



中国社会科学院 世界经济与政治研究所
Institute of World Economics and Politics
Chinese Academy of Social Sciences(CASS)

The Role and Positioning of FTAAP in the Global Value Chain

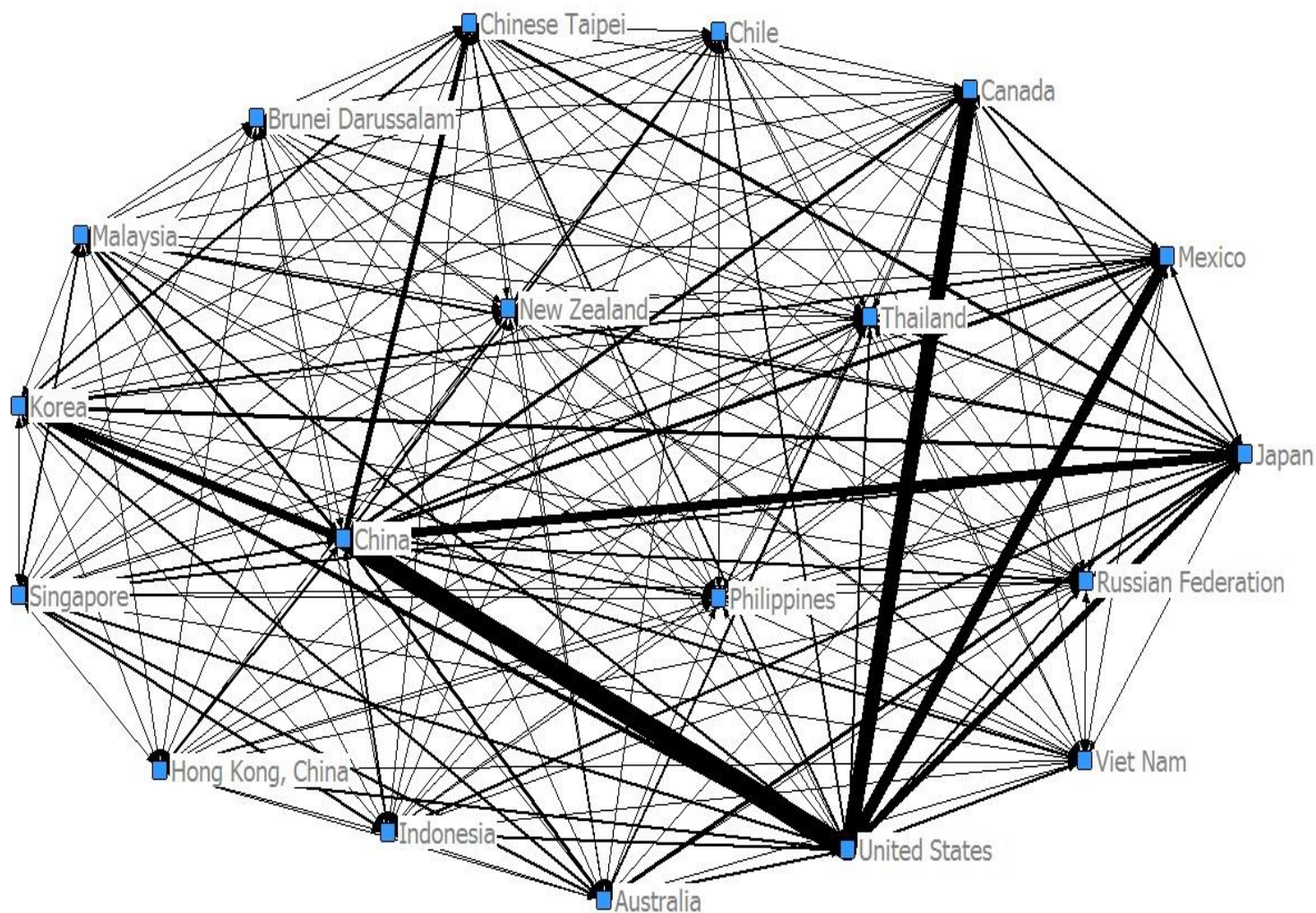
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CNCPEC Symposium on FTAAP October 15-16, 2015 , Beijing

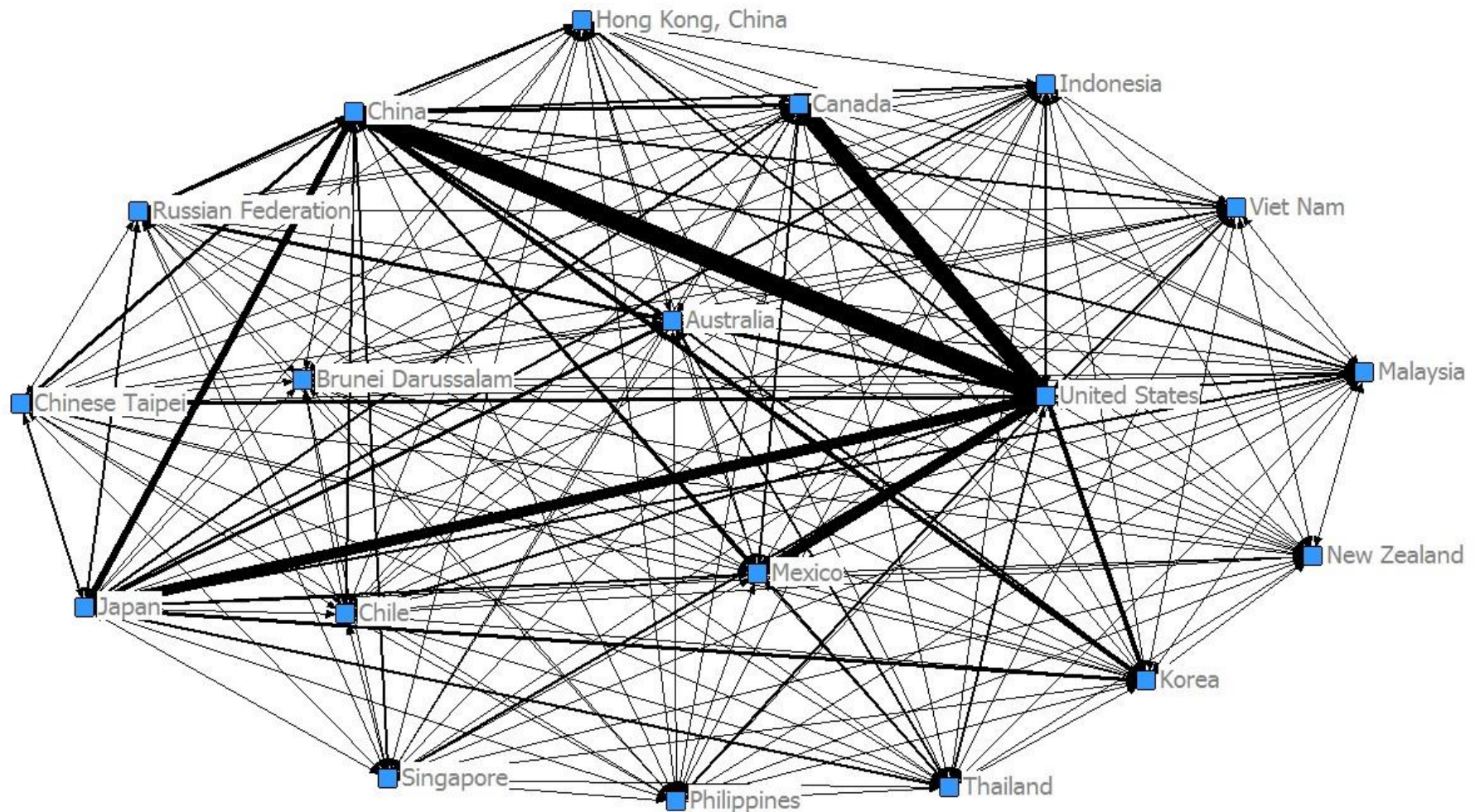


APEC Trade Web-Gross Trade





APEC Trade Web: Value-Added Trade





Intermediate Goods Trade In APEC

2014 (EXPORTER/IMPORTER-million \$)	AUSTRALIA	BRUNEI	CANADA	CHILE	CHINA	HK
AUSTRALIA	----	2,256,323	113,171,908	47,790,940	398,142,064	155,207,431
BRUNEI	264,702	----	0	0	957,372	52,617
CANADA	336,482,865	3,290,662	----	114,112,128	810,019,284	424,881,531
CHILE	2,199,491	879	27,514,414	----	7,100,620	871,875
CHINA	4,566,580,196	39,284,681	7,349,754,411	1,146,258,567	----	103,839,150,947
HK	80,209,624	620,564	32,455,985	11,121,145	1,448,482,917	----
JAPAN	2,052,894,713	17,352,574	4,607,723,712	411,787,249	53,903,133,524	16,005,052,443
MEXICO	317,674,075	817,285	6,007,636,768	6,008,454,053	3,503,719,119	153,711,624
NEW ZEALAND	243,974,868	2,039,225	16,819,847	18,859,072	40,376,801	25,101,719
THAILAND	142,716,813	17,767,655	377,222,611	5,824,500	9,153,886,507	4,684,152,419
USA	4,531,827,132	134,210,333	45,045,138,644	60,804,293	29,328,621,656	8,747,674,061
VIETNAM	30,128,245	1,255,016	203,730,282	1,601,986,677	5,547,828,496	2,850,415,284

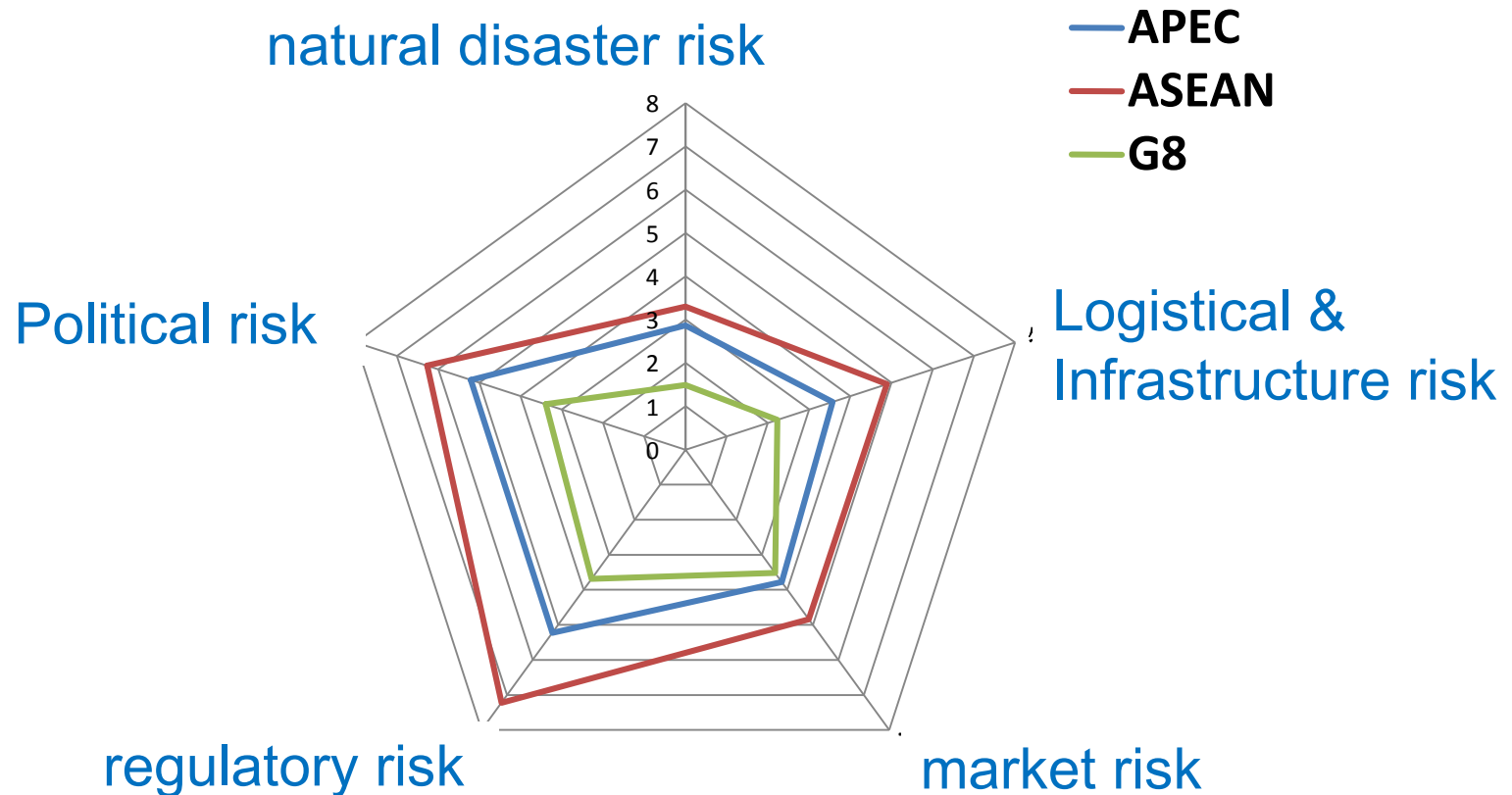


Intermediate Goods Trade In APEC

2014(EXPORTER/IMPORTER)	MEXICO	NEW ZEALAND	PHILLINES	THAILAND	USA	VIETNAM
AUSTRALIA	36,506,823	885,967,478	243,636,360	964,258,534	1,503,376,031	263,214,078
BRUNEI	0	2,425,865	692,635	7,039,187	2,080,883	1,580,661
CANADA	1,010,734,986	44,350,531	26,009,021	86,041,622	35,023,470,086	18494848
CHILE	32,394,591	102,197	35,826	31,112	112,479	516,267,079
CHINA	7,888,089,831	332,104,618	3,011,091,257	5,942,350,035	58,989,535,858	11,229,187,250
HK	1,230,759,252	55,064,048	1,356,689,737	2,559,889,083	8,041,784,156	2,283,198,695
JAPAN	4,267,874,530	163,578,758	3,274,986,577	11,360,673,211	40,544,348,046	3,170,210,097
MEXICO	-	7,140,802	41,102,038	145,976,832	72,733,852,758	9,626,265
NEW ZEALAND	15,229,798	-	4,028,284	15,362,982	165,492,192	1,468,878
THAILAND	1,392,662,976	138,292,181	149,747,145	-	5,130,481,027	1,294,358,638
USA	46,693,518,977	810,916,384	802,837,280	3,678,933,150	-	
VIETNAM	542,171,064	11,961,026	2,718,809,773	452,927,003		-



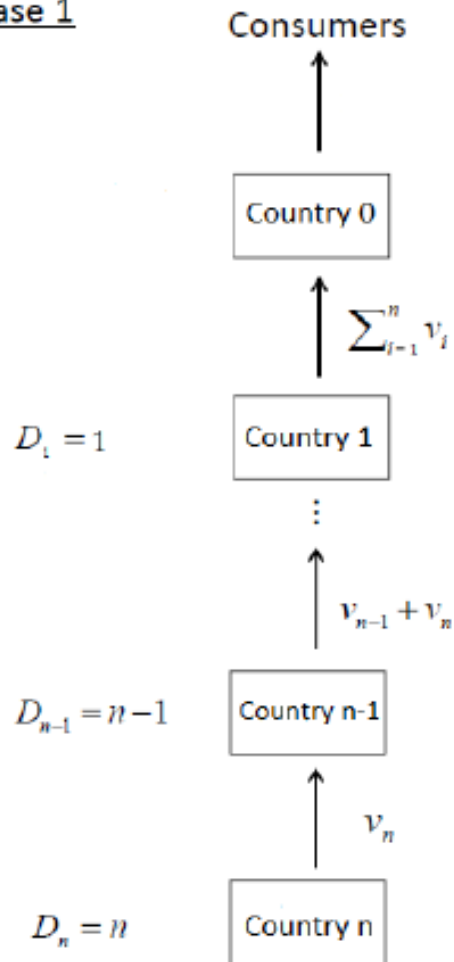
Stability of Asia-Pacific Production Network



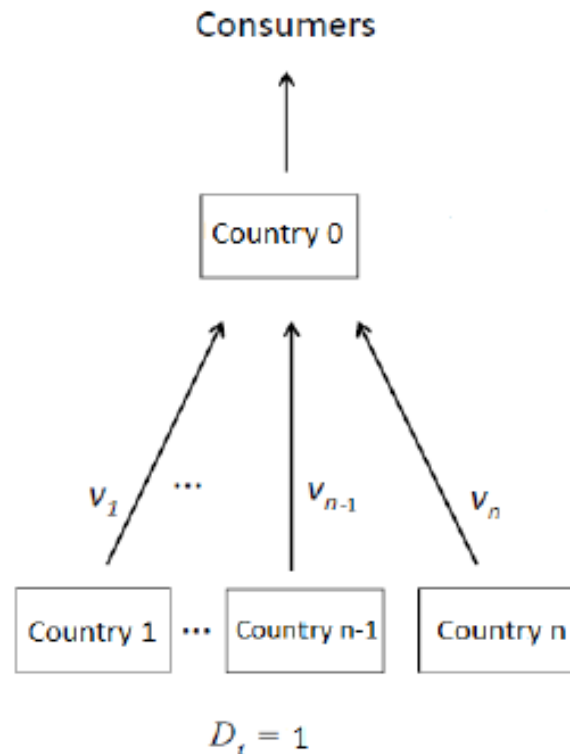


FTA and GVC- A Theoretical Framework

Case 1



Case 2





FTA and GVC- A Theoretical Framework

		Stage 2		Stage 1			Production patterns		
Pattern		$p_2^{Ai}(j), i = A, B, C$				$p_1^{ni}(j), n, i = A, B, C$			
$p_2^A(j)$ $= \min p_2^{Ai}(j)$ $i = A, B, C$	A	$p_2^{AA}(j)$	$k_2^A(j)(p_1^A(j))^{1-\alpha}$	$p_1^A(j)$ $= \min p_1^{Ai}(j)$ $i = A, B, C$	A	$p_1^{AA}(j)$	$c_1^A(j)$	AAA	Domestic production
					B	$p_1^{AB}(j)$	$c_1^B(j)(1+\tau_1^{AB}(j))$	BAA	Import of intermediate goods
					C	$p_1^{AC}(j)$	$c_1^C(j)(1+\tau_1^{AC}(j))$	CAA	
	B	$p_2^{AB}(j)$	$k_2^B(j)(p_1^B(j))^{1-\alpha}(1+\tau_2^{AB}(j))$	$p_1^B(j)$ $= \min p_1^{Bi}(j)$ $i = A, B, C$	A	$p_1^{BA}(j)$	$c_1^A(j)(1+\tau_1^{BA}(j))$	ABA	Export of intermediate, and re import of final goods
					B	$p_1^{BB}(j)$	$c_1^B(j)$	BBA	Import of final goods
					C	$p_1^{BC}(j)$	$c_1^C(j)(1+\tau_1^{BC}(j))$	CBA	Vertical Specialization
	C	$p_2^{AC}(j)$	$k_2^C(j)(p_1^C(j))^{1-\alpha}(1+\tau_2^{AC}(j))$	$p_1^C(j)$ $= \min p_1^{Ci}(j)$ $i = A, B, C$	A	$p_1^{CA}(j)$	$c_1^A(j)(1+\tau_1^{CA}(j))$	ACA	Export of intermediate, and re import of final goods
					B	$p_1^{CB}(j)$	$c_1^B(j)(1+\tau_1^{CB}(j))$	BCA	Vertical Specialization
					C	$p_1^{CC}(j)$	$c_1^C(j)$	CCA	Import of final goods



FTA and GVC- A Theoretical Framework

A and B form FTA

Pattern	Stage 2			Stage 1			Original Patterns-No FTA	
		$p_2^{Ai}(j), i = A, B, C$			$p_1^{ni}(j), n, i = A, B, C$			
$p_2^A(j)$ $= \min p_2^{Ai}(j)$ $i = A, B, C$	A	$p_2^{AA}(j)$	$k_2^A(j)(p_1^A(j))^{1-\alpha}$	$p_1^A(j)$ $= \min p_1^{Ai}(j)$ $i = A, B, C$	A	$p_1^{AA}(j)$	$c_1^A(j)$	AAA
					B	$p_1^{AB}(j)$	$c_1^B(j)$	BAA
					C	$p_1^{AC}(j)$	$c_1^C(j)(1+\tau_1^{AC}(j))$	CAA
	B	$p_2^{AB}(j)$	$k_2^B(j)(p_1^B(j))^{1-\alpha}$	$p_1^B(j)$ $= \min p_1^{Bi}(j)$ $i = A, B, C$	A	$p_1^{BA}(j)$	$c_1^A(j)$	ABA
					B	$p_1^{BB}(j)$	$c_1^B(j)$	BBA
			$k_2^B(j)(p_1^B(j))^{1-\alpha}(1+\tau_2^{AB}(j))^*$		C	$p_1^{BC}(j)$	$c_1^C(j)(1+\tau_1^{BC}(j))$	CBA
	C	$p_2^{AC}(j)$	$k_2^C(j)(p_1^C(j))^{1-\alpha}(1+\tau_2^{AC}(j))$	$p_1^C(j)$ $= \min p_1^{Ci}(j)$ $i = A, B, C$	A	$p_1^{CA}(j)$	$c_1^A(j)(1+\tau_1^{CA}(j))$	ACA
					B	$p_1^{CB}(j)$	$c_1^B(j)(1+\tau_1^{CB}(j))$	BCA
					C	$p_1^{CC}(j)$	$c_1^C(j)$	CCA



FTA and GVC- A Theoretical Framework

No FTA	FTA between A & B	Three Channels		
		Preference tariff in stage 1	Preference tariff in stage 2	RoO effects
Trade Creation				
AAA	ABA	✓	✓	
	BAA	✓		
	BBA		✓	
BAA	BBA	*	✓	
BBA	ABA	✓		
ABA	No change			
Trade Diversion				
ACA	ABA		✓	
BCA	BBA		✓	
CCA	ABA	✓	✓	✓
	BAA	✓		✓
	BBA	*	✓	✓
CAA	ABA	✓	✓	✓
	BAA	✓		✓
	BBA	✓	✓	✓
Rules of Origin				
CBA	BBA	*		✓
	ABA	✓		✓

*BBA, B's competitiveness in stage 1 production comes from no tariff of domestic intermediate goods production



FTA and GVC: Policy Implications

TPP: Change the Asia-Pacific production network

RCEP: Improve the current East-Asia regional value chain

FTAAP: Increase the efficiency of Asia-Pacific Production Network



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