

**COMPREHENSIVE AND PROGRESSIVE  
AGREEMENT FOR TRANS-PACIFIC  
PARTNERSHIP-  
SENSITIVITY TO TRADE BALANCE  
CLOSURE**

# BACKGROUND

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

# MODEL

GTAP - RD

23 regions

5 activities making 18 commodities

5 endowments -

- Skilled and unskilled labor and capital (mobile)

- Land (sluggish)

- Natural Resources (sector-specific)

# SCENARIOS

## *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

# EXTENSION - SENSITIVITY

*Change model closure to fix trade balance*

```
swap cgdslack(REGless1) = del_tblr1(REGless1);
```

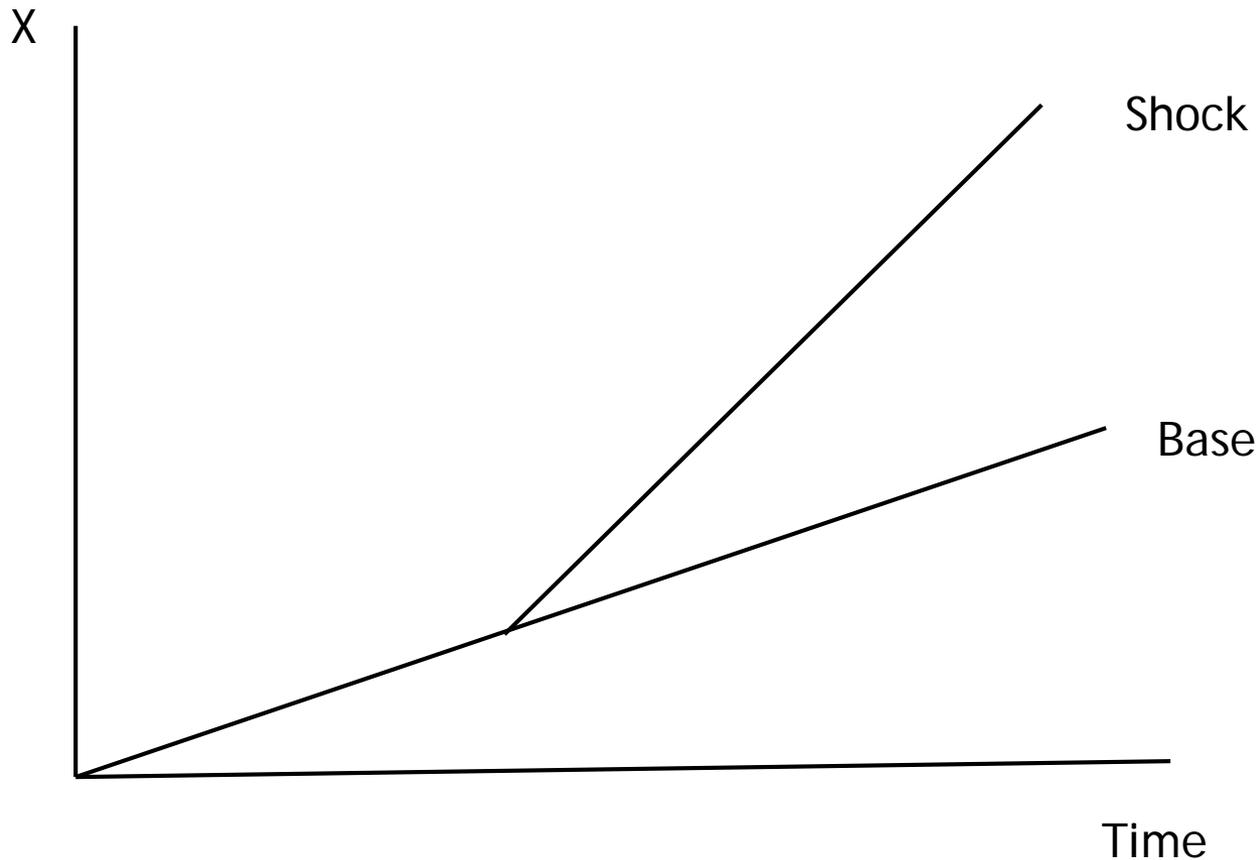
*Why we did it*

To examine the importance of macro closure choice to model results

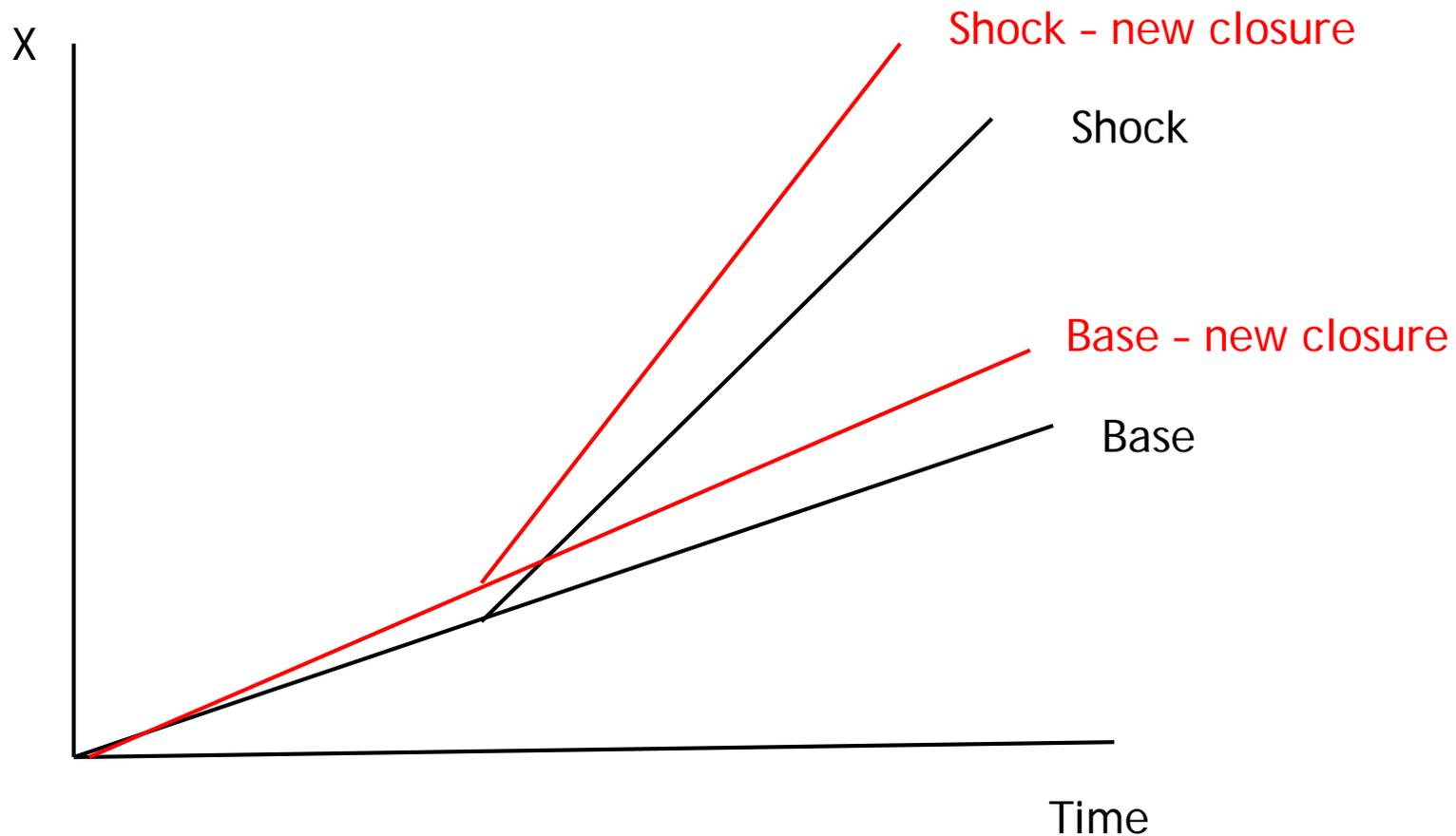
*Intuition*

Countries may be unable to attract foreign investment under the alternative closure

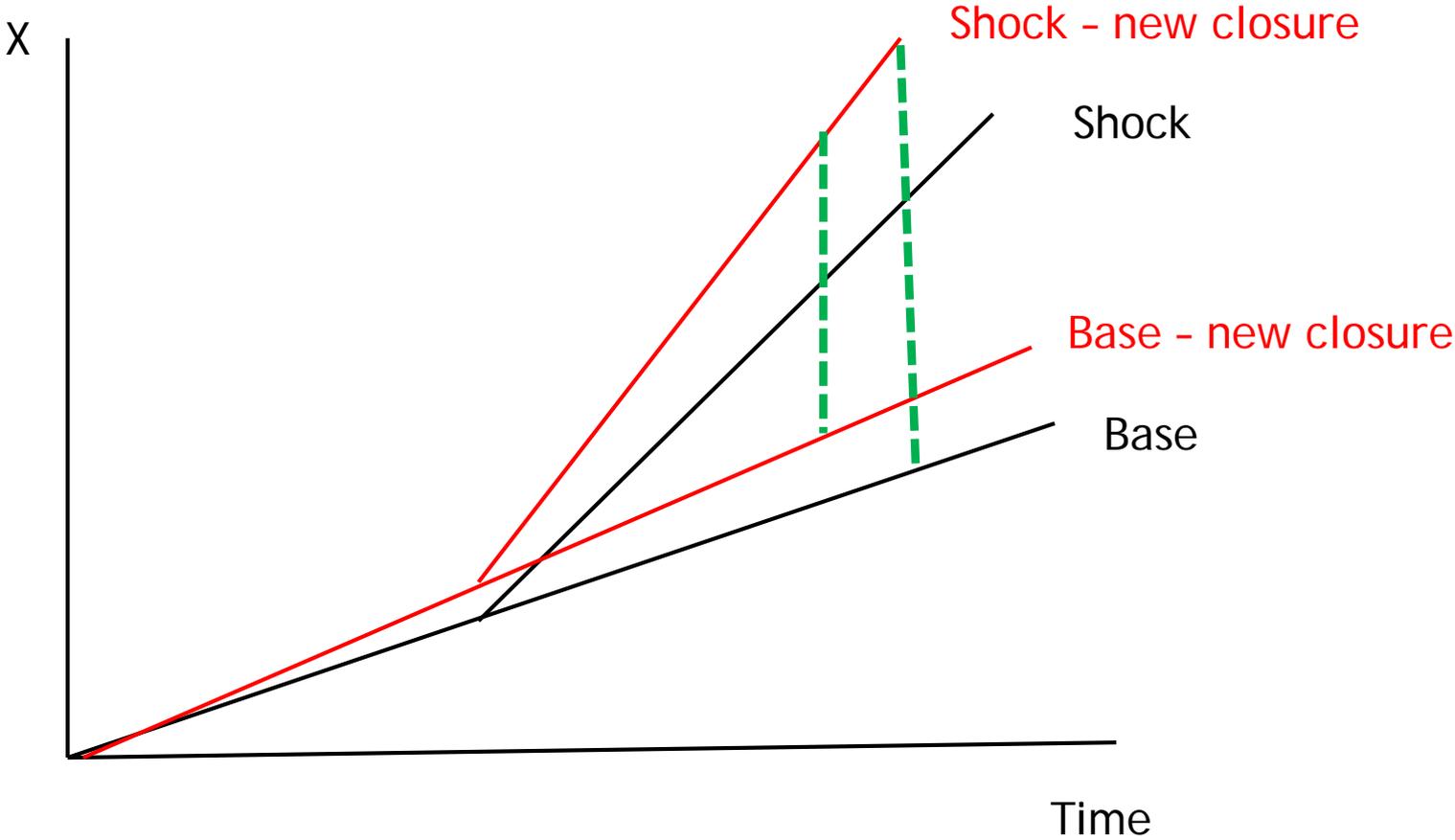
# SHOULD BASE CLOSURE ALSO BE CHANGED?



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# AVOID ERROR IN MEASURING CHANGE



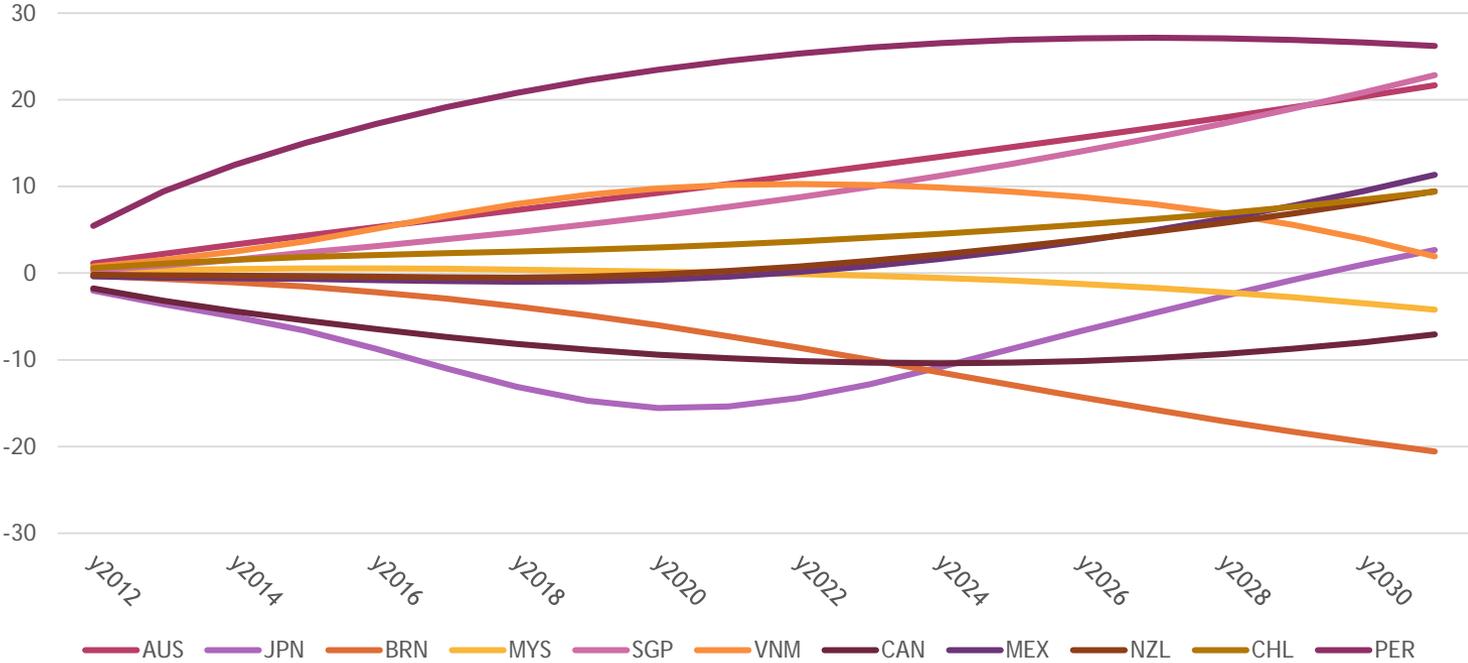
# DIFFERENCES IN KEY VARIABLES BETWEEN BASE RUNS

*Results identical for GDP*

*Differences in exports and capital*

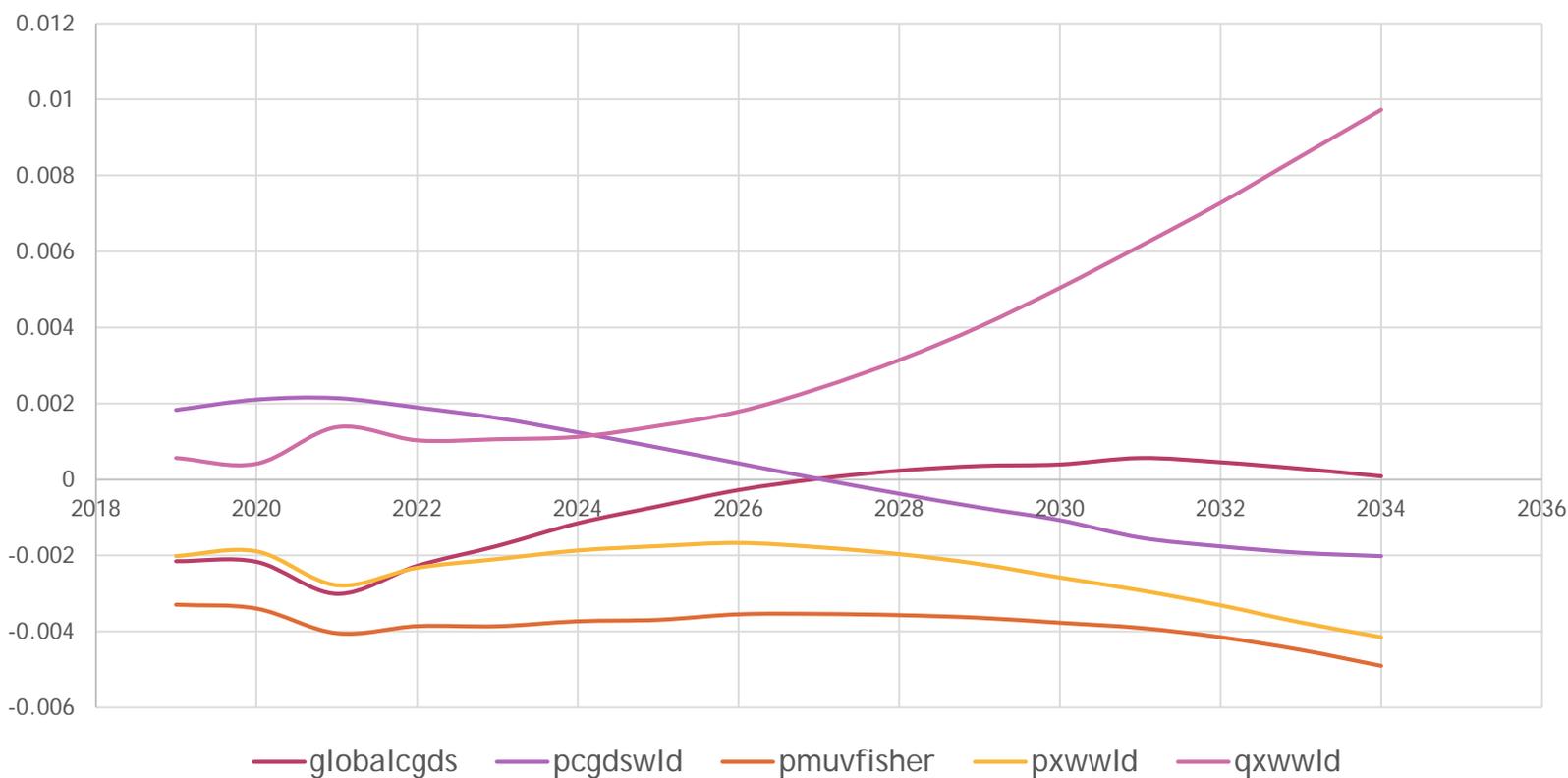
# DIFFERENCES IN EXPORTS BETWEEN BASE RUNS

Differences (new - original) in Baseline Cumulative Exports Change Averaged Across Sectors



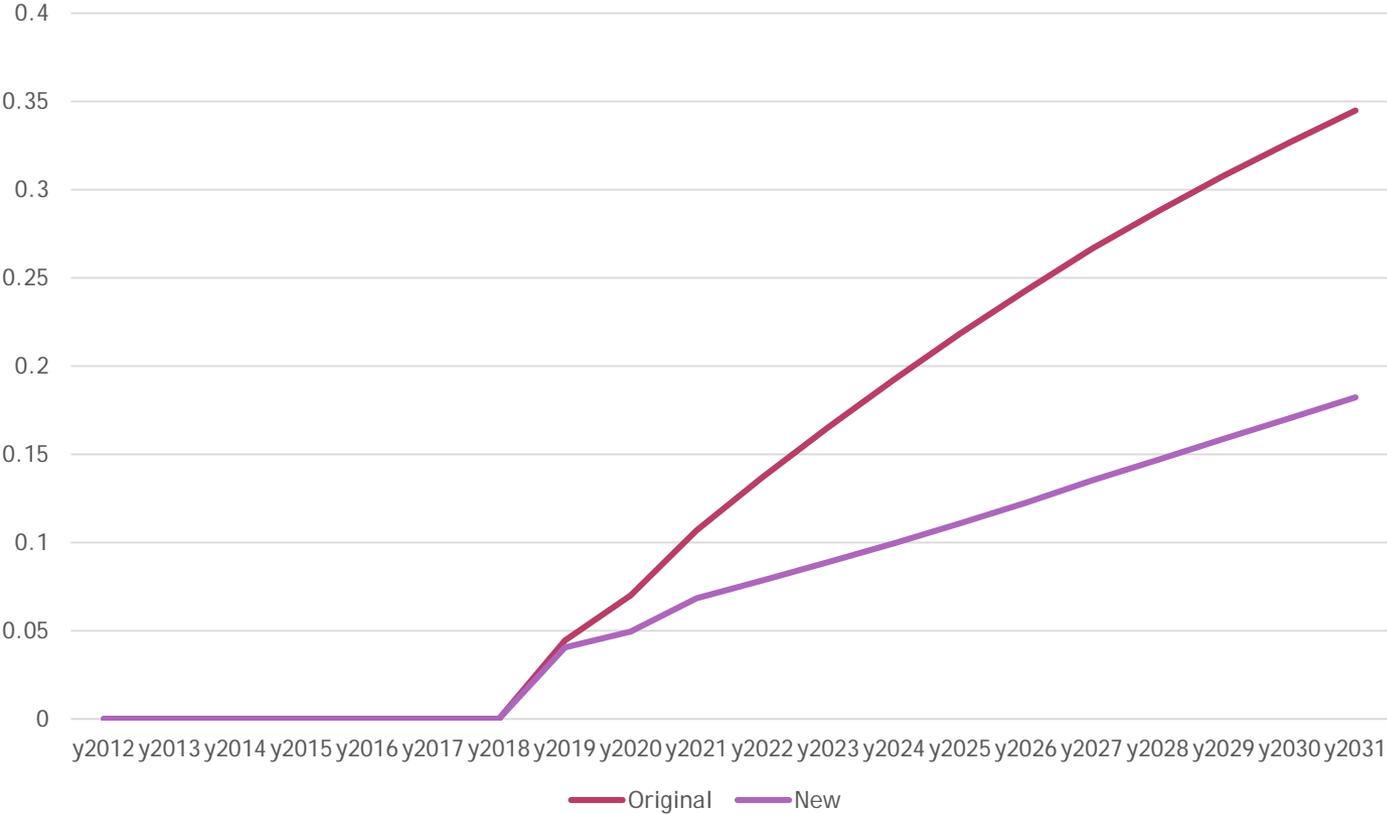


# DIFFERENCES (NEW - OLD) IN GLOBAL RESULTS UNDER TPP



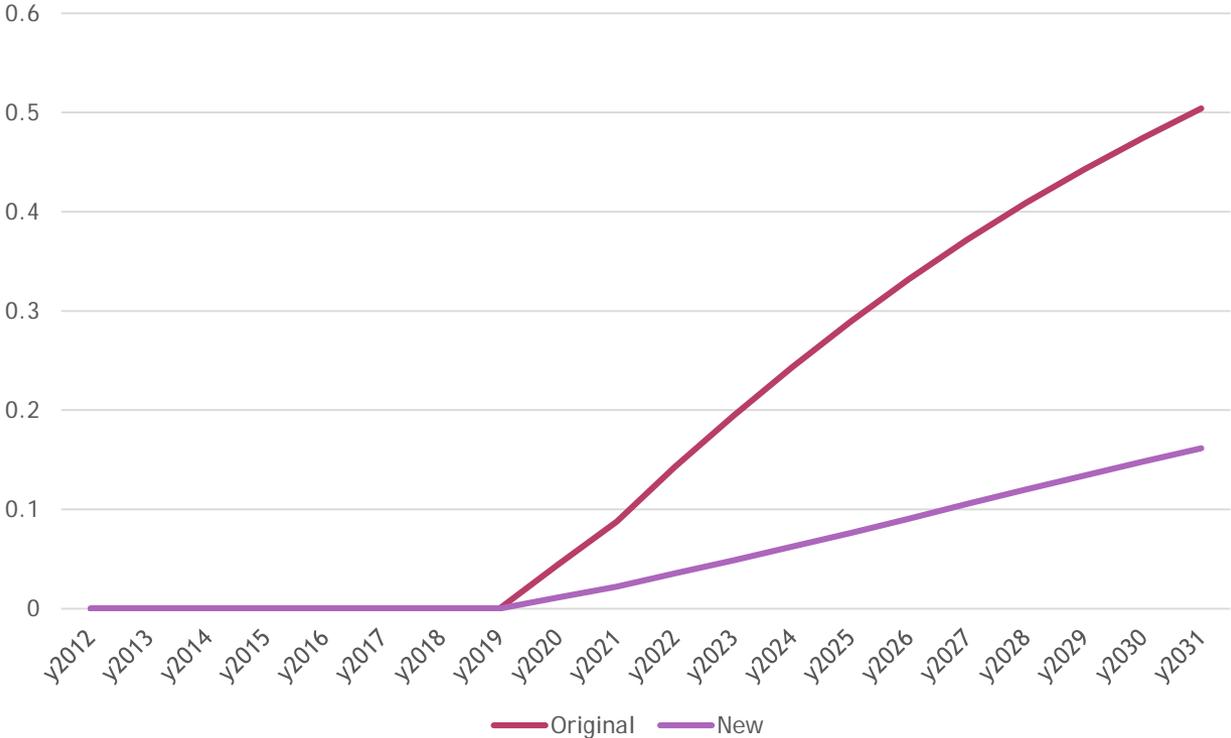
# DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative GDP Change, Averaged TPP



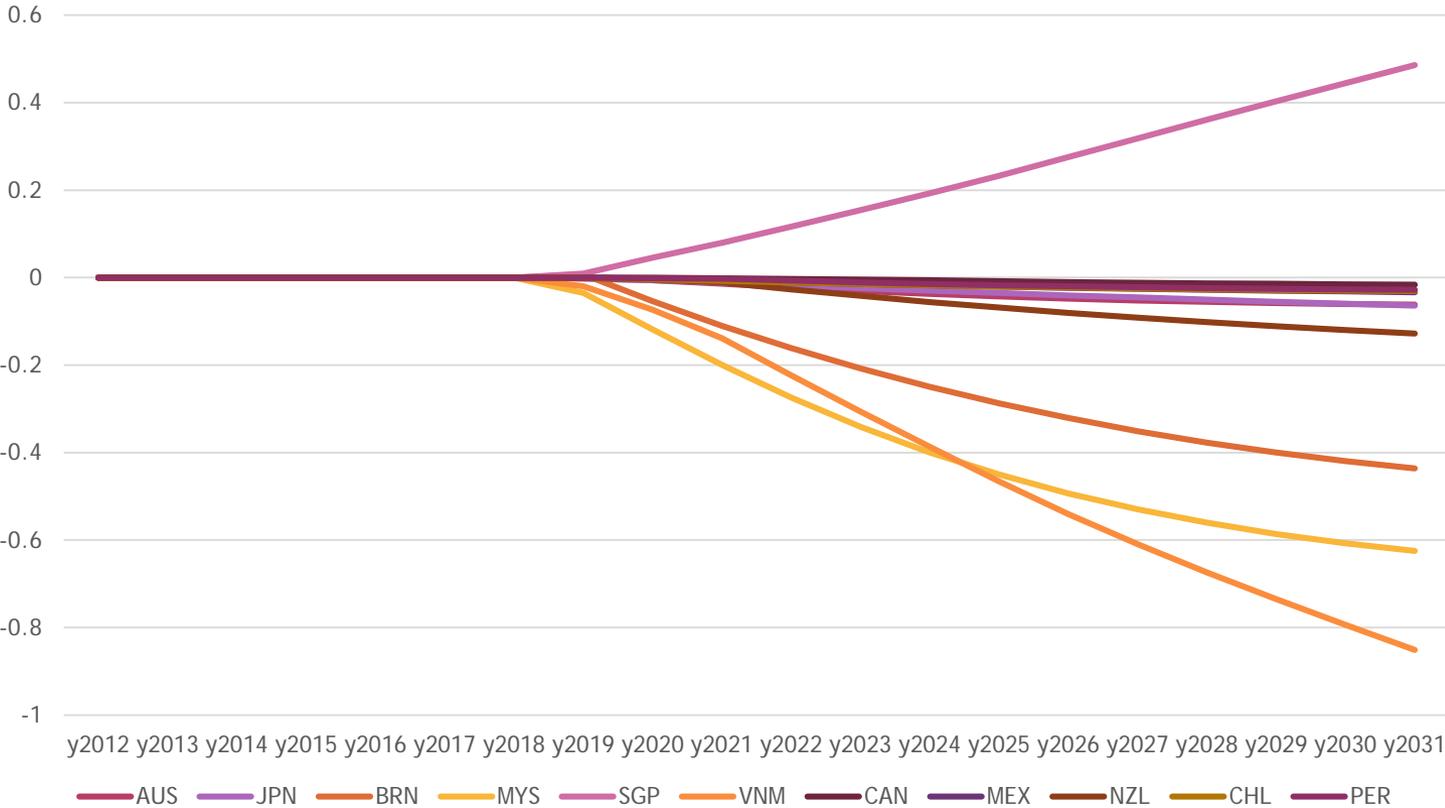
# DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative Capital Change,  
Averaged TPP



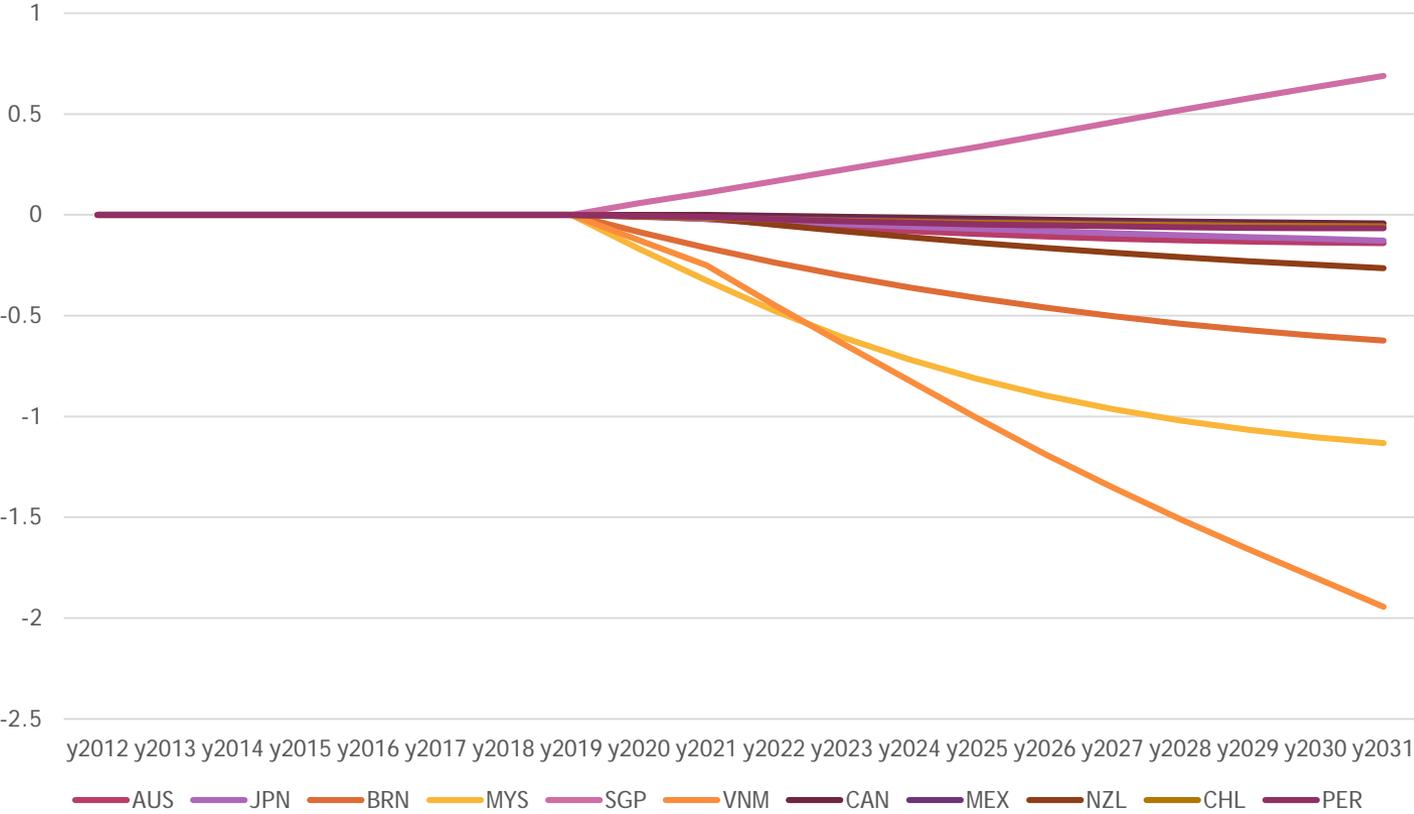
# DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative GDP Change



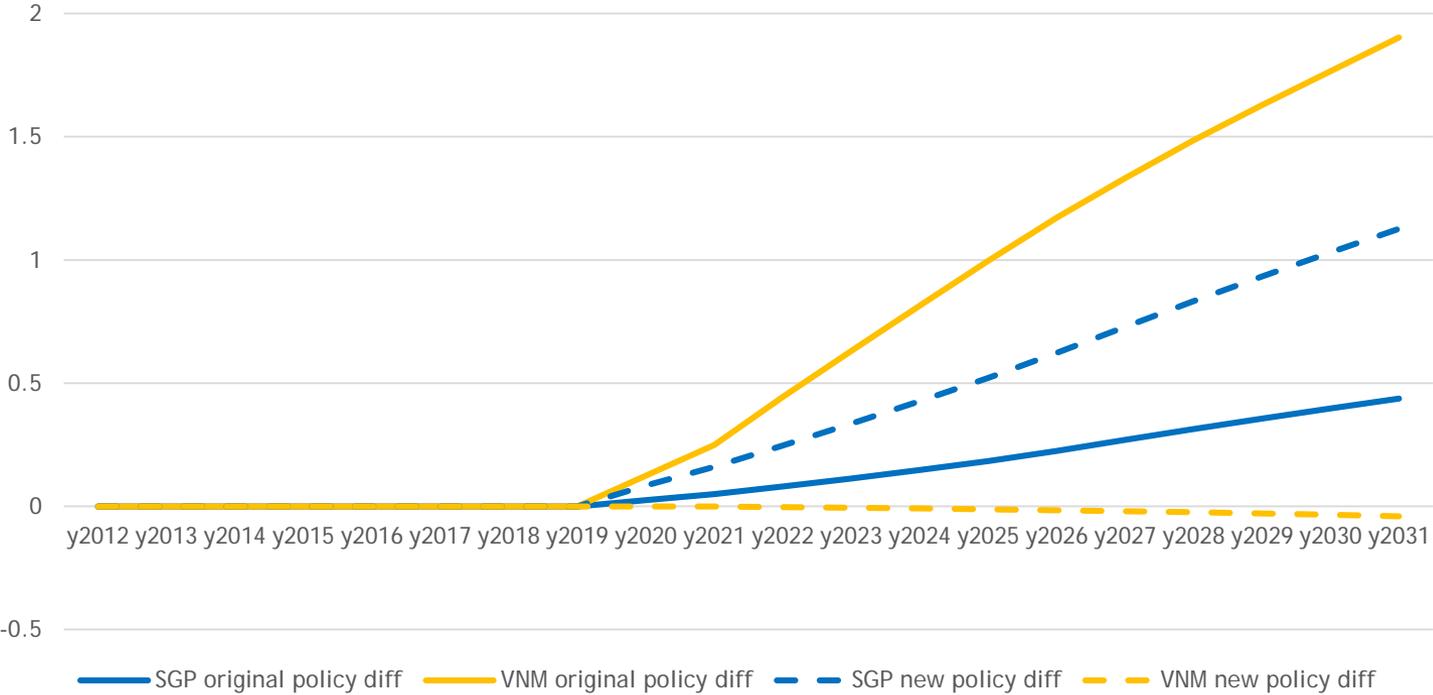
# DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

Difference (New - Old) in Cumulative Capital Change

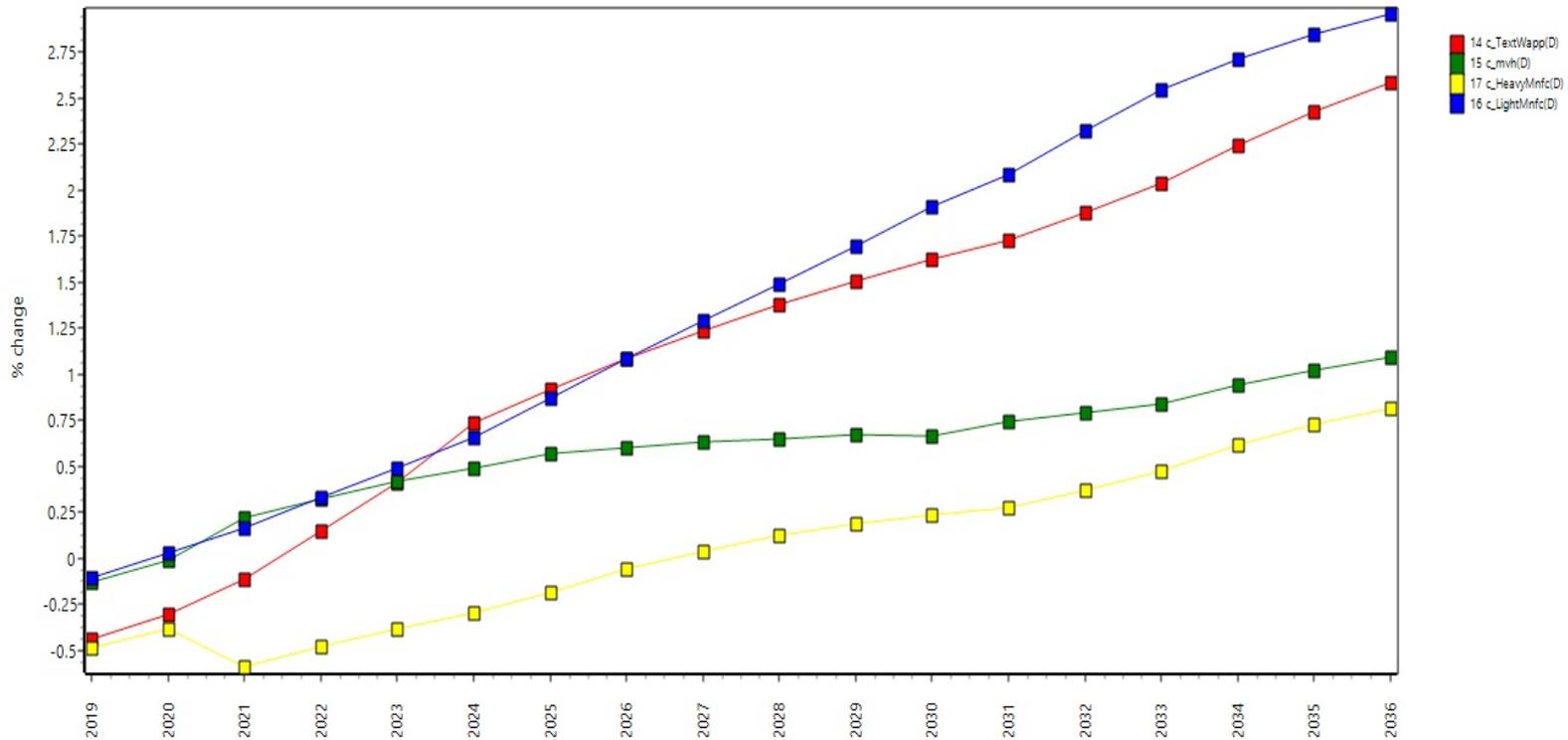


# DIFFERENCES IN KEY VARIABLES BETWEEN TPP POLICY SHOCKS

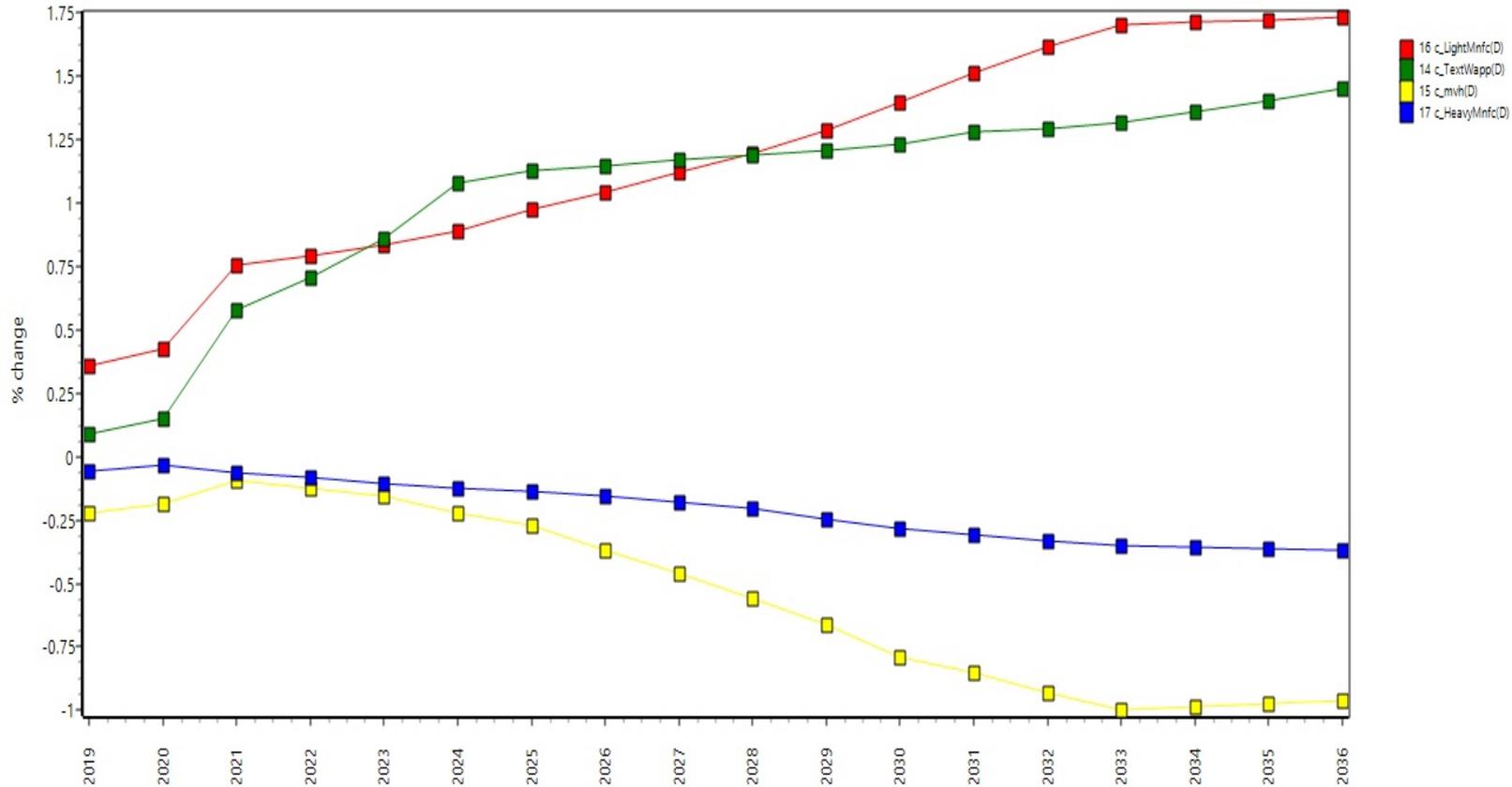
## New vs. Old Cumulative Capital Changes for Singapore and Vietnam



# TPP EFFECTS ON VIETNAM OUTPUT, ORIGINAL CLOSURE



# TPP EFFECTS ON VIETNAM OUTPUT, NEW CLOSURE



# CONCLUSION

*Closure matters*

*Appears that the alternate close mutes capital movement under TPP liberalization*

*Questions?*