



TPP, the NAFTA Countries, and the Integration of the Americas

By Uri Dadush and Beatriz Leycegui

Future Global Trade Regime & Investment Seminar
Session 2 Economics and Geography

Beatriz Leycegui

Tokyo, Japan
July 12, 2016



Motivation of NAFTA Countries



- Strengthen geopolitical, security and economic ties across the Pacific
- Gain advantage vis-a-vis China



- Deepen North American integration with the U.S.
- Or at least, preempt the erosion of preferences under NAFTA

Common interests:

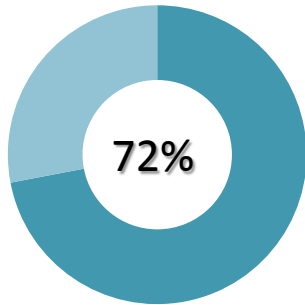
- Improve competitiveness and access in Asian markets
- Advance the multilateral rules agenda

North America's relevant presence in TPP

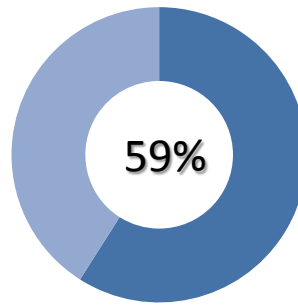
North America represents of TPP countries (2014):

NAFTA

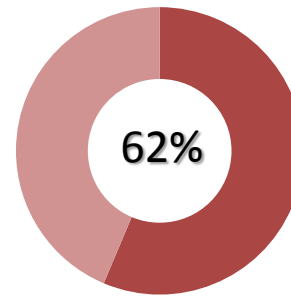
GDP:
US\$ 20.5 trillion



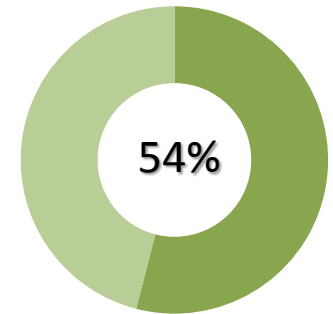
Population:
479,786,547



Trade:
US\$ 7.2 trillion



FDI:
US\$ 213.2 billion



TPP

US\$ 28.4 trillion

810,151,975

US\$ 11.6 trillion

US\$ 390.8 billion

NAFTA vis a vis TPP: Projected Income and Export Gains

NAFTA represents over **40%** of TPP total income and export gains.

	2030			
	Real income effect change		Export change	
	*	**	*	**
Canada	\$ 37	1.3 %	\$ 58	7.0 %
Mexico	\$ 22	1.0 %	\$ 32	4.7 %
U.S.	\$ 131	0.5 %	\$ 357	9.1 %
TPP- 12 total	\$ 465	1.1 %	\$ 1,025	11.5 %

*Billions of 2015 US dollars

**Percent change from 2030 baseline.

Source: Petri P. and Plummer, M. Chapter 1 in "Assessing the Trans-Pacific Partnership" Volume 1, Peterson Institute, 2016.

TPP additional market access- not significant for NAFTA countries

NAFTA Exports (2015)

	Japan	Rest of TPP
Canada	1%	Less than 1%
Mexico	0.5%	
U.S.A.	2.5%	

TPP main contribution- connection of existing FTA's through accumulation of origin

FTA's- NAFTA and TPP Parties

	Australia	Brunei Darussalam	Canada	Chile	U.S.A.	Japan	Malaysia	Mexico	New Zealand	Peru	Singapore	Vietnam
Canada			█	✓	✓			✓		✓		
Mexico			✓	✓	✓	✓		█		✓		
U.S.A.	✓		✓	✓	█			✓		✓	✓	

NAFTA – TPP Additionality



Best efforts provisions

Gains difficult to estimate

New provisions (Relevant)	Provisions that differ from NAFTA
<ul style="list-style-type: none">• Trade facilitation• Electronic commerce• State-Owned Enterprises• Transparency and Anticorruption• Small and Medium Enterprises• Competitiveness• Cooperation and capacity building	<ul style="list-style-type: none">• Rules of origin• Investment• Trade Remedies• Technical Barriers to Trade- Regulatory Coherence• Labor Standards• Environmental Standards• Intellectual Property• Telecommunications• Dispute Settlement

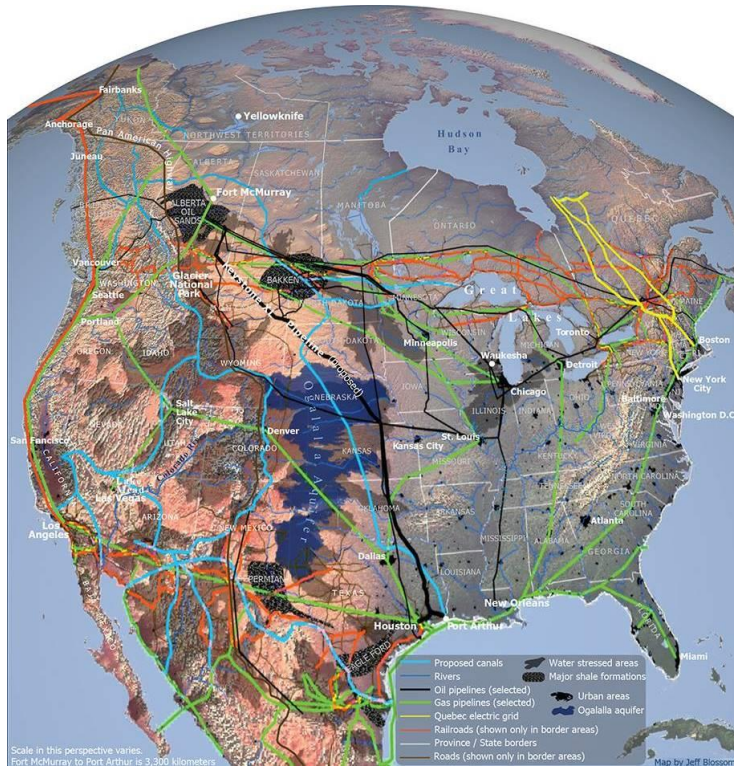
TPP Relevant Issues

- **Coexistence** of TPP with NAFTA and other FTAs-challenge in identifying which is more favorable
- **Accession clause:** could promote integration in North and South America
- Development of **North America's** and **Asia Pacific value chains**
 - Single set of rules of origin and accumulation of origin
- NAFTA-the increase in common FTA's could facilitate the negotiation of a customs union



TPP-Modest steps in Furthering the Unfinished NAFTA Agenda:

NAFTA Agenda:



- Expediting the work to create a **21st century border**:

- ✓ infrastructure
- ✓ risk management
- ✓ pre-clearance
- ✓ customs cooperation

- Strengthen **regulatory cooperation**.

- ✓ mutual recognition of regulations and conformity assessment procedures.

- **Liberalization of strategic services**

- ✓ Telecommunications
- ✓ Air, land and sea transportations

- Common **energy policy**
- Robust frameworks for:
 - ✓ **temporary movement of people**
 - ✓ **permanent migration**

TPP Industries and Companies- Defining a Strategy

Issues to analyze:



Commercial affinity



Competitiveness (local and export markets)



Trade barriers



Market intelligence and logistics



Impact?



Beatriz Leycegui
blg@sai.com.mx

Edificio Plaza Reforma Prol. Paseo de la Reforma #600-010-B
Santa Fe Peña Blanca, México, D.F. 01210
Tel. (55) 5985 6685 Fax: (55) 5985 6628
www.sai.com.mx