driving the world’s economic expansion for the foreseeable future, with GDP growth reaching an estimated 5.3% in both 2016 and 2017. It is predicted that by 2030, 3.2 billion people living in the region will be classified as middle-class.1 By 2050, the region is likely to generate roughly half of the world’s GDP. As a result, vast new markets are expected to open up for goods and services.

From the 'Pacific 4' to a mega-regional trade agreement

The TPP’s origins lie in the Trans-Pacific Strategic Economic Partnership, or 'Pacific 4' (P4), a free trade agreement (FTA) established between Brunei, Chile, New Zealand and Singapore in June 2005. The agreement, which took effect in 2006, stipulates that it is ‘open to accession on terms to be agreed among the Parties, by any APEC Economy or other State’.2 In February 2008, the then-US Trade Representative announced that the US would join talks with the P4 countries on investment and financial services. Later that year, she declared that negotiations would begin on accession to the full agreement. Australia, Peru and Vietnam expressed their interest in joining the talks in the same year. In a speech in Tokyo in November 2009, US President Barack Obama declared that the US wished to cooperate with the Trans-Pacific Partnership countries with a view to reaching a regional trade agreement. The first round of TPP negotiations took place in March 2010, and the outlines of an agreement were presented in November 2011. Malaysia became a negotiating partner in 2010, Mexico and Canada joined the talks in 2012, and Japan was the last to join in 2013. The final round of negotiations was concluded in Atlanta, United States in October 2015.

Figure 1: The TPP timeline

Data source: OAS, Foreign Trade Information System.
When negotiators announced a final TPP deal in October 2015, Bernd Lange, chair of the European Parliament's International Trade Committee, said: 'I welcome the conclusion of the Trans-Pacific Partnership agreement, which has the potential to contribute to strengthening rule-based global trade'. He added that '[the] deal clears the path for changing gears in the transatlantic negotiations: now is the time to move forward with the TTIP'.

A progressive, next-generation agreement

Key features

The agreement was made public on 5 November 2015. On that occasion, New Zealand’s Trade Minister, Tim Groser, said, 'This is a complex agreement, with 30 chapters and associated annexes. The large number of documents released today amount to over 6 000 pages of text and market access schedules'. In his statement on the TPP, President Obama noted that it would abolish more than 18 000 taxes levied on US products by participating countries.

The TPP agreement is a mega-regional trade agreement that builds on a number of existing FTAs between the participating countries. Not only does it cover tariff reductions, it also addresses nationally sensitive 'behind the border' issues, including government procurement practices.

The TPP improves market access by eliminating or reducing tariff and non-tariff barriers across nearly all trade in goods and services, including agricultural trade. A 2016 study on TPP by the US Congressional Research Service explains that manufactured goods will ultimately become tariff-free – some immediately, and others progressively after a phasing-out period (with a maximum duration of 30 years). Tariffs and quotas would continue to be applied for a number of the most sensitive agricultural products. The study estimates that in the future, roughly 99% of tariff lines among partner countries will be abolished. In general, commitments applicable to services are on a 'negative list'3 basis (this approach is taken in the section on cross-border trade in services, for example).

The TPP agreement also establishes and extends common rules on a range of issues such as labour rights, e-commerce, foreign investment and intellectual property (IP) rights. It also deals with issues seldom hitherto addressed in FTAs: for instance, it is the first time that an entire chapter of a trade agreement is dedicated to small and medium-sized enterprises (SMEs), with measures that will help SMEs to exploit the commercial opportunities presented by the agreement.

Trade-offs

To accommodate their different and sometimes conflicting interests, the participating countries bargained for balanced compromises, such as some gradual and non-complete tariff abolitions, and additional market access for some products. For example, the US will gradually abolish its 2.5% import tariffs on Japanese cars over a period of 25 years; the Japanese government will keep reduced tariffs for some agricultural products, such as beef; and Australian producers will benefit from some further liberalisation of trade in agricultural products, such as access for 65 000 more tonnes of sugar per year to the US market, with the possibility of additional allocations.
In the automotive industry, the rule of origin in the TPP requires only 45% regional value-content using the net cost method\(^4\) for finished vehicles, whereas the North American Free Trade Agreement (NAFTA) contains a 62.5% regional value-content requirement. The TPP could therefore boost Japanese exports to the US. Moreover, the rule of origin for textile products is based on the 'yarn forward' concept, under which only products made of TPP country yarn and fabrics will benefit from duty-free status. This is aimed at protecting textile makers from inexpensive fabrics, particularly those produced in China.

A key element of the agreement is related to the duration of data protection given to new biotech medicines, also known as biologics. While the US proposed a 12-year-long period of data exclusivity,\(^5\) other countries, such as Australia and New Zealand, wanted a period of five years (in the US, 12 years of data protection is currently granted, and in the other TPP countries this period ranges from no protection in Mexico, Vietnam, Malaysia and Brunei, to eight years in Canada and Japan). According to the agreed compromise, the TPP parties have the choice between data exclusivity for a minimum of eight years, or data exclusivity for a minimum of five years, in addition to other measures providing effective market protection.

The negotiations on the TPP needed to account for the vast differences in development of the participating countries, ranging from advanced economies like the US to developing countries like Vietnam. One solution put forward in response to the discrepancy was to provide developing countries with a transition mechanism related to certain intellectual property rights provisions. Different transitional periods were agreed depending on countries and provisions. For example, for Vietnam the transitional period for some pharmaceutical rules is a maximum of 10 years, with the possibility of an extension. Better market access was also given to Vietnam for certain export goods such as textiles. In exchange, Vietnam is expected to apply more stringent provisions on rule of origin and labour standards.

**Other key provisions**

The investment chapter of the agreement contains an 'investor-state dispute settlement' (ISDS) clause.\(^6\) Beyond the usual filter mechanism for prudential regulation,\(^7\) parties are also allowed to rule out ISDS provisions in the case of 'claims challenging a tobacco control measure'. A specific provision was also added for claims against taxation measures related to expropriation.\(^8\)

On cross-border data flows, the electronic commerce chapter stipulates that parties 'shall allow the cross-border transfer of information by electronic means, including personal information, when this activity is for the conduct of the business'. However, countries may adopt measures that limit data transfer, provided it is for 'a legitimate public policy objective', and as long as these measures are proportional, non-arbitrary
and non-discriminatory. The chapter also restricts mandatory data storage within national borders (also known as data localisation) ‘as a condition for conducting business in that territory’. Provisions governing the cross-border supply of financial services, which grant the ‘provision and transfer of financial information’ between the participating countries' financial service suppliers, are included in the chapter on financial services. Several countries have declared restrictions on this exchange.

The intellectual property chapter dealing with issues such as patents, copyrights and trademarks includes more restrictive provisions compared to international standards currently in place. For example, the TPP could extend copyright term protection by an additional 20 years for natural persons, from the life of the author plus 50 years after his or her death, to the life of the author plus 70 years after death. For corporate-owned works such as films and recordings, the duration of the copyright term protection would be a minimum of 70 years after the authorised publication or creation. This chapter also addresses the much-debated issue of data exclusivity rules for biologic medicines. The provision dealing with the recognition of geographical indications (GIs) states that ‘geographical indications may be protected through a trademark’, or through other specific legislative tools. However, specific provisions have been put in place in order to protect agreements concluded between a third party and a TPP partner with respect to GIs, and which were agreed in principle, concluded, or entered into force prior to the TPP. These provisions are particularly important for the EU, which has concluded GI-related agreements with some TPP partners, especially Australia. GI provisions are also included in the EU-Canada Comprehensive Economic and Trade Agreement (CETA), and in the EU-South Korea FTA.

The chapter on labour includes provisions on labour rights and working conditions, and these are subject to dispute settlement procedures. The US has negotiated separate bilateral agreements with Vietnam, Malaysia and Brunei, in relation to which it has particular concerns about labour protection.

Despite objections raised by certain Members of the US Congress, the agreement does not contain measures against unfair currency practices. Although the TPP parties' monetary authorities have issued a joint declaration on this issue, it is not legally enforceable.

Contentious issues
The TPP was and still is a controversial agreement. While the talks were under way, their secrecy attracted a great deal of criticism, and even prompted a number of legal counter-manoeuvres in some participating countries. After the leaking of negotiating documents, some provisions were much criticised, particularly those related to intellectual property. Examples include copyright provisions that some considered excessively protective, and the high cost of medicines due to patent protections, such as patent term extensions. Another contentious issue was the ISDS clause.

The TPP has also been challenged because, according to its opponents, it undermines human rights and freedom of expression. Moreover, it has been argued that the agreement favours the interests of powerful business lobbies.

Various interest groups and stakeholders, such as industry groups (particularly in the tobacco, pharmaceutical and automotive industries), labour federations and activist groups continue to express concerns about, or even oppose, the agreement. Civil society organisations, such as Médecins Sans Frontières, strongly oppose provisions that
would keep drug prices excessively high. Human Rights Watch has expressed concern that it is unclear to what extent the specific bilateral agreements on labour issues will be implemented or enforced, and pointed out that complaints can be filed only by the governments, contrary to the ISDS mechanism, where investors and companies can take action to enforce provisions. Some environmental groups fear that investors will use the ISDS clause to challenge environmental laws passed by governments.

**Potential economic effects on participating and non-participating countries**

The impact of the agreement is assessed in a number of studies, but there is a consensus that it is still too early to measure its effects with any certainty.

According to simulations presented in a European Parliament policy briefing published in 2013, the benefits of the agreement will increase in line with the number of participating countries.

Some sources suggest that smaller and developing participating countries are likely to benefit most, especially export-oriented economies such as Malaysia and Vietnam, will be the biggest beneficiaries, as they are expected to see increased demand for their exports and attract additional foreign direct investment (FDI).

In a paper published in 2014, the European Centre for International Political Economy (ECIPE), having analysed various other studies, suggested that the abolition of tariffs on goods trade would generally have a modest impact on the participating countries. The overall effects of the TPP on non-parties were also estimated to be relatively small. There is a consensus in the research that both parties and non-parties will be most affected by the abolition of non-tariff trade barriers.

More recently, a report published by the World Bank in January 2016 deals with the effects of the TPP. The Bank suggests that the Trans-Pacific Partnership, once ratified by the parties, could raise participating countries' GDP by an average of 1.1%, and increase the TPP parties' trade by 11% by 2030. It confirms that Vietnam and Malaysia would benefit most, with the agreement boosting Vietnam's GDP by 10%, and that of Malaysia by 8%. Some Asian countries outside the agreement, such as Korea and Thailand, would suffer the most significant losses, with an estimated GDP loss of more than 0.3%. However, the report confirms that the negative effects on non-participating countries would be limited.

Another document published in 2016 was a working paper by the Peterson Institute for International Economics. Its authors estimate

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**Figure 4: Country-specific impact of TPP – change in GDP by 2030, participating and non-participating countries**

Note: 'LAC nei' includes Argentina, Bolivia, Brazil, Costa Rica, Ecuador, Guatemala, Honduras, Rest of the Caribbean, Nicaragua, Panama, Rest of Central America, Paraguay, El Salvador, Uruguay, Venezuela, Rest of North America, Rest of South America. 'Asia nei' includes Bangladesh, Kazakhstan, Kyrgyzstan, Mongolia, Nepal, Pakistan, Rest of south Asia, Rest of former Soviet Union, Rest of western Asia, Sri Lanka. 'EAP nei' covers: Cambodia, Lao PDR, and Rest of south-east Asia. 'SSA' indicates Sub-Saharan Africa.

that in absolute terms, the United States would gain the most; Japan, Malaysia and Vietnam would benefit substantially; and other participating countries would enjoy substantial benefits.

Some analysts point out that a number of FTAs already exist between the TPP parties, and between TPP parties and third countries; so the predicted economic benefits may have been exaggerated. Others suggest that the economic benefits need to be seen in the context of the geopolitical impacts. As Japan's Prime Minister, Shinzō Abe, stated on the side lines of the APEC meeting in November 2015, economic interdependence could reinforce regional stability. Furthermore, President Obama considers the TPP as a key component of his 'pivot to Asia' policy, which has economic as well as strategic objectives.

The EU – losing ground in the region?

State of play
Given the growing economic importance of the Asia-Pacific area, intraregional trade and investment relations are expanding. The share of FDI investors from countries inside the region is increasing at the expense of European and US investors. The same upward trend can be observed in relation to intraregional trade, with China (still) playing a crucial role as both investor and trading partner. For example, in the first half of 2013, the trade flow between Singapore and China overtook that between Singapore and the EU. Between 2002 and 2014, the share of intraregional exports in relation to total Asia-Pacific exports grew from 46% to 54%, compared with a 13-percentage-point decline (from 50% to 37%) in exports going to developed countries, including the US and the EU.

Figure 5: Parties to the TPP and TTIP

Potential drawbacks for the EU
At this point it is difficult to accurately assess the effects of the TPP. Kenichi Kawasaki estimated in 2013 that the TPP is likely to have a negative macroeconomic impact on the EU (-0.1%). A 2015 study by the Bertelsmann Stiftung indicates that, overall, the TPP would have no measurable impact on Europe, and even in the worst-case scenario described in the paper, Europe would suffer a 'more sizeable' but not very significant
loss. However, the study also suggests that, at a sectoral level, the TPP could pose a particular threat to the European and German automotive industries. Finally, the Polish Institute of International Affairs (PISM) predicted in an article published in 2015 that the TPP would cost Europe between 0.02% and 0.1% of its GDP.

Although these figures are relatively low, studies generally concur that there is a risk that the EU’s economic weight will continue to decline in the region, and that it will struggle to retain its market share relative to major competitors enjoying preferential trade arrangements.

A 2014 policy brief by the ECIPF lists a number of fields where the impact of the TPP is expected to be felt. For Australia, Canada, Chile, New Zealand and the US – among the world’s most important agricultural exporters – the agreement would provide increased access to participating countries’ markets, to the disadvantage of their EU competitors. Another adverse effect could be the change in global investment patterns. If investment activity between the parties grows, this could lessen the importance of the EU as an investor in the region. A relocation of production of European companies aiming to sell their products on these markets can also be expected, which could lessen the EU’s appeal as an investment destination.

Studies also cite the risk that the TPP – to quote the PISM – ‘may weaken the EU as a standard-setter in world trade’. The agreement is meant to impose particular trade rules in the region, and Europe will have to comply with these sets of rules. Moreover, TPP parties could use the agreement as a benchmark during negotiations on other FTAs in order to pursue their own priorities. For instance, the TPP could serve in some respects as a template for the US in negotiations on the Trans-Atlantic Trade and Investment Partnership (TTIP). Some parts of the TPP, such as the provisions concerning geographical indications, concern issues that are sensitive for the EU, and there are significant differences between certain TPP standards and those currently enforced in Europe; for example, some TPP standards are stricter, such as those concerning IP regulations.

**The way forward**

As the ECIPF’s 2014 policy brief points out, there is no real prospect of the EU joining the TPP, even if it is an open-ended agreement. It has been suggested that the trade agreements under negotiation or already completed by the EU in the region could balance or even exceed the influence of the TPP, especially because there is still scope for the EU to export more to many countries in the region. In addition, several studies, including the 2012 ECIPF policy brief, have underlined the strategic importance of an FTA between the EU and Japan, the world’s third largest economy, and of the TTIP with the US, which could mitigate any adverse effects of the TPP. The 2013 estimates by Kenichi Kawasaki indicate that the EU would benefit from an EU-Japan FTA and the TTIP. Kawasaki predicts that both agreements would have a macroeconomic impact ranging from 0.1% to 2% each, depending on the final outcome of the negotiations with respect
to reduction of trade barriers in general. The European Commission suggested in 2013 that an EU-Japan FTA would increase EU GDP by 0.6% to 0.8%. It has also been said that the EU could steal a march on others in negotiations with China, which is also outside the TPP.

EU trade negotiations with the TPP parties are progressing at different speeds. A trade agreement with Peru took effect in 2013. There are ongoing bilateral negotiations with Japan, and talks have concluded with Singapore, Vietnam, and Canada. The EU is committed to resuming negotiations with Malaysia, to modernising the FTA with Mexico, and to assessing the updated Association Agreement with Chile. It will work towards finalising TTIP negotiations with the US. At the end of 2015, decisions were taken on working towards starting negotiations for FTAs with Australia and New Zealand. Brunei is part of the EU's ASEAN strategy. On 14 October 2015, the European Commission presented a new trade and investment strategy for the EU, entitled 'Trade for All: Towards a more responsible trade and investment policy'. The strategy aims to, among other objectives, strengthen the EU’s presence in the Asia-Pacific region, and finalise important projects such as the TTIP and an EU-Japan FTA.

Reactions of other key players

China

For a long time, China followed the TPP negotiations at a cautious distance, viewing them as part of an effort to counter the country's rise in the region. Then, in May 2013, Beijing declared that it would study the possibility of joining the talks, and when the TPP was concluded, it stated that it was keeping an 'open mind' towards the agreement. However, the rules and obligations established by the TPP make it unlikely that China will join in the near future. In a statement in October 2015, President Obama said, 'When more than 95 percent of our potential customers live outside our borders, we can’t let countries like China write the rules of the global economy'. The trade rules set by the TPP could be seen as a form of pressure on China, or as an opportunity for it to pursue substantial economic reforms. However, China still has levers with which to maintain its regional economic influence, such as the 'One Belt One Road' initiative, backed by the Asian Infrastructure Investment Bank (AIIB), and bilateral and regional trade agreements which already exist or are under negotiation. China has accordingly expressed an interest in speeding up negotiations on the Regional Comprehensive Economic Partnership (RCEP), a regional agreement which can be seen as an alternative to the TPP and which excludes the US.

The RCEP and the TPP have both been described as potential building blocks of a multilateral trade area, the Free Trade Area of the Asia-Pacific (FTAAP). This agreement would be wider in geographical coverage than the TPP, including China, Russia and the US, among others, but with less comprehensive commitments. China has recently become a more vocal advocate of such an agreement, but it is difficult to predict at this point how the FTAAP will unfold.

The economic impact of China’s exclusion from the TPP is the focus of numerous studies. The 2016 working paper by the Peterson Institute for International Economics suggested that China would lose around US$18 billion a year by 2030 by being excluded, which was described as 'moderate income loss'. According to Ma Jun, chief economist of the People’s Bank of China, if China were to join an enlarged TPP of 16 members, its economic output would grow by 0.5% annually over four years, and after 'several years' its economy would be 2.2% larger.
Other main players in the region

Given the 'confidential fashion' in which the Trans-Pacific Partnership (TPP) negotiations were conducted, Russia responded warily to the negotiations' conclusion. Addressing the Russian Parliament on 3 December 2015, President Vladimir Putin suggested that '[Russia] and other Eurasian Economic Union countries should kick-off consultations with members of the Shanghai Cooperation Organisation (SCO) and the Association of Southeast Asian Nations (ASEAN) on a possible economic partnership', as an alternative to the TPP. The effects of the TPP may result in trade diversion, amounting to an estimated loss of US$1 billion a year by 2025. Russia may also find itself between two large regional trade agreements, the TPP and the TTIP, without benefiting from either.

It can be assumed that India would also experience trade diversion, but its extent is estimated to be relatively small in relation to the value of the country's total exports. It is difficult to measure the benefits lost by India by being outside the TPP. On the one hand, exports from India would increase; on the other hand, India's economy would possibly be affected by the adverse impact of compliance requirements.

As the TPP is an open agreement, in recent years more countries have expressed interest in becoming a party to the agreement. In October 2015, South Korea reiterated its interest in joining the TPP, but so far it has not made a formal request. In the same month, Indonesia's president said that the country planned to join the bloc. Thailand, the Philippines and Taiwan have also shown interest in joining.

Next steps

TPP ratification ahead

On 26 January 2016, New Zealand, the depositary for the agreement, published the legally verified TPP text. The agreement was signed on 4 February 2016 in Auckland, New Zealand. The deal will take effect 60 days after the last participating country ratifies the agreement. Should this not happen within two years, the deal takes effect 60 days after a minimum of six original signatories complete ratification. Those six signatory countries need to account for at least 85% of the total GDP (in 2013) of the 12 TPP signatories. As the US and Japan are the two largest economies among the 12, according to the GDP threshold the agreement cannot take effect without those two.

Whether the US and Japan ratify will determine the outcome of the TPP

The ratification process is expected to be problematic in some countries, particularly in the US. According to the consultation process established by US Trade Promotion Authority (TPA) legislation, known as 'fast track' authority,11 the agreement will be eligible for a Congressional vote this year. In the meantime, the US presidential election season kicked off in February 2016, and the Senate Finance Committee chairman Orrin Hatch has said that it would be difficult to submit the agreement to a vote in Congress during the 2016 election year. However, President Obama has expressed cautious optimism that the deal will be ratified before his term ends in January 2017.

After the release of the details of the agreement, key Republicans and many Democrats expressed strong reservations. The front-runners in the US presidential campaign – both Republican and Democrat – are opposed to, or have at least expressed reservations about, the TPP. If the US Congress does not vote on the trade agreement before President Obama leaves office, this vote will be held under the next president, and it is difficult to predict his or her position on the agreement.
Japan also faces difficulties ratifying the agreement, because of resistance from its powerful farm lobbies to the provisions on agriculture. In addition, elections are planned in the near future in Japan, Peru and Australia, among others. These elections could potentially influence the ratification process. Opposition can be expected in Chile, inter alia, because of the sensitive issue of access to medicines. As the TPP has drawn significant criticism in Canada, recently elected Prime Minister Justin Trudeau said in October 2015 that he would take the agreement to parliament for discussion. Countries that anticipate an easier ratification process include Mexico, Brunei, Vietnam and Singapore.

Main references


Endnotes
1 'This paper defines a global middle class as all those living in households with daily per capita incomes of between USD10 and USD100 in PPP terms.' Source: The emerging middle class in developing countries, OECD Development Centre, January 2010.

2 Asia-Pacific Economic Cooperation (APEC).

3 'Under a "negative list" approach, Parties commit to provide market access except in areas where restrictions are listed in individual Parties’ services and investment schedules.' Source: Ministry of Foreign Affairs and Trade, New Zealand.

4 'The net cost method calculates the regional value content as a percentage of the net cost to produce the good. Net cost represents all of the costs incurred by the producer minus expenses for sales promotion (including marketing and after-sales service), royalties, shipping and packing costs and non-allo... interest costs.' Source: US Customs and Border Protection.

5 'Data exclusivity prevents follow-on pharmaceutical developers from relying on originators’ test data submitted for marketing approval while seeking such approval for its own product.' Source: Decision Time On Biologics Exclusivity: Eight Years Is No Compromise, July 2015.

6 ISDS allows foreign investors and companies to bring governments to court inter alia for state actions that result in direct or indirect expropriation of an investment. Indirect expropriation is understood in the TPP as state actions or series of actions by a Party that has an effect equivalent to direct expropriation without formal transfer of title or outright seizure, as... poor welfare objectives, such as public health, safety and the environment, do not constitute indirect expropriations, except in rare circumstances', hinting at the more restrictive interpretation of indirect expropriation for non-discretionary regulatory actions stemming from the...elidate public welfare objectives.' Source: Rise of the Mega EPAs: A comparison of economic effects, March 2014.

7 The filter mechanism allows a claim for ISDS to be dismissed if the measures challenged have been found to fall...ludential regulation exception. This mechanism is part of all US agreements since NAFTA.

8 Article 29.5 and Article 29.4(8)

9 'Here, macroeconomic effects are evaluated as the ratio of the equivalent variation to the gross domestic product (GDP) in percentage terms. Equivalent variation is an indicator of changes in macroeconomic income and expenditures. It also takes into account the terms-of-trade effects resulting from changes in export and import prices, something that is not fully captured by the real GDP. Thus, it may be considered as a more suitable indicator of economic welfare.' Source: Rise of the Mega EPAs: A comparison of economic effects, March 2014.

10 Considering that the EU is concluding bilateral agreements with many of these countries, the final impact of the TPP on EU investment and trade with the region and vice versa may be more difficult to gauge at this moment.
TPA requires that if the President negotiates an international trade agreement that would reduce tariff or non-tariff barriers to trade in ways that require changes in U.S. law, the United States can implement the agreement only through the enactment of legislation. If the trade agreement and the process of negotiating it meet certain requirements, TPA allows Congress to consider the required implementing bill under expedited ("fast track") procedures, pursuant to which the bill may come to the floor without action by the leadership, and can receive a guaranteed up-or-down vote with no amendments. Source: *Trade Promotion Authority (TPA): Frequently asked questions*.

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eprs@ep.europa.eu
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