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DFAT “myth busters” document mostly propaganda

OSIA renews call for independent modelling of CPTPP by Productivity Commission

Open Source Industry Australia Ltd

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The “Comprehensive & Progressive Agreement for Trans Pacific Partnership” (CPTPP) was signed yesterday in Chile by representatives of the 11 remaining Parties, including Australia’s Minister for Trade, Tourism & Investment, Steve Ciobo, *without* the Commonwealth Government having commissioned any independent analysis or economic modelling of the treaty whatsoever.

On 21 February, DFAT released briefing material around CPTPP, including a TPP-11 background document entitled “Myth Busters: FACTS vs FICTION”¹. Despite its attention-grabbing title, that document is anything but an objective analysis of CPTPP.

‘The DFAT “Myth Busters” document is mostly a propaganda piece,’ said OSIA Company Secretary Jack Burton, ‘whilst there are some facts in it, they have been very carefully presented in a manner likely to mislead the reader on the true nature of the treaty’.

On four previous occasions^{2, 3, 4, 5}, OSIA has called for the Commonwealth Government to commission *independent* analysis of TPP and modelling of its economic impact on Australia, by the Productivity Commission or any other suitable arms-length body.

In the past the ACCC⁶, the Productivity Commission themselves⁷ and even the Senate Standing Committee⁸ have also called for the same thing. Those calls have all fallen on deaf ears.

¹ <http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Documents/tpp-11-myth-busters.pdf>

² Burton, J., Holden, C. & Christie, D., *Submission to the Commonwealth Department of Foreign Affairs & Trade on the Trans-Pacific Partnership*, Open Source Industry Australia, 24 Jun 2013. Available at http://www.osia.com.au/drupal7/sites/default/files/default/osia_trans_pacific_partnership_submission_0.pdf

³ Burton, J. & Foxworthy, P., *Submission to the Commonwealth Joint Standing Committee on Treaties regarding the Trans Pacific Partnership*, Open Source Industry Australia, 11 Mar 2016. Available at http://www.osia.com.au/drupal7/sites/default/files/default/osia_sub_201603_jscot.pdf

⁴ Burton, J., *Evidence before the Joint Standing Committee on Treaties’ Inquiry into the Trans-Pacific Partnership Agreement*, Melbourne, 7 Oct 2016. Reproduced in C’tth, *Official Committee Hansard*, Joint Standing Committee on Treaties, Trans-Pacific Partnership (public), 2016, pp. 26–30. Available at http://parlinfo.aph.gov.au/parlInfo/download/committees/commjnt/a6fa4bc7-9c2e-4788-9378-e676fc0a3f53/toc_pdf/Joint%20Standing%20Committee%20on%20Treaties_2016_10_07_4491_Official.pdf;fileType=application%2Fpdf

⁵ Burton, J. & Foxworthy, P., *Submission to the Senate Standing Committee on Foreign Affairs, Defence & Trade regarding the Trans Pacific Partnership*, Open Source Industry Australia, 26 Oct 2016. Available at http://www.osia.com.au/drupal7/sites/default/files/default/osia_sub_201610_sscfadt.pdf

⁶ ACCC submission to the Productivity Commission Inquiry into Intellectual Property Arrangement in Australia, Australian Competition & Consumer Commission, November 2015, p. 18.

⁷ *Bilateral and Regional Trade Agreements, Research Report*, Productivity Commission, 2010.

⁸ C’tth, Senate, Foreign Affairs, Defence and Trade References Committee, *Blind agreement: reforming Australia’s treaty-making process*, June 2015, ss. 6.22–6.24, pp. 75–76.

‘Following the signing of CPTPP today we renew that call,’ Burton continued, ‘in the hope the Commonwealth Government will commission that critical, independent analysis & modelling prior to referring the revised treaty back to JSCOT & to the Senate Standing Committee. The highly partisan nature of the propaganda about CPTPP we are now seeing released by DFAT makes it even more crucial that Parliament and its various Committees be informed by objective analysis & modelling undertaken by a credible, independent Australian body, before making decisions on CPTPP.’

Interestingly, the first “myth buster” in the DFAT document seems to anticipate that very call. It begins by touting the Peterson Institute’s forecast⁹ of 0.5% growth in Australia’s national income by 2030. The PIIE forecast seems extremely optimistic, given that in 2014 & 2016 (when the USA was still part of TPP so the potential export markets involved were far greater) the United States Department of Agriculture¹⁰ forecast that TPP would have no measurable impact on Australia’s GDP by 2025 and the World Bank¹¹ forecast TPP yielding only 0.7% growth in Australia’s GDP by 2030.

Even if one accepts the most generous PIIE forecast of 0.5% growth by 2030, it is important to note that that 0.5% is a gross figure. Annualised, that equates to a CAGR of only 0.042%.

‘Such meagre growth forecasts lie well within the usual margins allowed for error, so effectively CPTPP delivers no positive economic impact at all,’ said OSIA Chairman Mark Phillips, ‘the numbers just don’t add up’.

What is far more concerning about the first “myth buster” though is that it claims that the PIIE forecast “underestimates the potential benefits of the TPP-11 because it mainly focused on tariff reductions”, implying that the non-tariff measures in CPTPP were of greater economic benefit to Australia. In fact, the tariff reductions of Chapter 2 are the *only* part of TPP that is about free trade.

‘With the exception of Chapter 2, TPP seeks to proliferate a wide range of *restrictions* on trade and on all sorts of matters unrelated to trade, as we’ve pointed out many times before’, said Burton. ‘We cannot understand how DFAT could believe that such restrictions could possibly help “break down trade barriers” when such restrictions are in effect the exact opposite of free trade.’

⁹<https://piie.com/publications/working-papers/going-it-alone-asia-pacific-regional-trade-agreements-without-united>

¹⁰Burfisher, M. E., Dyck, J., Meade, B., Mitchell, L., Wainio, J., Zhaniser, S., Arita, S. & Beckman, J., *Agriculture in the Trans-Pacific Partnership*, ERR-176, US Department of Agriculture, Economic Research Service, October 2014, Table 8, p. 21. Available at <http://www.ers.usda.gov/media/1692509/err176.pdf>

¹¹Potential Macroeconomic Implications of the Trans Pacific Partnership, Chapter 4 in World Bank Group, *Global Economic Prospects, January 2016: Spillover amid Weak Growth*, World Bank, Washington, 2016, pp. 219–236. Available at <http://www.worldbank.org/content/dam/Worldbank/GEP/GEP2016a/Global-Economic-Prospects-January-2016-Spillovers-amid-weak-growth.pdf>

About Open Source Industry Australia Ltd

Open Source Industry Australia Ltd (OSIA) represents & promotes the Australian open source software industry by:

- Ensuring that the Australian business, government and education sectors derive sustainable financial and competitive advantage through the adoption of open source and open standards;
- Helping Australian Governments to achieve world leadership in providing a policy framework supportive of open standards and of the growth and success of the Australian open source industry; and
- Ensuring Australia’s global standing as the preferred location from which to procure open source services & products.

OSIA’s members are organisations in Australia who invest in or build their future on the unique advantages of open source software.

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