19th Annual Conference on Global Economic Analysis

"Analytical Foundations for Cooperation in a Multipolar World"

Washington, The World Bank, June 15-17, 2016

TPP – implications for non-members

Should the EU push FTAs with ASEAN countries?

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** This presentation reflects the views of the authors and should by no means be associated to those of the European Commission*

Outline

1. Context
2. Simulation setting
3. Main results
4. Concluding remarks

Context

- Size of the Trans-Pacific Partnership (TPP) agreement:
  - a combined GDP of 27 trillion dollars or 36% of the world GDP
  - total exports of 5.3 trillion dollars or 23% of world exports

- EU interests in the area:
  - EU is by far the largest investor in ASEAN countries
  - long history of cooperation
  - on-going free trade negotiations EU with individual countries
  - ASEAN integration is proceeding + further liberalisation (trade flows between Asean countries very dynamic)

- The on-going talks between EU and ASEAN countries could "mitigate" the trade diversion impact of TPP

Simulation setting- the model

- GTAP model - dynamic version
- GTAP database version 9.1: 13 sectors, 7 regions
- Baseline GDP, population, and labour force exogenous (sources: World bank, ILO and CEPII)
- Trade balance: 2011 fixed balances
- An actionable 10% ad valorem equivalent of the level of barriers for NAMA sectors (source CEPII) introduced as tariffs in the model at bilateral level

Simulation setting - Aggregation

Commodities and activities	Factors
Primary products	Land
Manufactured products	Skilled labour
Textiles & apparel	Unskilled labour
Chemicals	Capital
Metal & metal products	Natural resources
Motor vehicles	**Regions**
Electronic equipment	European Union
Machinery	Asean countries in TPP*
Utilities	Other countries in TPP**
Construction	USA
Trade, transport and commerce	Asean countries not in TPP***
Private Services	China
Public services	Rest of the World

* Brunei, Malaysia, Vietnam, Singapore

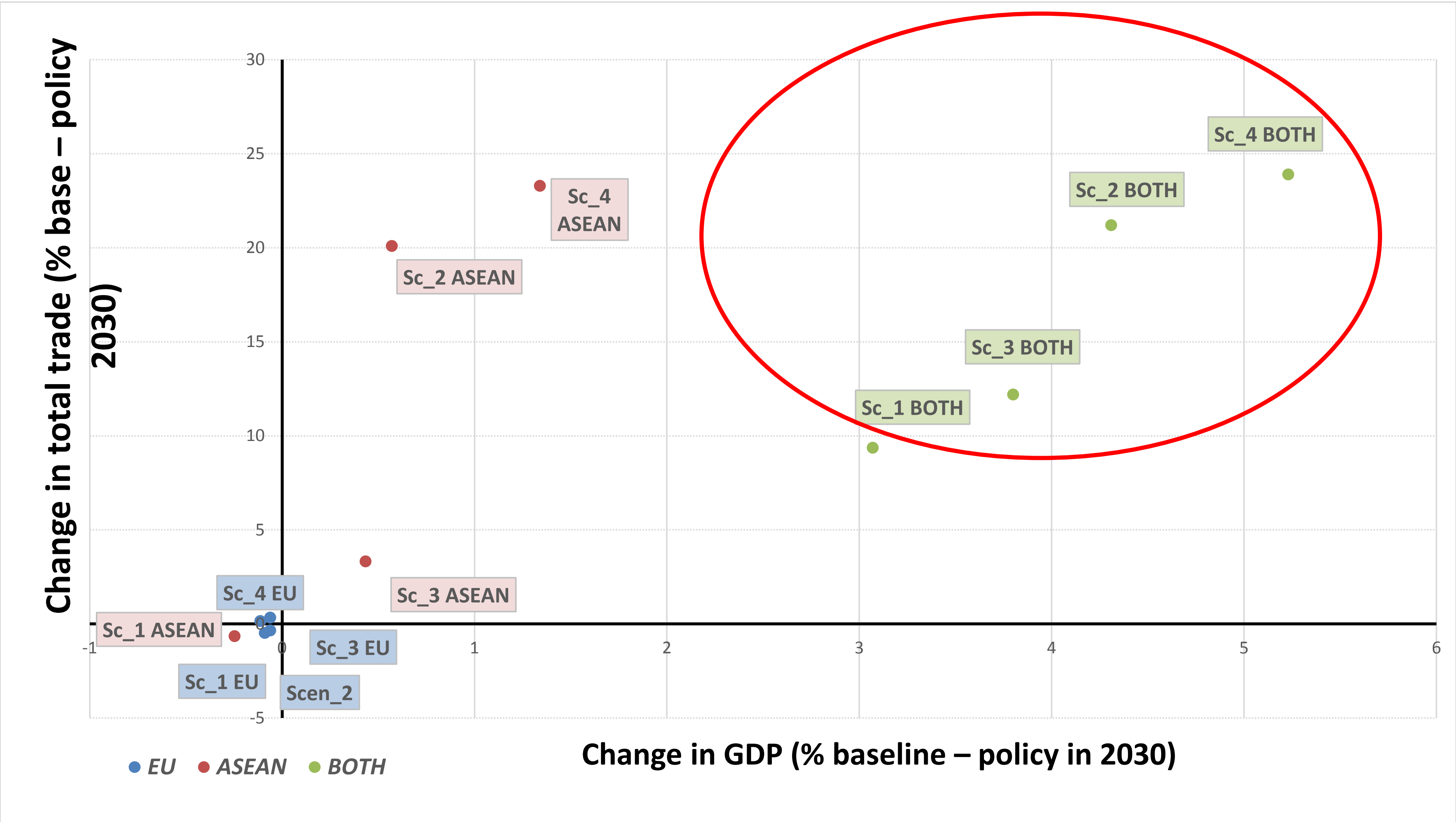
** Japan, New Zealand, Australia, Chile, Mexico, Canada, Peru

*** Indonesia, Cambodia, Laos, Philippines, Thailand, Rest of Southeast Asia

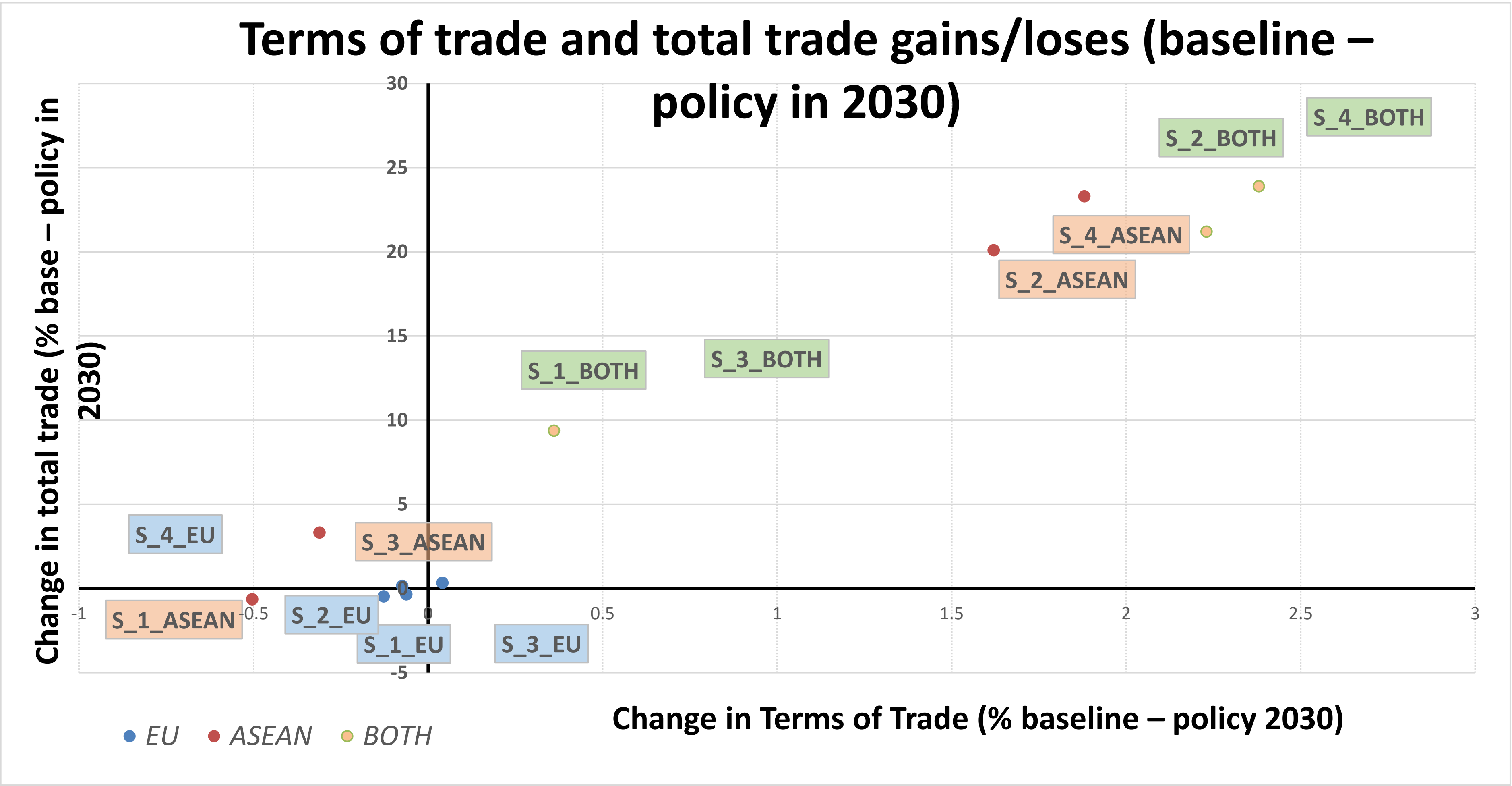
Simulation setting - Scenarios

	Trans-Pacific Partnership Agreement	Trans-Pacific Partnership Agreement + China - Asean integration
No EU-ASEAN FTA	**Scenario 1** TPP	**Scenario 2** TPP China-ASEAN FTA
EU-ASEAN FTA	**Scenario 3** TPP EU - ASEAN FTAs	**Scenario 4** TPP China-ASEAN FTA EU - ASEAN FTAs

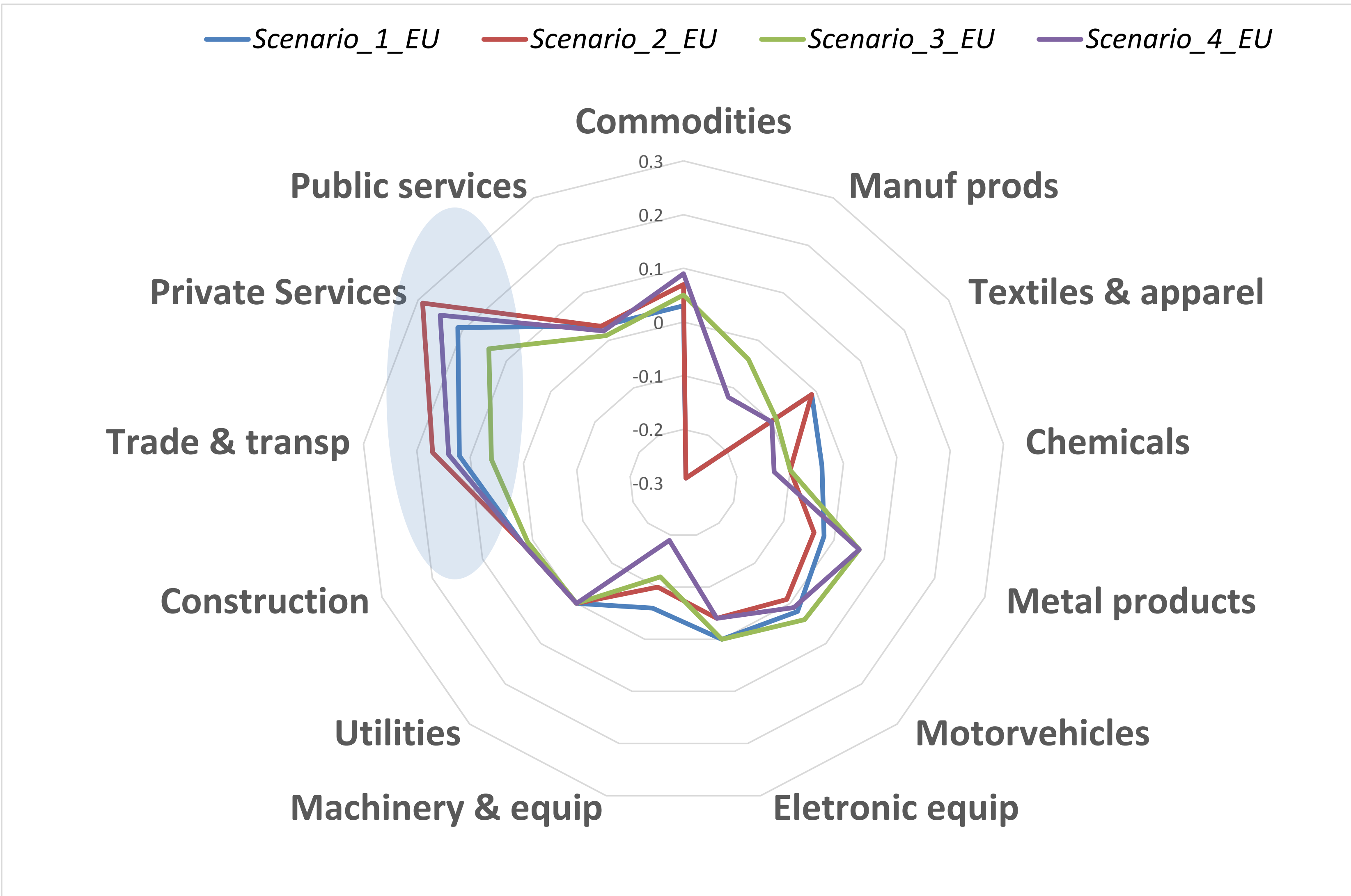
Overall results: GDP vs Total trade



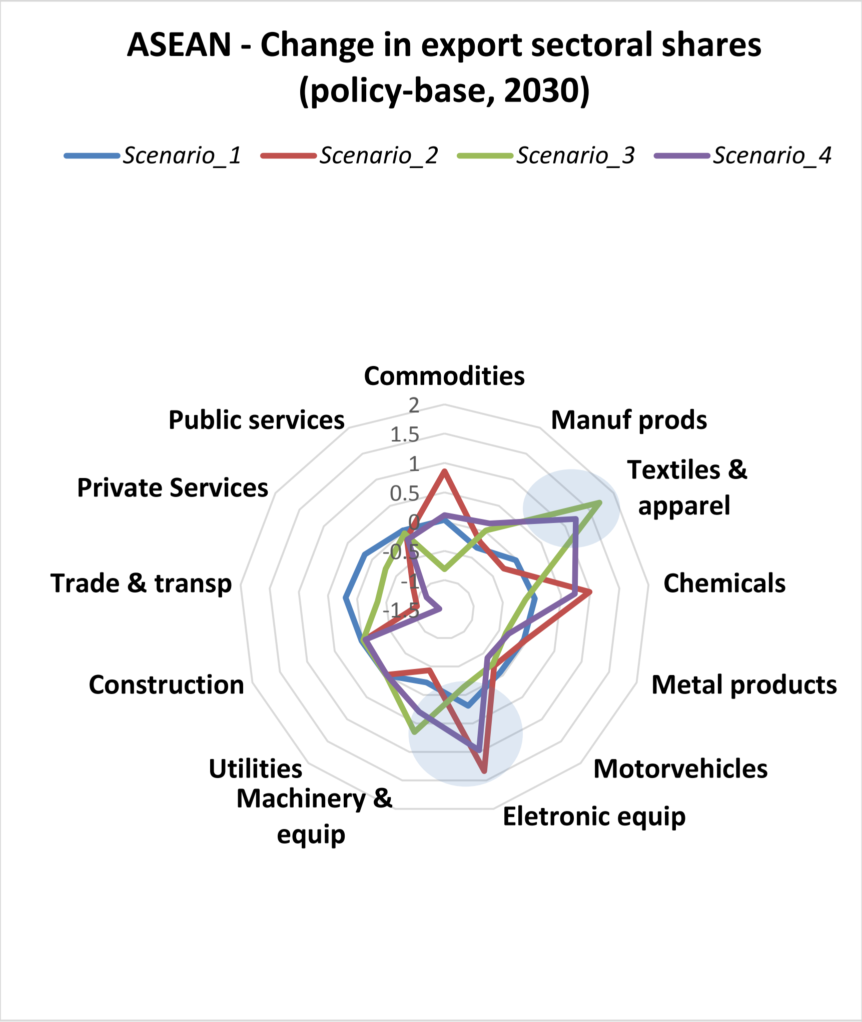
Overall results: Terms of trade vs Total trade

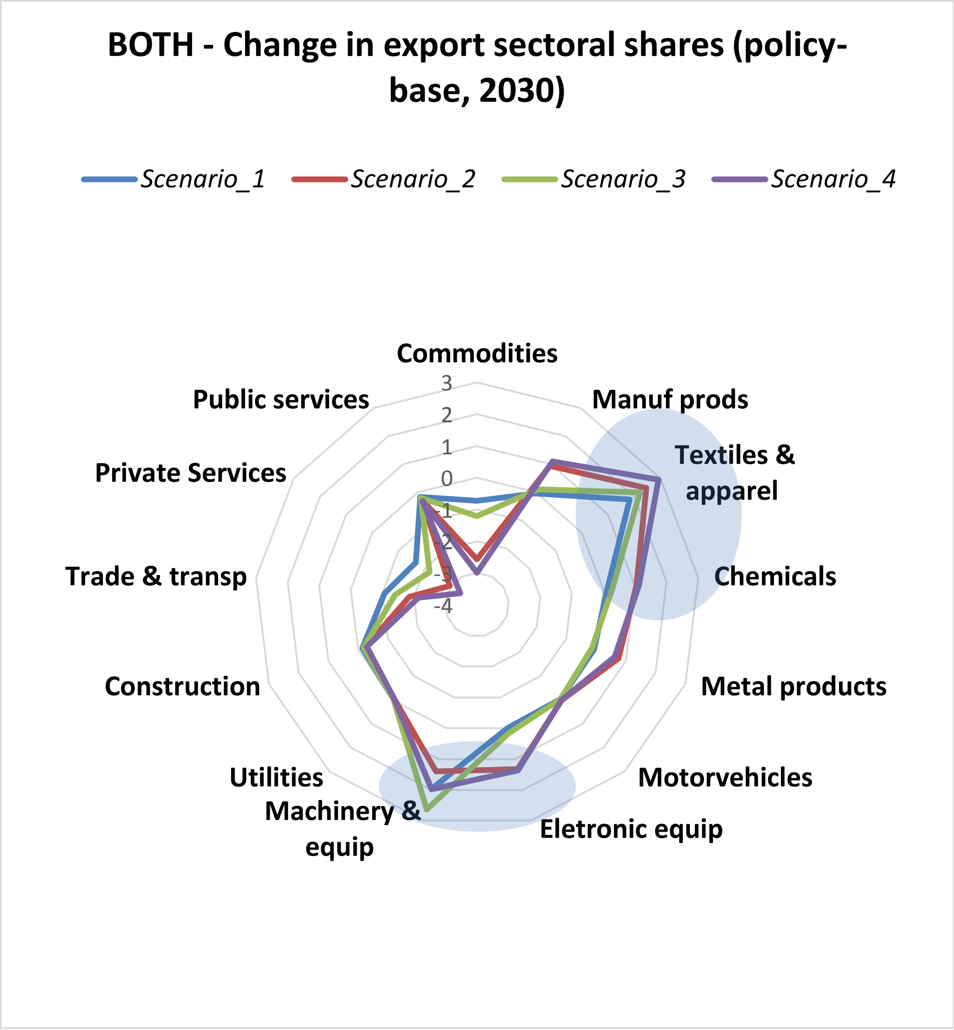


EU - Change in export sectoral shares (policy-base, 2030)

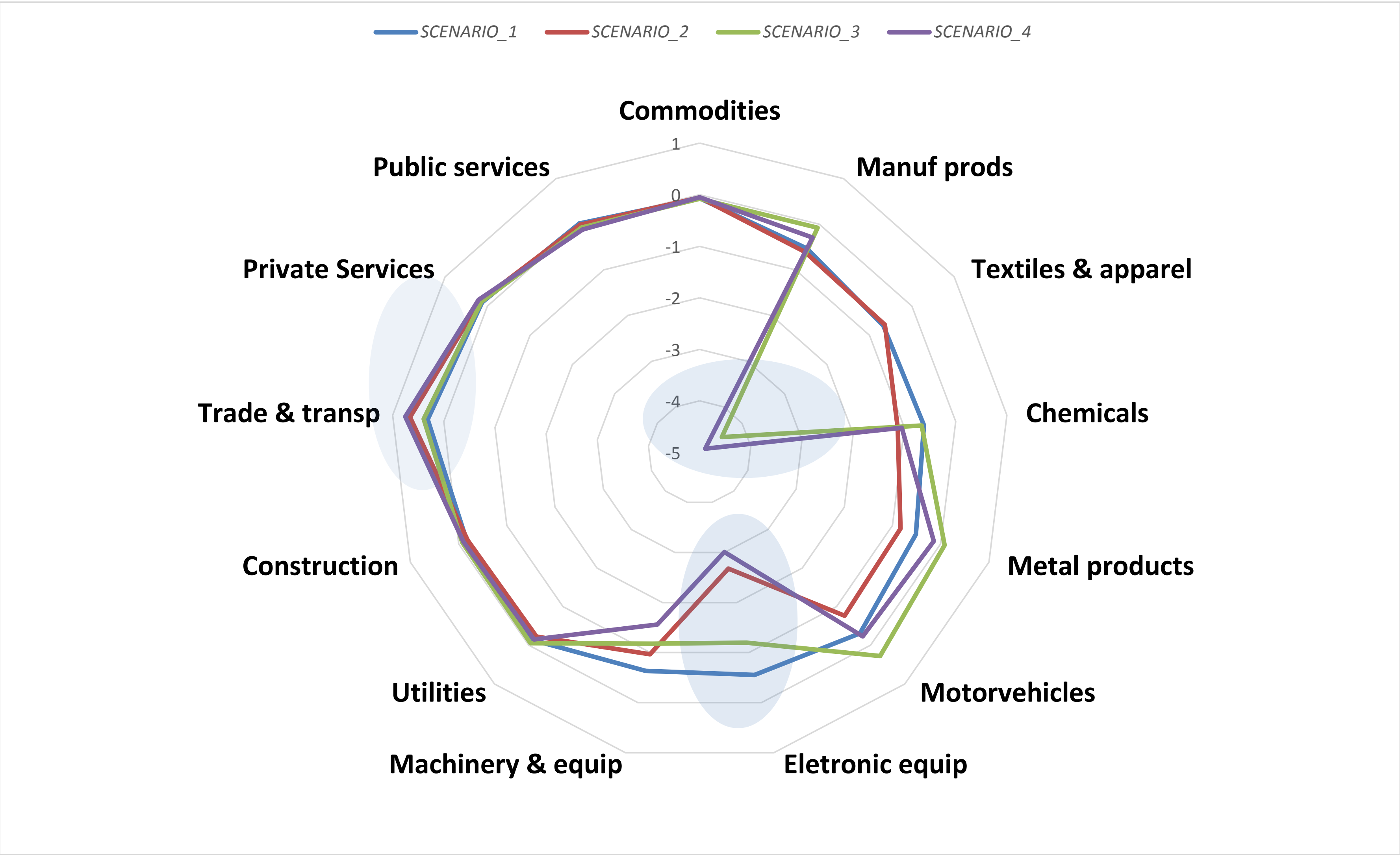


Change in export sectoral shares (policy-base, 2030)





Change in sectoral output in EU (policy-base, 2030)



Concluding remarks

- High mobility of capital drives results, in particular ASEAN and BOTH => model settings
- Results underline **low level of overall impact on EU** GDP, ToT, and total trade in all scenarios
- **Higher impacts at sectoral level** in scenarios 3 and 4 => closer look at disaggregated level
- **China's choice** significantly affects TPP members' and non-members'
- Benefits from further EU-ASEAN integration to be evaluated closely, further work on model setting needed

Thanks!

Questions and/or suggestions?

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ASEAN

SECTORAL IMPACT IN SCENARIO 3	
	2030
rental	2.08
q0 (capital)	3.78
production of textiles	4.86
market price	0.37
demand of capital by the textile sector	5.30
demand of skilled labour by the textile sector	5.41
demand of unskilled labour by the textile sector	3.75
Prod. electronic equipment	30.08
market price	0.36
demand of K by electronique equip.	30.37
demand of skilled labour by the textile sector	30.51
demand of unskilled labour by the textile sector	28.45

SECTORAL IMPACT IN SCENARIO 4	
	2030
rental	9.92
q0 (capital)	5.69
production of textiles	22.62
market price	-0.46
demand of capital by the textile sector	23.55
demand of skilled labour by the textile sector	22.88
demand of unskilled labour by the textile sector	20.57
Prod. electronic equipment	28.42
market price	-1.26
demand of K by electronique equip.	28.98
demand of skilled labour by the textile sector	28.27
demand of unskilled labour by the textile sector	25.86

ASEAN & TPP

SECTORAL IMPACT IN SCENARIO 3	
	2030
rental	5.52
q0 (capital)	17.30
production of textiles	115.34
market price	0.47
demand of capital by the textile sector	121.56
demand of skilled labour by the textile sector	110.16
demand of unskilled labour by the textile sector	107.20
Prod. electronique equipment	11.30
market price	1.57
demand of K by electronique equip.	13.70
demand of skilled labour by the textile sector	7.84
demand of unskilled labour by the textile sector	6.33

SECTORAL IMPACT IN SCENARIO 4	
	2030
rental	11.01
q0 (capital)	31.84
production of textiles	173.84
market price	-3.84
demand of capital by the textile sector	187.19
demand of skilled labour by the textile sector	163.31
demand of unskilled labour by the textile sector	156.44
Prod. electronique equipment	28.64
market price	1.89
demand of K by electronique equip.	33.28
demand of skilled labour by the textile sector	22.20
demand of unskilled labour by the textile sector	19.01