tepav

Türkiye Ekonomi Politikaları Araştırma Vakfı

NEW ERA IN INTERNATIONAL TRADING SYSTEM

TEPAV-MUTS

Main Approach

- What has changed recently?
- What will the new quests bring to the international system?
  - ➔KOR-US as template
- Are they really "game changers"?
- What can Turkey expect at this stage?

WHAT HAS CHANGED RECENTLY? The US National Intelligence Council

" Global Trends 2030"

- **"Asia will have surpassed North America and Europe combined in terms of global power, based upon GDP, population size, military spending and technological investment… <u>In a tectonic shift, the health of the global economy increasingly will be linked to how well the developing world does- more so than the traditional West"</u>**

- **"largely reversing the <u>historic rise of the West since 1750</u>"**

- **"in addition to China, India, and Brazil, regional players such as <u>Colombia, Indonesia, Nigeria, South Africa, and Turkey</u> will become especially important to the global economy"**

…and the others…

UNCTAD,
FDI fell by 18% to 1.35 trillion US Dollars in 2012 while the **developing countries took the lead in FDI inflows"** "accounting for 52 per cent of global flows

WTO
"the volume of world merchandise trade registered an increase of just 2% in 2012. Shipments from developed countries grew more slowly than the world average at 1.0%, **while exports of developing economies grew faster at 3.3%**

In other words, the "transatlantic markets are shifting from a position of preeminence to one of predominance-still considerable, but less overwhelming than in the past"

USTR Strategic Plan 2013-2017

- **Main Goals and Objectives:**

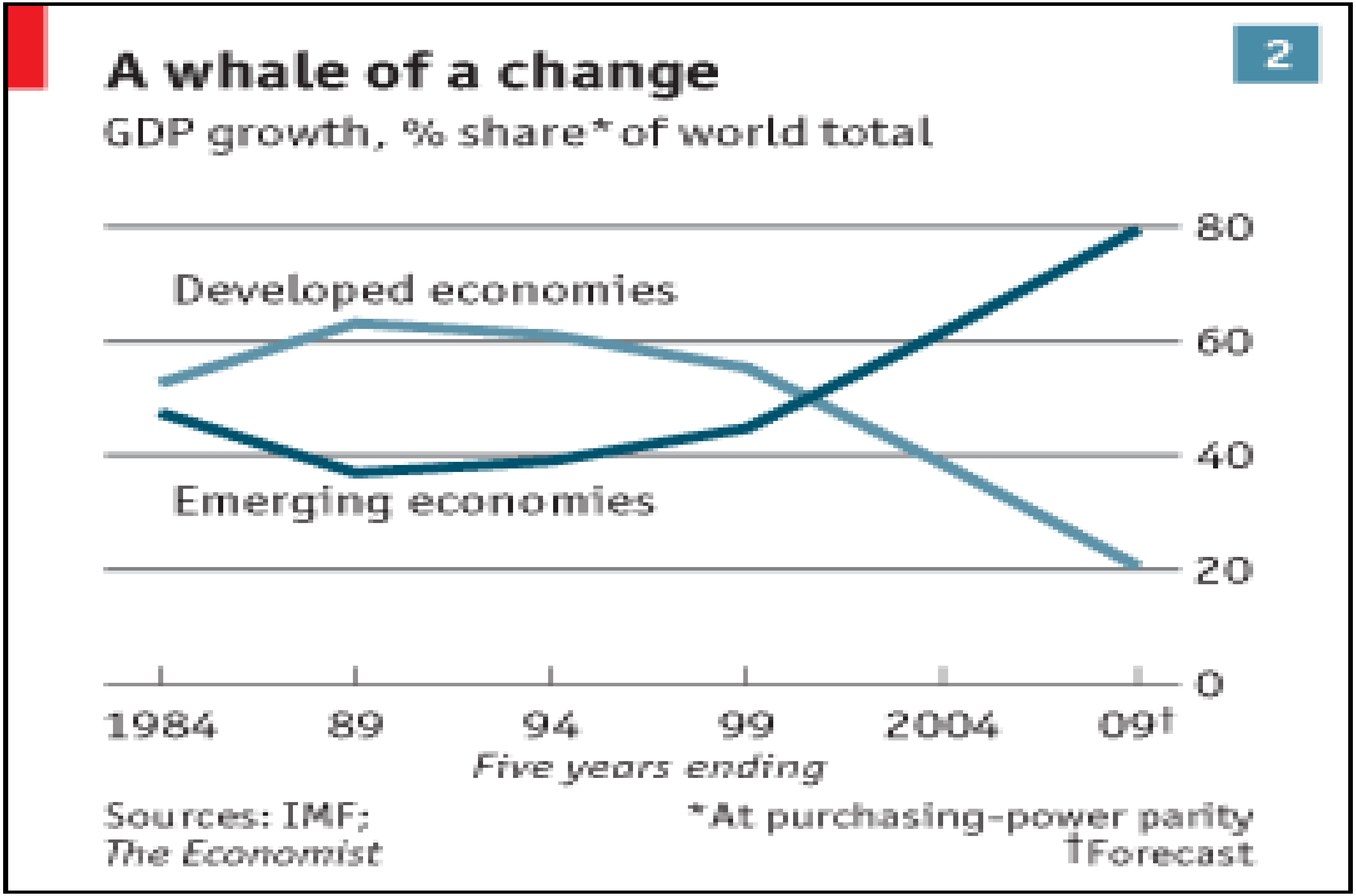
  1- Create and Sustain Better Jobs by Opening Foreign Markets

  2- Create and Sustain Better Jobs by Monitoring and Enforcing US Rights

  3- Develop Strategic and Transparent Policy

  4- Effectively Communicate Trade's Benefits

  5- Achieve Organizational Excellence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A whale of a change
GDP growth, % share* of world total
Developed economies
Emerging economies
80
60
40
20
0
1984
89
94
99
2004
09†
Five years ending
Sources: IMF; The Economist
*At purchasing-power parity
†Forecast

and the others...

- Negative impact of the prolonged 2008 economic crisis on job creation and growth in advanced economies
- Bali Ministerial Conference barely saved WTO
- Deadlock or limited progress in DOHA Development Agenda


TPP
TTIP

TPP

POPULATION: 760,820,000
Except USA : 460,119,300

37,38 % of WORLD GDP
13,62% -except USA

Trans Pacific Partnership **(TPP)**

Countries:

In 2011, announced among Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, and the ***United States***

In 2012: Mexico and Canada joined

In 2013: **Japan** is the new participant

Korea new applicant ?

- Comprehensive trade agreement
- Elimination of all **tariffs** among all countries by 2017
- **Services and Investments**

TTIP

46 % 0F WORLD GDP
33% OF WORLD TRADE
TOTAL POPULATION : 810,755,000

TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP TTIP

- MARKET ACCESS
  - AGRICULTURE
  - GOVERNMENT PROCUREMENT
  - SERVICES
- REGULATORY ISSUES AND NBTs
  - SANITARY AND PHYTOSANITARY ISSUES SPS PLUS
  - TECHNICAL BARRIERS TO TRADE TBT PLUS
  - INVESTMENTS
- SHARED GLOBAL CHALLENGES AND OPPORTUNITIES
  - INTELLECTUAL PROPERTY RIGHTS –IPRs
  - ENVIRONMENT AND LABOUR PROVISIONS

CUMULATIVE EFFECT OF TTIP AND TPP

A GAME CHANGER

- ROUGHLY 50% OF WORLD TRADE
- 60% OF WORLD GDP

- All of the advanced economies are represented

  Norway and Switzerland are expected to follow the suite
- After Bali, the centrifugal forces weakened the efforts of globalization

TTP+TTIP

World GDP : %60

World trade : %45

CONTENTIOUS ISSUES FOR EMERGING AND DEVELOPING COUNTRIES

- **"NEW TRADE RULES" MOLDED IN THEIR ABSENCE**
- **CONTAINMENT OF CHINA**
- **A NEW STYLE OF DEFENSIVE PROTECTIONISM**
- **RCEP (REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP) China included, US excluded**

TEMPLATE: KORUS FTA

Agriculture

	FTA (KORUS)	TURKEY
Tariff Elimination	-Bound MFN tariffs 48.6 -Duty-free status on %60 US exports at entry -Elimination of most in 10 years -Beef in 15 years -Rice excluded - TRQ for dairy products	•Bound MFN tariffs 41.7; Fresh fruit: 15.4 to 145.8 % Fruit juice vegetables: 19.5 to 130 %; Alcoholic beverages: over 200 % (incl. domestic tax) •Import licensing

Textile and Apparel

	FTA (KORUS)	TURKEY
Tariff elimination	US eliminates tariffs on 91% of industrial goods in 3 years, remaining up to 5-10 years…	(final bound and MFN applied duty AVG in textiles: 7.9%, and in clothing: 11.4-11.7 %)
Safeguard	• Bilateral emergency action up to 2 years • serious damage / actual threat • compensation in the form of new concessions in T&C •no trade remedy/safeguard at the same time	
Rules of origin	Except otherwise provided RoO (Chapter 6) applies	Fiber and yarns (US) exports high

Pharmaceuticals

	FTA (KORUS)	TURKEY
Protection	Data exclusivity provisions -3 years to put a system of patent linkages for pharm. -Bar marketing of generic drugs while the original patent in effect -Medicines and Medical Devices Committee	•Good Manufacturing practice •Approval of FDA certificate

SPS

	FTA (KORUS)	TURKEY
Measures	-Affirm WTO SPS -Standing Committee -Issues rely on **science and risk based assessment** -Arrangement for meat imports	-US criticized Biosafety Law (soya, corn) -Prohibit biotechnology for industrial products (paint allowed) -Approval of products
Import ban		Red meat import ban. Turkey deviates from OIE guidelines.

Technical Barriers to Trade

	FTA (KORUS)	TURKEY
TBT Agreement	Affirms rights /oblig. under TBT Agreement.	Same affirmation is expected.
Sectoral issues	•Provisions on auto standards •Korea accepts US auto safety regulations •Emission standards	•Pharmaceuticals-GMP Decree •Food and feed products
Committee	Committee on Technical Barriers to Trade	??

Services

	Plurilateral TISA	FTA	Turkey
Approach	US asks Negative List approach, but a 'hybrid' framework is more likely. 'Ratchet effect'	•Negative List approach to schedule commitments (NAFTA type) (apply to all types…)	Negative List approach for national treatment!!
Sectors	Almost all	Financial s. Legal services Telecom s. Express delivery Audiovisual s.	*Same sectors !* *What else??*
Other		•Prohibit export, local content req	•Visa issue, •Mode IV should be included ??

Government Procurement

	FTA (KORUS)	TURKEY
Access	GPA accepted as a baseline Improve access to **central** government procurement	GPA membership TR: 'Buy American' preferences as a deal!
Threshold	•Lower minimum threshold set in GPA (100.000 $) •5 million SDR threshold for construction s.	Threshold value (local bidders' advantage over 15 %) is a US concern

Intellectual property rights-IPR

	FTA (KORUS)	TURKEY
IP protection	Criminal enforcement measures in infringements (pirated copyright, counterfeit) TRIPs+ provisions	•Turkey is on the Watch List 2012 of Special 301 •Online piracy •Counterfeit goods •A TRIPs + ??
Copyright **Patent** **Geogr. Indic. (GI)**	•Protection of works , copyrights (photo, performance..) set to 70 years. •Protect against piracy via internet distr. •Copyright on internet	Internet piracy will be a priority!

Roadmap for Turkey

- **EU Front:**
  - Better utilization of the established mechanisms between the EU and Turkey.
  - A representative from Turkey to the EU's Trade Policy Committee on an "ad hoc" basis at the special meeting related to TTIP.
  - Coordinate effectively with the EU before negotiations, to ensure that Turkey's interests are kept in mind.

Roadmap for Turkey

US Front:

A. Official level:

•High Level Working Committee (decision expected in Autumn) is cautiously encouraging

•Continue to keep the issue alive for US top-policy makers, The Department of Commerce and the US Trade Representative Office

•Keep constant contact with the Congress members

•Maintain Tripartite trade negotiation on the agenda

Roadmap for Turkey

B. Private level:

- To mobilise major US companies (Boeing, Citibank so on)
- Turkish interest groups TOBB, TUSIAD and TABA should take the lead to lobby
- Improve academic research on US trade policies

Is Turkey prepared to be a part of the TTIP a new form of Partneship?

- **Partnership is not only about tariffs**
  - ➔ **Regulatory convergence**
- **WTO + Issues - TBT; SPS; IPR; agriculture, government procurement, subsidies**
- **WTO X Issues- Competion, investment, environment, labour standards**
- **Services, investment**
  - ➔ **Investor to State Dispute Settlement mechanism**

Alternatives to TURKEY

- Tripartite negotiations the US the EU and Turkey
  - → Not very likely
- Turkey to be included directly to the process in reference to Customs Union with the EU
  - → CU only covers industrial goods
  - → Andorra model
- Turkey engages in a separate negotiation with the US
  - → No positive indications
- Turkey “docking” when negotiations reach a maturity
  - → Japon and Canada docked to TPP