COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP-
SENSITIVITY TO TRADE BALANCE CLOSURE
11 Member Countries:
Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam

Comprehensive trade liberalization to be phased in during 2019-2036
GTAP - RD

23 regions

5 activities making 18 commodities

5 endowments -
  Skilled and unskilled labor and capital (mobile)
  Land (sluggish)
  Natural Resources (sector-specific)
Baseline Run

Define macroprojections from GTAP-RD database with fixed real GDP and endogenous productivity

Baseline Re-run

Same macroprojections with fixed solution values for productivity and endogenous real GDP

Policy shock

Tariff and NTM AVE reforms phased in during 2019-31
Change model closure to fix trade balance

\[ \text{swap } \text{cgdsav}(\text{REGless1}) = \text{del_tblry}(\text{REGless1}); \]

Why we did it

To examine the importance of macro closure choice to model results

Intuition

Countries may be unable to attract foreign investment under the alternative closure
SHOULD BASE CLOSURE ALSO BE CHANGED?

X

Shock

Base

Time
SHOULD BASE CLOSURE ALSO BE CHANGED?

Time

X

Shock

Shock - new closure

Base - new closure

Base
AVOID ERROR IN MEASURING CHANGE

Time

X

Shock

Base

Shock - new closure

Base - new closure
Differences in key variables between base runs

Results identical for GDP

Differences in exports and capital
Differences in exports between base runs

Differences (new - original) in Baseline Cumulative Exports Change Averaged Across Sectors
Difference (new - original) in Baseline Cumulative $qe(Capital)$

AUS JPN BRN MYS SGP VNM CAN MEX NZL CHL PER
DIFFERENCES (NEW - OLD) IN GLOBAL RESULTS UNDER TPP
DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative GDP Change, Averaged TPP
DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative Capital Change, Averaged TPP
DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative GDP Change

AUS  JPN  BRN  MYS  SGP  VNM  CAN  MEX  NZL  CHL  PER
DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative Capital Change
New vs. Old Cumulative Capital Changes for Singapore and Vietnam
TPP EFFECTS ON VIETNAM OUTPUT, ORIGINAL CLOSURE

![Graph showing percentage change in various sectors from 2001 to 2016.]

Legend:
- 14 Light (1000s)
- 15 Medium (1000s)
- 17 Heavy (1000s)
- 18 Light Medium (1000s)
TPP EFFECTS ON VIETNAM OUTPUT, NEW CLOSURE
Closure matters

Appears that the alternate close mutes capital movement under TPP liberalization

Questions?