

Tariff liberalization in the Trans-Pacific Partnership

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How important is tariff reduction?

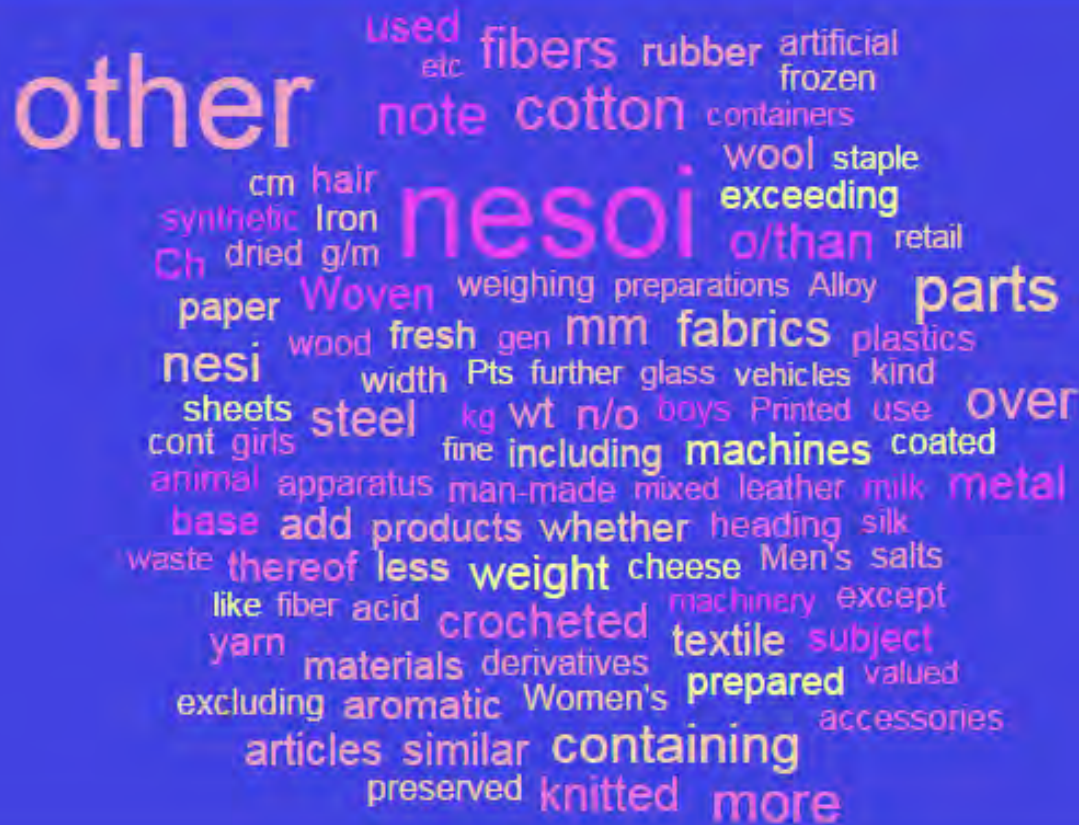
- TPP is big, \$28 trillion GDP, \$5.3 trillion in exports.
- Petri and Plummer (2016) estimate TPP increases annual US income by \$131 billion & annual world income by \$492 billion.
- Tariffs about 10% of gain; important in some countries & some sectors.
 - Tariff reduction is <5% of US gain, but 25% for Japan.
 - Agriculture and textiles & apparel.

TPP Tariff Schedules

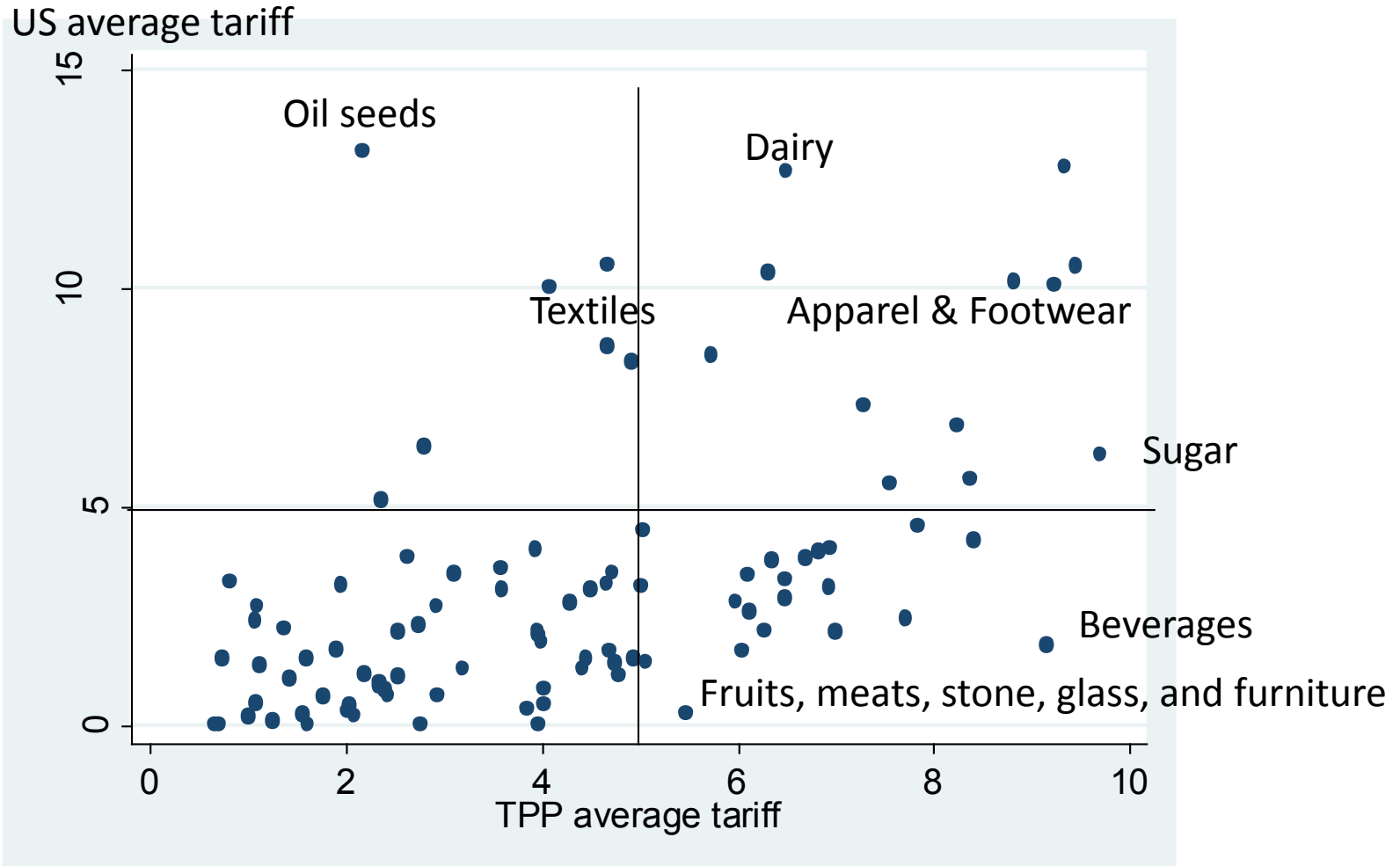
- Tariff elimination schedules are very specific
 - Over 10,000 8-digit products.
 - US schedule has 8 lines for passenger cars, also 8 lines for tomatoes.
 - TPP liberalization is partner-specific.

HTS 8 (2010)	Description	Base Rate	Australia	Brunei	Canada	Chile	Japan	Malaysia	Mexico	New Zealand	Peru	Singapore	Vietnam
87021060	Motor vehicles, w/diesel engine, for transport of 10 but not more than 15 persons	2%	EIF	B10	EIF	EIF	B10	B10	EIF	B10	EIF	EIF	B10
87029030	Motor vehicles, w/other than diesel engine, for transport of 16 or more persons	2%	EIF	B10	EIF	EIF	B10	B10	EIF	B10	EIF	EIF	B10
87029060	Motor vehicles, w/other than diesel engine, for transport of 10 but not more than 15 persons	2%	EIF	B10	EIF	EIF	B10	B10	EIF	B10	EIF	EIF	B10
87031010	Motor vehicles specially designed for traveling on snow	2.50%	EIF	B10	EIF	EIF	US15	B10	EIF	B10	EIF	EIF	B10
87031050	Golf carts and similar motor vehicles	2.50%	EIF	B10	EIF	EIF	US15	B10	EIF	B10	EIF	EIF	B10
87032100	Mtr cars & o/mtr. vehicles for transport of persons, w/spark-ign. int. combust. recip. piston engine w/cyl. cap. n/o 1000 cc	2.50%	EIF	B10	EIF	EIF	US15	B10	EIF	B10	EIF	EIF	B10
87032200	Mtr cars & o/mtr. vehicles for transport of persons, w/spark-ign. int. combust. recip. piston engine w/cyl. cap. >1000 cc n/o 1500 cc	2.50%	EIF	B10	EIF	EIF	US15	B10	EIF	B10	EIF	EIF	B10
87032300	Mtr cars & o/mtr. vehicles for transport of persons, w/spark-ign. int. combust. recip. piston engine w/cyl. cap. >1500 cc n/o 3000 cc	2.50%	EIF	B10	EIF	EIF	US15	B10	EIF	B10	EIF	EIF	B10
87032400	Mtr cars & o/mtr. vehicles for transport of persons, w/spark-ign. int. combust. recip. piston engine w/cyl. cap. o/ 3000 cc	2.50%	EIF	B10	EIF	EIF	US15	B10	EIF	B10	EIF	EIF	B10
87033100	Mtr cars & o/mtr. vehicles for transport of persons, w/compress-ign. int. combust. recip. piston engine w/cyl. cap.	2.50%	EIF	B10	EIF	EIF	US15	B10	EIF	B10	EIF	EIF	B10

Sectors & Countries where tariffs matter most

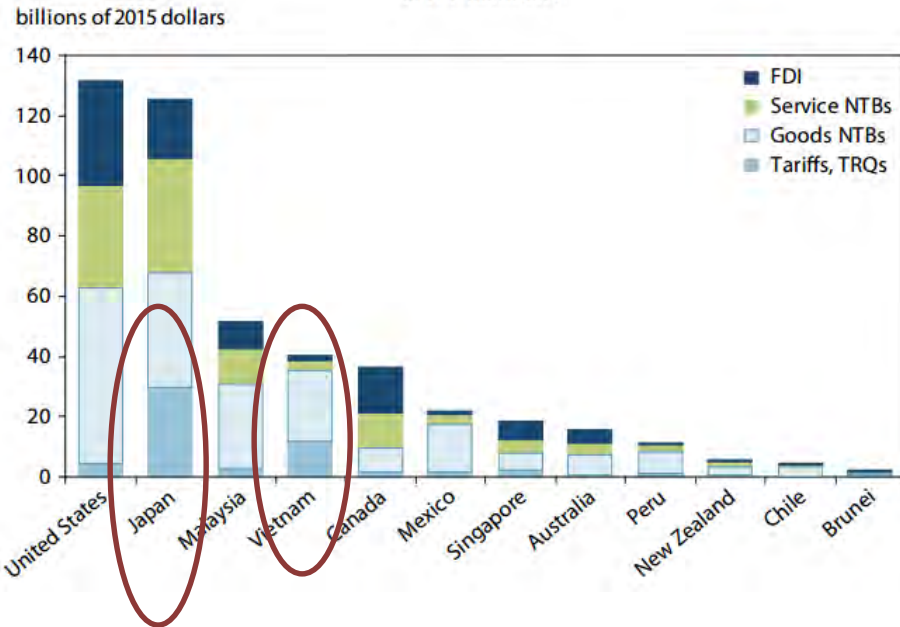


US and TPP tariffs by 2-digit sector

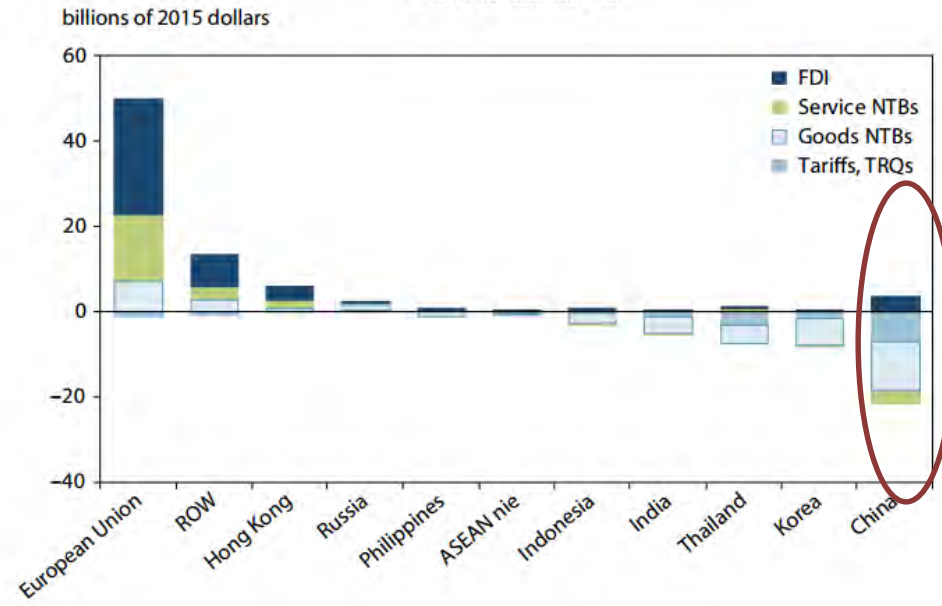


TPP income effects and their composition, 2030

a. TPP members



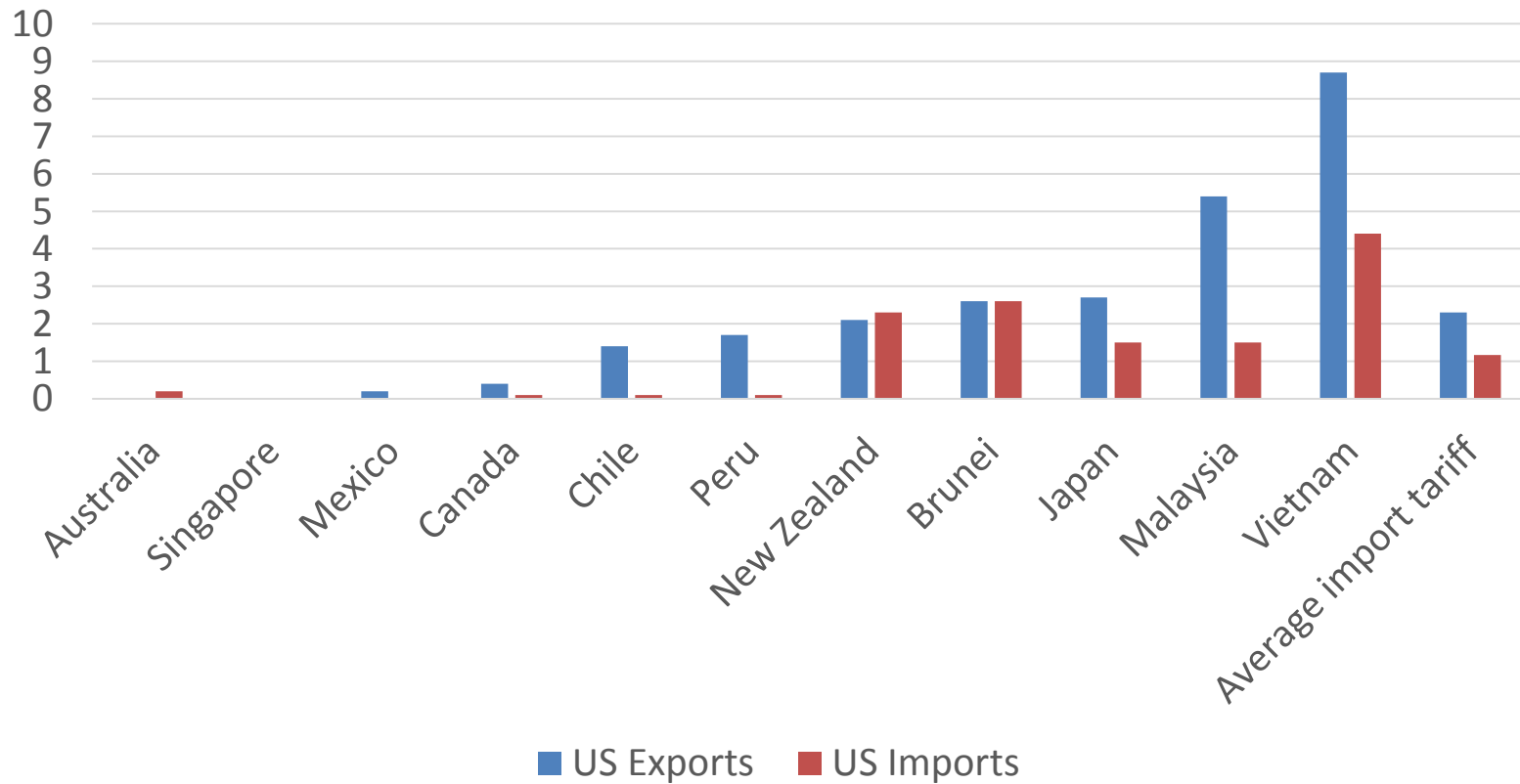
b. TPP nonmembers



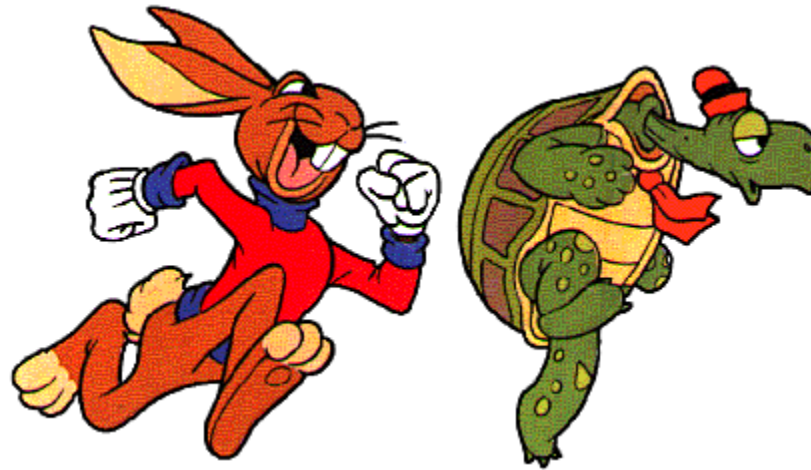
Source: Petri and Plummer 2016.

US exports face higher tariffs than US imports

Average Export-Weighted Tariffs TPP-US



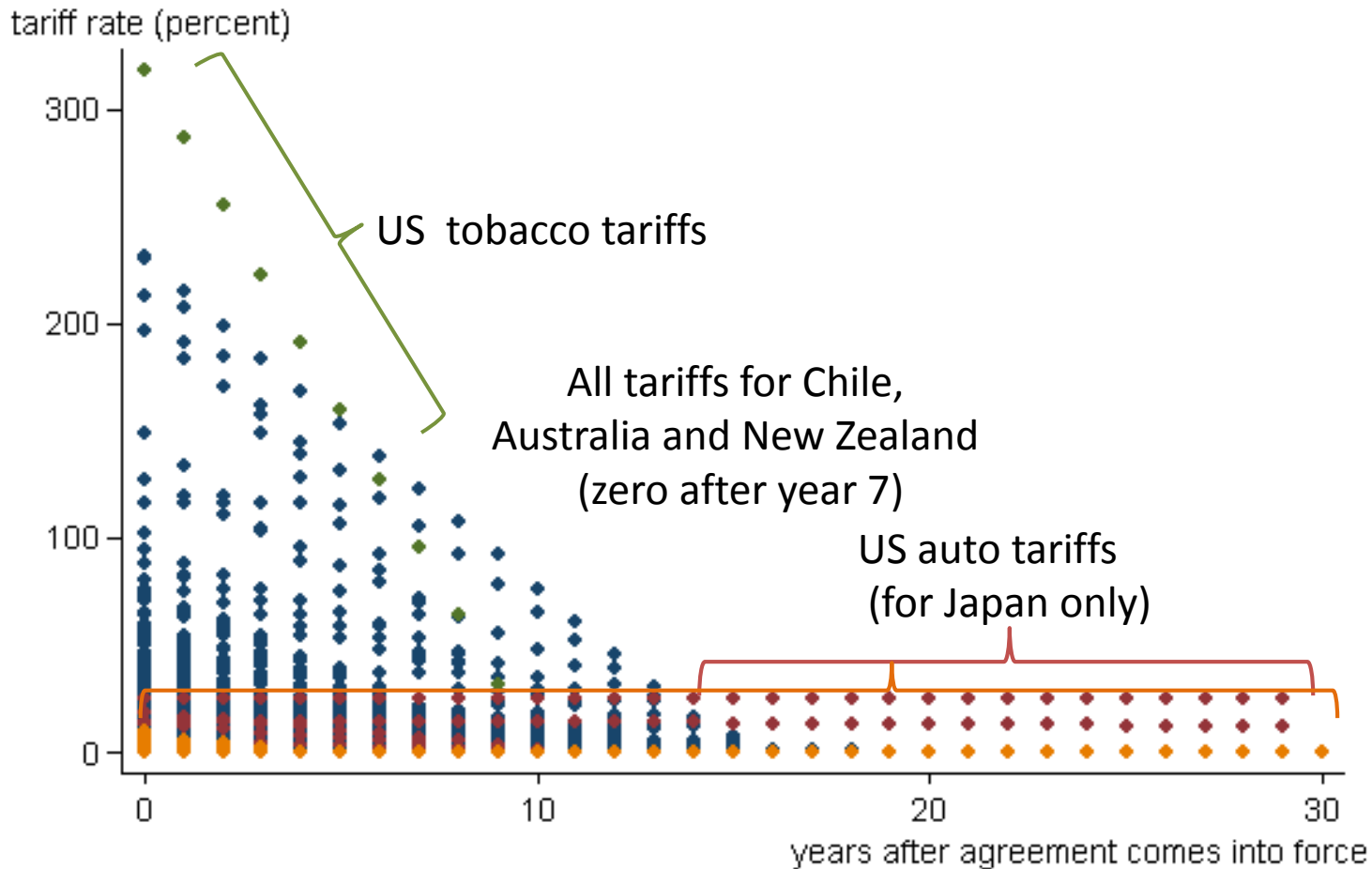
Speed of liberalization



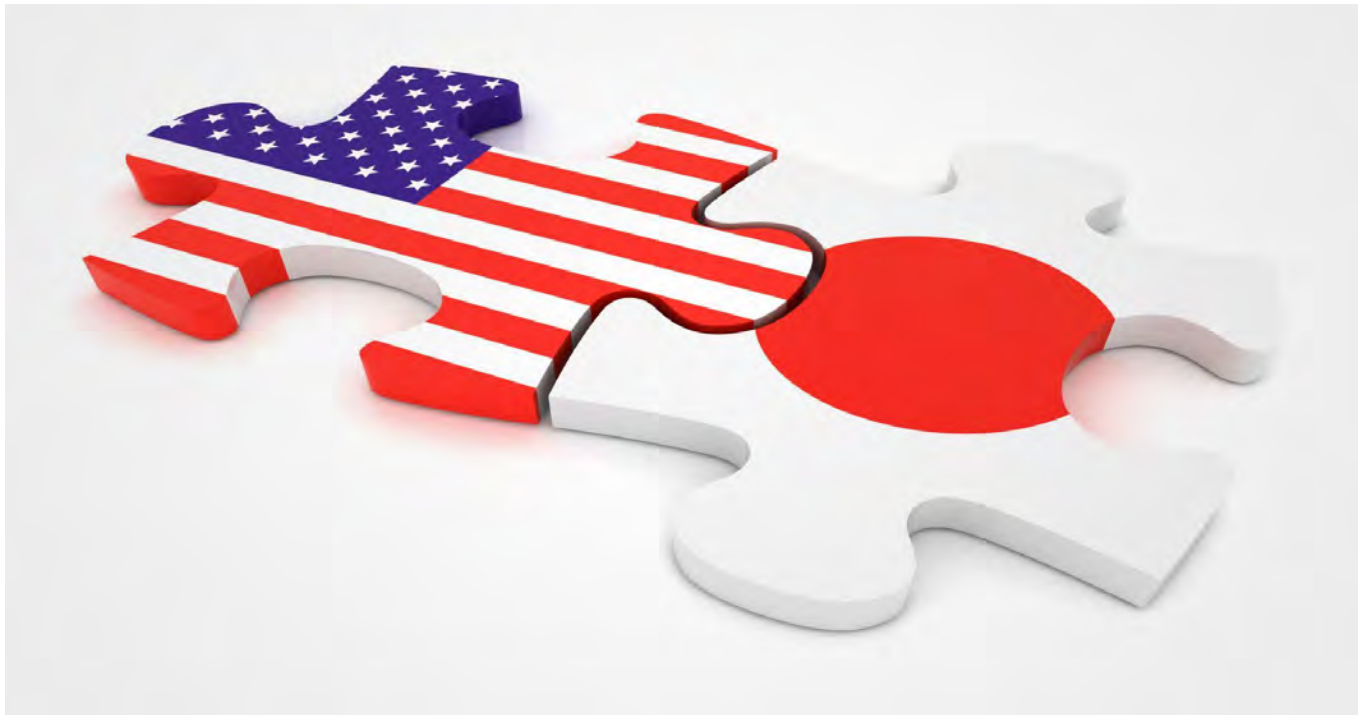
How fast do TPP members liberalize?

- Australia, Chile, New Zealand, & Singapore, open and liberalize by year 8.
- Canada, Japan & US liberalize in 12-30 years.
- Malaysia, Mexico, Peru, Vietnam take 16 years.
- 75 percent of tariff lines liberalized on entry; 99 percent of tariffs at end.

Anatomy of TPP tariff rates

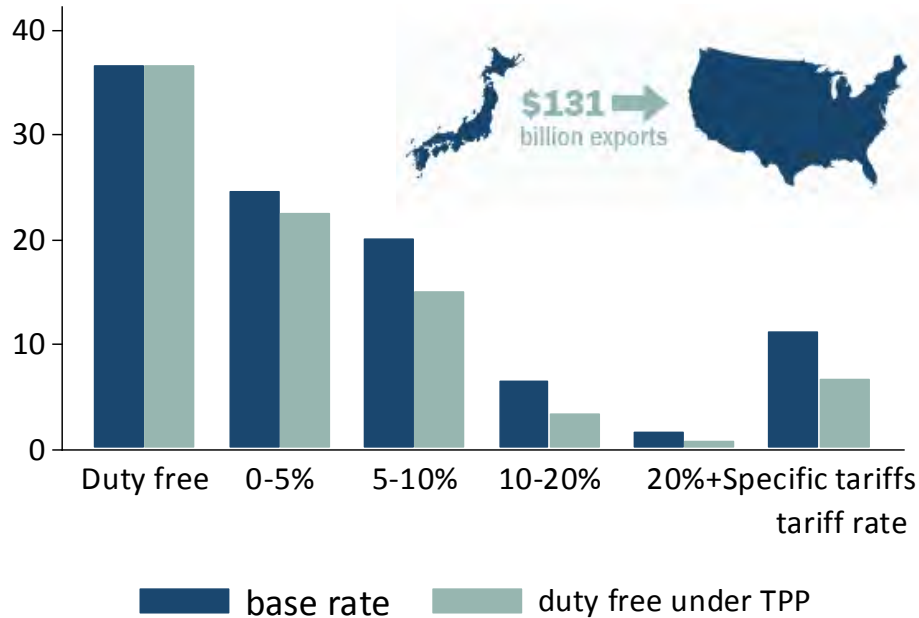


US-Japan FTA

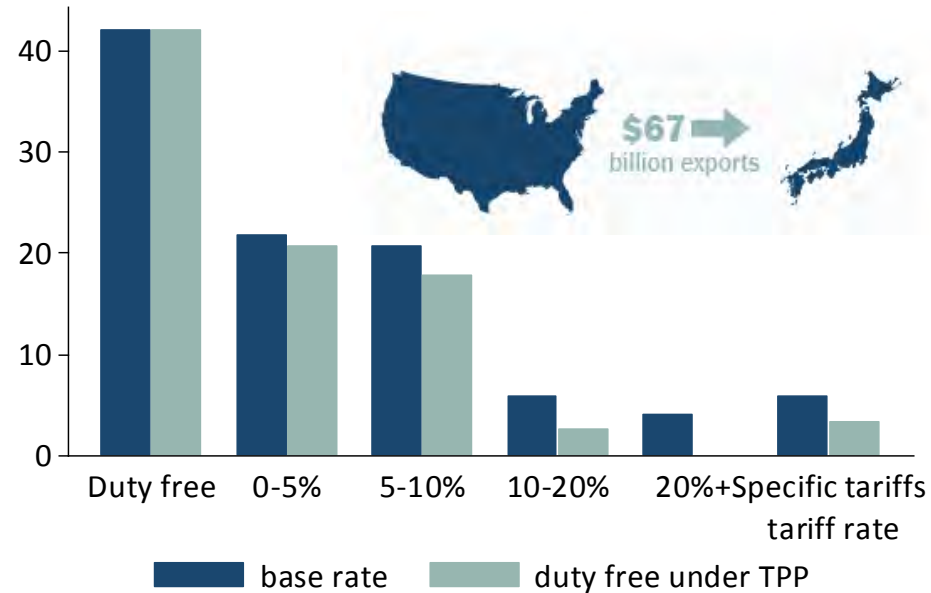


US-Japan bilateral tariff negotiations

share of products (percent)



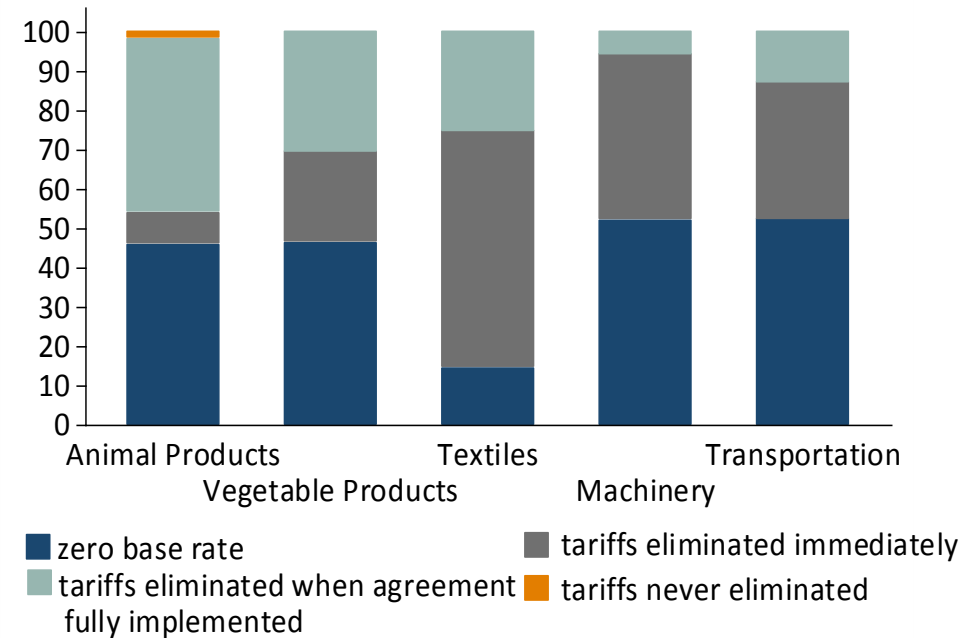
share of products (percent)



US-Japan by sector

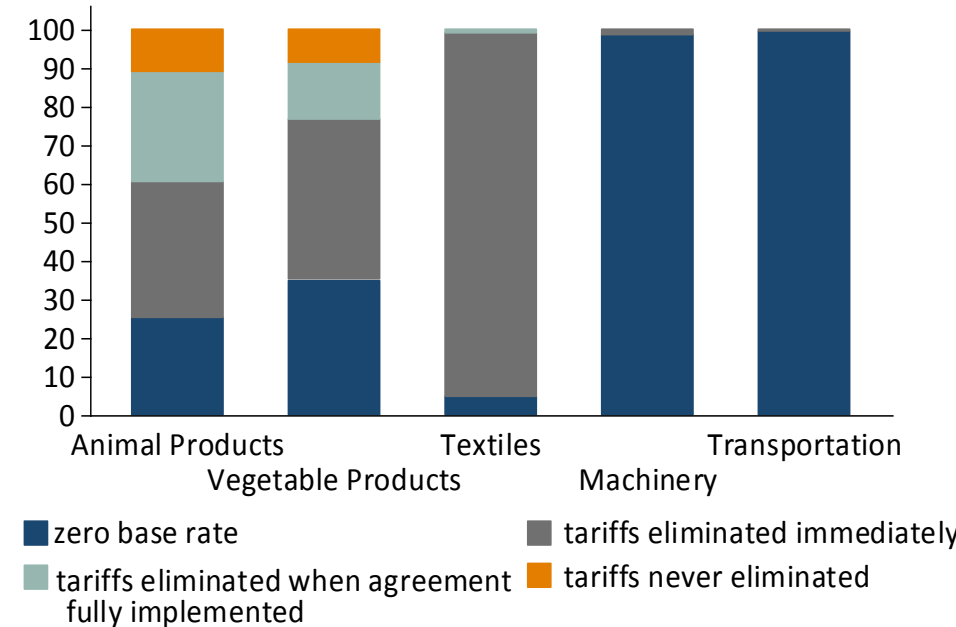
US Tariffs on Japanese goods under TPP, by select product type

share of tariffs



Japanese tariffs on US goods under TPP, by select product type

share of tariffs



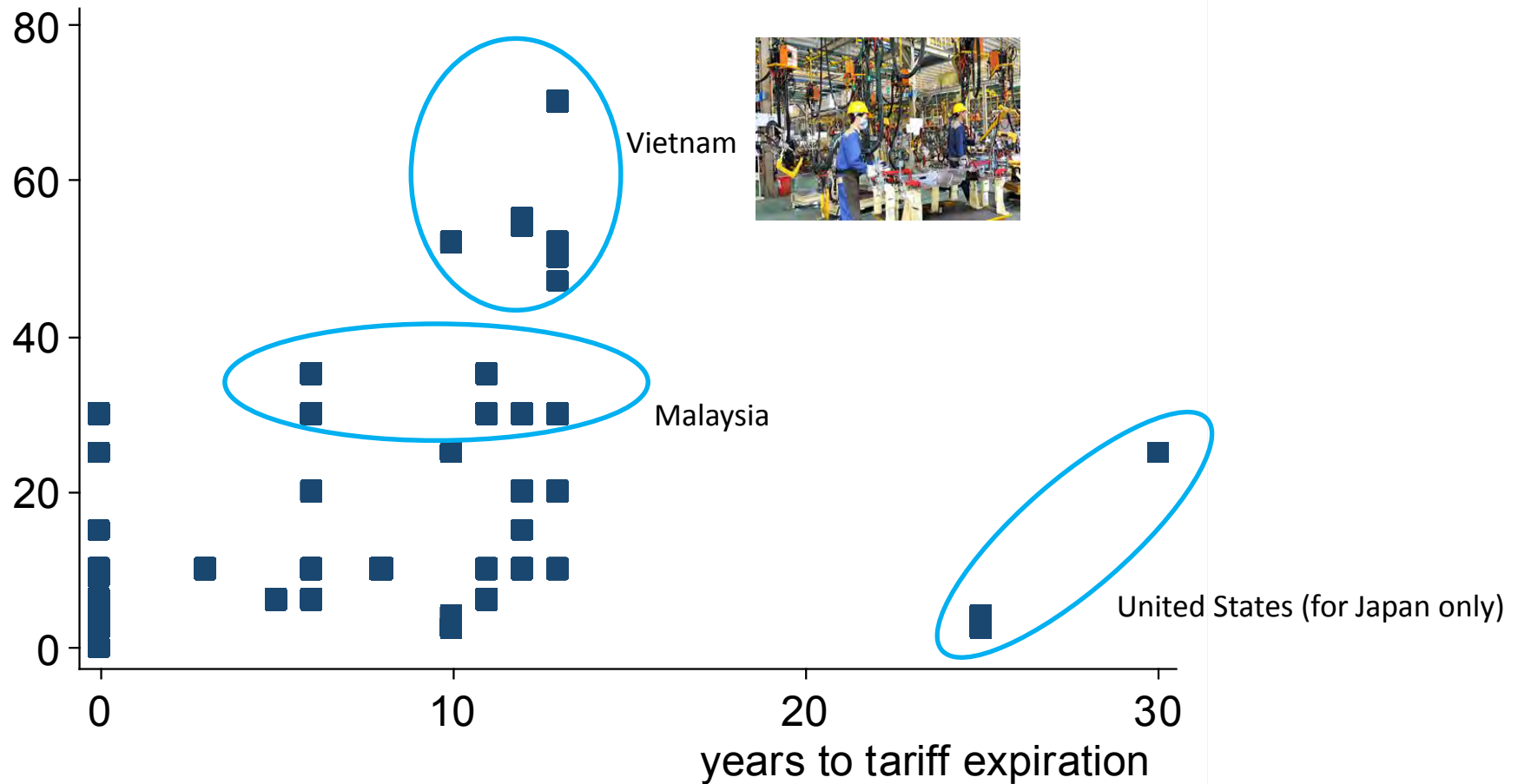


Cars and Trucks



Liberalization in the Auto Sector

base tariff rate (percent)



Auto Rules of Origin

- NAFTA requires 62.5% of finished vehicles to be made in US, Canada, and Mexico.
- TPP calls for 45% TPP content under the same methodology as NAFTA .
- US/Canada content of top selling car models:
 - Toyota Camry 75% (~\$250mn in tariffs saved)
 - Honda Accord 70%
 - Toyota Corolla 60%
 - Nissan Altima 60%
 - Honda Cr-V 70%

Conclusion

- Tariff liberalization is important, especially for some countries and some sectors.
- Tariff liberalization is deep, but slow in some sensitive sectors.
- TPP raises some concern with delays & differentiation, w.r.t. Article 24 of GATT.