

An Assessment of the TPP: Market Access and Sectoral Issues

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The TPP: A Big Deal

- **Megaregional:** Largest FTA among developed and developing countries both in terms of scope of coverage and depth of liberalization.
- **FTA upgrades:** Existing FTAs among TPP-12 substantially upgraded, including NAFTA; TPP creates new FTAs for US with Japan, New Zealand, Vietnam, Brunei and Malaysia.
- **Economic gains:** Large increases in real income; but estimates only cover more traditional aspects of the deal, other reforms that will bolster productivity still not captured in modeling framework.
- **Political compromises:** Final deal reflects need to recalibrate reforms to enhance political support for overall deal, in some cases meant more liberalization and others some pull-back.
- **“Living Agreement”:** Growing queue of prospective new members.

Assessment of TPP: Volume I

Outline

- The Economic Effects of the TPP: New Estimates
- Tariff Liberalization
- Agriculture Market Access
- Auto Sector Liberalization
- Rules of Origin in Textiles and Apparel
- Government Procurement
- Liberalization of Services Trade
- Financial Services
- Investment Provisions
- Investor-State Dispute Settlement

Forthcoming Volume II will cover other important issues including IPR, digital trade, state-owned enterprises, competition policy, labor, environment, and general dispute settlement.

TPP: Estimated Gains in 2030

	Annual real income gains	
	billions of 2015 dollars	% change from baseline
Total world	492	0.4
Total TPP-12	465	1.1
United States	131	0.5
Japan	125	2.5
Malaysia	52	7.6
Vietnam	41	8.1
Total non-TPP members	27	0.0
European Union	48	0.2
China	-18	-0.1
Korea	-8	-0.3
Thailand	-7	-0.8
India	-5	-0.1

Source: Petri and Plummer (2016), table 2.

TPP: Estimated Gains in 2030

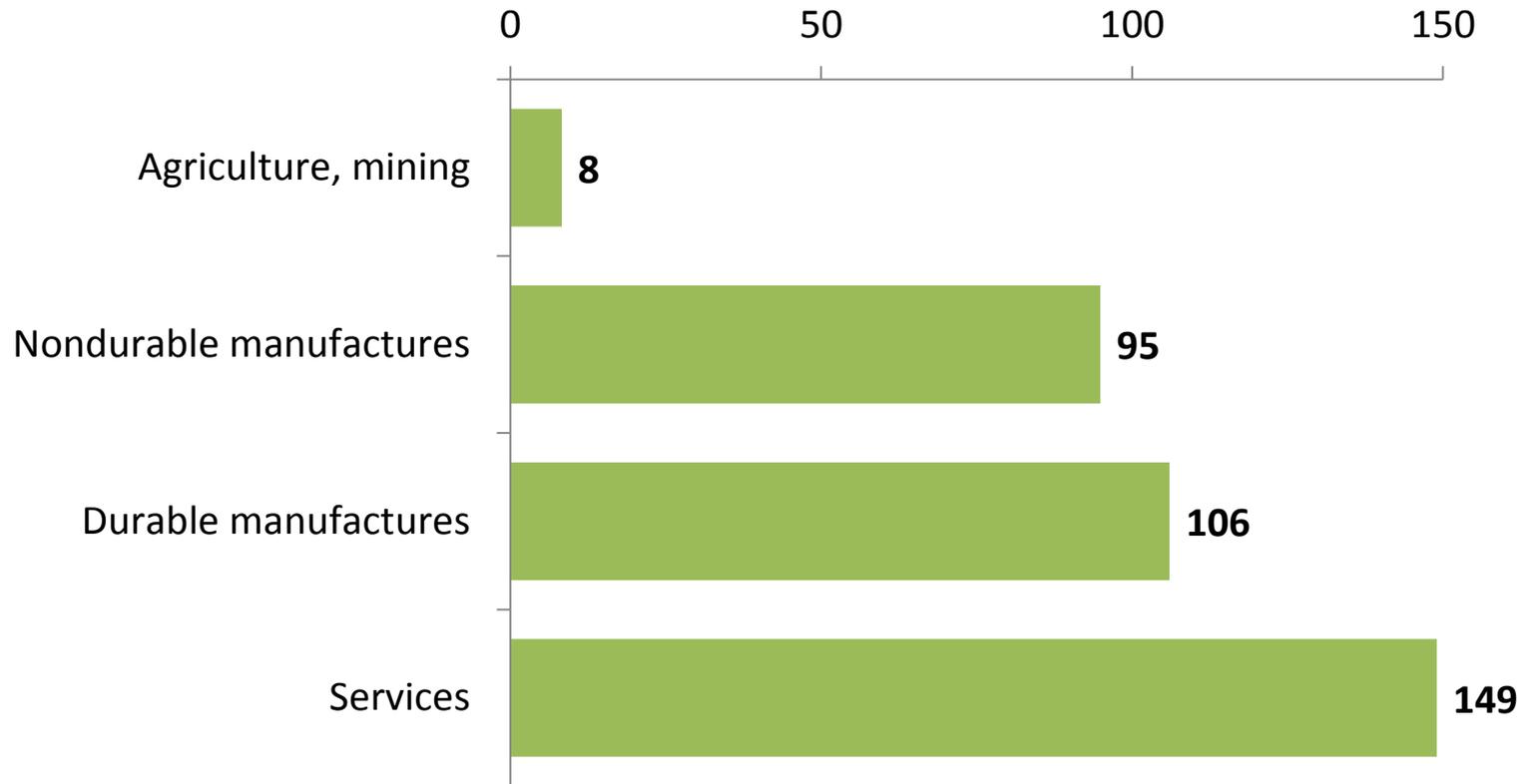
- **Trade contributes to economic performance by:**
 1. Improving productivity;
 2. Providing access to greater varieties of goods at lower prices;
 3. Stimulating competition, technology and investment flows.
- **Overall gains for TPP-12:** Permanent, annual gains in real income of nearly \$500 billion, or 1 percent of baseline GDP.
- **Biggest winners:** US and Japan account for 55 percent of TPP gains; in relative terms, Malaysia and Vietnam are biggest winners.
- **Reducing tariffs, non-tariff barriers and FDI barriers:** Non-tariff reforms are more important than tariffs for all TPP members; liberalization of NTBs on goods and services makes biggest contribution to US growth.
- **Impact on non-TPP countries:** No net trade/income losses. China suffers modest reduction compared to baseline growth, though negative effects would expand sharply if other big Asian economies join the TPP.

TPP: Estimated Gains in 2030

	Annual export gains	
	billions of 2015 dollars	% change from baseline
Total world	1,106	3.1
Total TPP-12	1,025	11.5
United States	357	9.1
Japan	276	23.2
Malaysia	99	20.1
Vietnam	107	30.1
Total non-TPP members	81	0.3
European Union	49	0.5
China	9	0.2
Korea	-11	-1.0
Thailand	-9	-1.6
Indonesia	-4	-1.0

Source: Petri and Plummer (2016), table 3.

Growth in US Exports Under TPP, 2030 (billions of 2015 dollars)



Note: These are increases above projected baseline exports in 2030.

Source: Petri and Plummer (2016), figure 1.

TPP: Highlights and Lowlights

- **Tariffs:** Majority of tariffs quickly eliminated—with some notable exceptions (e.g., US autos/SUVs).
- **Agriculture:** Substantial cuts in farm protection, even for sensitive Japanese products; little change in US sugar and dairy restrictions.
- **Autos and textiles:** TPP helps US exporters; limited gains for TPP exporters to US. Revises NAFTA rules of origin for autos and parts; restrictive “yarn forward” rule in textiles and apparel largely continues past practice.
- **Government procurement:** First major opening for Vietnam and Malaysia public procurement; limited coverage of subfederal contracts.

TPP: Highlights and Lowlights

- **Services:** United States gains improved access to the markets of Japan (e.g., insurance, express air delivery), Malaysia, and Vietnam.
- **Financial services:** Greater access for portfolio management and payment/clearing services; some constraints on state-run postal insurance systems; but permits data localization requirements.
- **Investment:** Reduces barriers to FDI via negative list approach, disciplines on use of local content requirements and other performance requirements, and limits on SOEs; includes improved investor-state dispute settlement procedures.

TPP: US Preferred Path Toward Regional Integration

- US favors TPP expansion model for broader Asia-Pacific economic integration. TPP open to new members—not just from APEC—after the pact enters into force.
- Several countries considering TPP participation and could seek to enter TPP in “2nd tranche” negotiations, e.g., Korea, Indonesia, Thailand, Taiwan, the Philippines and Colombia.
- How TPP expansion evolves will turn importantly on:
 - Ratification process by original members, especially the US;
 - Whether Indonesia follows through on new commitments to reform and join the TPP later this decade;
 - Whether China wants to join and if so, when.