[Critical Paper Links TPPA to Financial Instability, Challenges Negotiators to Release Draft Text for Further Analysis]

Media Release: Professor Jane Kelsey. Tuesday 15 February, 2011

Negotiators on the Trans-Pacific Partnership Agreement (TPPA) meeting for a fifth round of talks in Santiago this week will be presented with a mock draft text and expert analysis that links the proposed agreement to continued financial instability.

The paper authored by Professor Jane Kelsey from the University of Auckland and Sanya Reid Smith from Malaysia-based Third World Network, with assistance from other investment experts, will form the basis of a stakeholder presentation on Tuesday.

“The post-2007 global financial crisis exposed the chronic instability of a highly liberalised, deregulated and globally integrated financial system. No one knows how or where the next crisis will unfold”, said Professor Kelsey.

“It is time to rethink the failed model of financial deregulation that has been repeatedly locked in and ratcheted up through previous free trade agreements.”

“Far from recognising that need, the TPPA negotiations appear to be bolting the door closed on the options for governments to re-regulate the financial sector and impose controls on speculative capital flows in ways that meet the needs of their people”.

“We know there is a draft negotiating text. It has not been released for independent analysis and informed debate. To fill that gap and provide a basis for our analysis, we have produced a mock text based on the existing free trade agreements between the United States and Australia, Chile, Peru and Singapore”, said Professor Kelsey.

Co-author Sanya Reid Smith pointed to the experience of the Asian Financial Crisis to highlight the critical importance of the TPPA negotiations for Malaysia, Vietnam, Brunei and New Zealand that don’t have a free trade agreement with the US.

“The Asian Financial Crisis through to the latest global meltdown show that every single person has a stake in the rules to govern financial markets and the corporations that run them. Governments cannot negotiate agreements that set those rules in secret”, said Ms Smith.

The paper assesses the risks in terms of contributors to financial instability, high-risk financial investment rules, constraints on capital controls and sovereign debt restructuring, and the inadequacies of the protection for prudential measures.

The authors identify several options that would help make an agreement fit for the 21st century, by not restricting a government’s authority to regulate the financial sector and financial transactions, and use capital controls and restructure sovereign debt to prevent and mitigate financial crises.

However, they conclude that the only truly effective way to provide the necessary regulatory space to governments is to exclude coverage of financial services, financial investment and currency movements from a TPPA.

NOTES: the paper and mock text are both here:
http://web.me.com/jane_kelsey/Jane/TPPA.html