

TPP: Economic and Geopolitical Impacts

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Outline

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I. What is the TPP

- Set a new standard for global trading system, which has been faced with a stalemate in setting rules
- Contain comprehensive coverages of rules
- Achieve high level of trade and investment liberalization
- Establish business friendly environment, particularly promote the development and effective use of supply-chains

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Special features (1)

- Trade in goods: High level of tariff elimination
- Rules of origin (ROO): a single set of ROOs, full cumulation
- Investment, services: national treatment, MFN, market access (negative list approach), ISDS
- E-commerce: facilitate digital trade, support free flow of information and data
- Government procurement: national treatment and non-discrimination and commitment to publish relevant information

Tariff Elimination Ratios in the TPP

(% share of products, whose tariffs will be eliminated, in total number of products)

	Total	Agricultural products		Industrial products	
	Eventual elimination	Immediate elimination	Eventual elimination	Immediate elimination	Eventual elimination
Japan	95	51.3	81	95.3	100
US	100	55.5	98.8	90.9	100
Canada	99	86.2	94.1	96.9	100
Australia	100	99.5	100	91.8	99.8
NZ	100	97.7	100	93.9	100
Singapore	100	100	100	100	100
Mexico	99	74.1	96.4	77	99.6
Chile	100	96.3	99.5	94.7	100
Peru	99	82.1	96	80.2	100
Malaysia	100	96.7	99.6	78.8	100
Vietnam	100	42.6	99.4	70.2	100
Brunei	100	98.6	100	70.2	96.4

Special features (2)

- SOEs: ensure a level playing field in their competition with private industry
- IPR: set strong regional standards for the protection and enforcement of IP rights
- Labor: recognize labor rights such as collective bargaining and elimination of forced labor
- Environment: protect and conserve environment
- Accession: defines the rules for new accession

II. Economic Impacts

- Promote economic growth of TPP members
- Promote development of supply-chains and
- Facilitate business activities of small and medium sized enterprises (SMEs)
- Benefit consumers
- Promote other mega-FTAs such as RCEP, TTIP

Impacts of TPP on Real Income (%Deviation from the Baseline)

		2020	2025	2030			2020	2025	2030
Americas		0.2	0.5	0.7	Singapore*		0.5	1.9	3.9
	Canada*	0.4	0.9	1.3	Taiwan		0.1	0.1	0.2
	Chile*	0.1	0.5	0.9	Thailand		-0.2	-0.6	-0.8
	Mexico*	0.2	0.6	1.0	Vietnam*		2.3	5.8	8.1
	Peru*	0.4	1.6	2.6	ASEAN nie		-0.1	-0.2	-0.4
	US*	0.1	0.4	0.5	Oceania		0.1	0.5	0.7
Asia		0.2	0.4	0.4	Australia*		0.0	0.4	0.6
	Brunei*	1.1	3.3	5.9	NZ*		0.5	1.5	2.2
	China	0.0	0.0	-0.1	Rest of the World		0.0	0.1	0.1
	Hong Kong	0.5	1.0	1.2	EU		0.1	0.2	0.2
	India	0.0	-0.1	-0.1	Russia		0.0	0.0	0.1
	Indonesia	0.0	-0.1	-0.1	ROW		0.0	0.0	0.0
	Japan*	0.9	1.9	2.5	World		0.1	0.3	0.4
	Korea	-0.1	-0.2	-0.3	TPP Members		0.3	0.8	1.1
	Malaysia*	1.6	5.0	7.6	Non-members		0.0	0.0	0.0
	Pippines	0.0	-0.1	-0.1	Source: Petri and Plummer (2016) PIIE				

III. Geopolitical Impacts

- China's reaction to the TPP
- 1. One Belt, One Road Initiative (OBOR)
- Construct a big economic bloc encompassing Asia, Europe, and Africa
- Aims: Promote economic growth of China, OBOR would bring business opportunities for China, e.g. construction, transportation, energy sectors
- Established financial institutions to support OBOR: Silk Road Infrastructure Fund, Asian Infra Investment Bank (AIIB), New Development Bank (NDB)

- Challenges:
- Win support from major countries such as the US, Japan, the EU, Russia, India
- Win support from the countries projected to be involved in OBOR: territorial and other disputes with some countries
- Successful construction of infrastructure: successful management of financial institutions (Silk Road Fund, AIIB, NDB)

- 2. Promotion of a Free Trade Area of Asia-Pacific (FTAAP)
- China is a co-chair (with the US) of the project to prepare FTAAP Collective Strategic Study (CSS) on issues related to the realization of the FTAAP
- A study report is under preparation and the recommendations from the study will be presented to the APEC Leaders this November

IV. Concluding Remarks

- TPP members need to ratify the TPP treaty as soon as possible
- The longer it takes, the longer the world trading system has to suffer from the lack of progress in trade and FDI liberalization, and in establishing rules to achieve an open and free business friendly environment
- China's OBOR initiative could contribute to the growth of the world economy. The world needs to make sure that the benefits from the initiative should be shared by all the countries in the world
- APEC economies should contemplate and discuss the contents of FTAAP