

The Trans-Pacific Partnership and Asia-Pacific Integration*

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* Peter A. Petri, Michael G. Plummer and Fan Zhai, *The Trans-Pacific Partnership and Asia-Pacific Integration: A Quantitative Assessment*. Peterson Institute and East-West Center. 2012.

From a political perspective...

- The Asian and Trans-Pacific tracks look like a zero-sum game
- As the tracks compete to attract new members, they could divide the region in two
- The tracks are contributing to China-US “strategic mistrust”

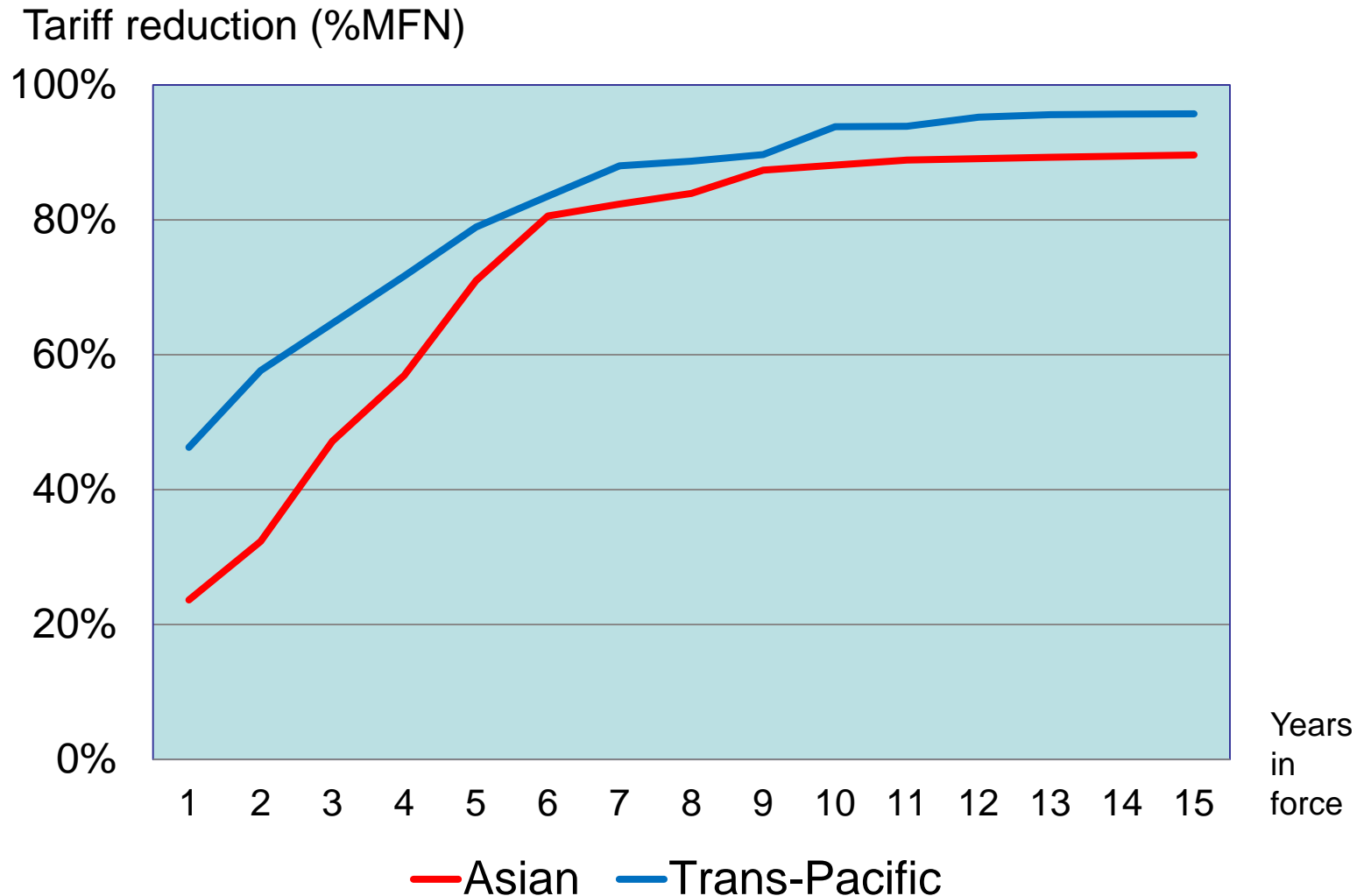
... but economics tells a different story

- Despite the Doha stalemate, the tracks show that trade liberalization is alive in Asia-Pacific
- The tracks are huge, positive-sum games with gains in \$2 trillion range
- The tracks are an example of “competitive liberalization”—they are stimulating progress and could lead to consolidation

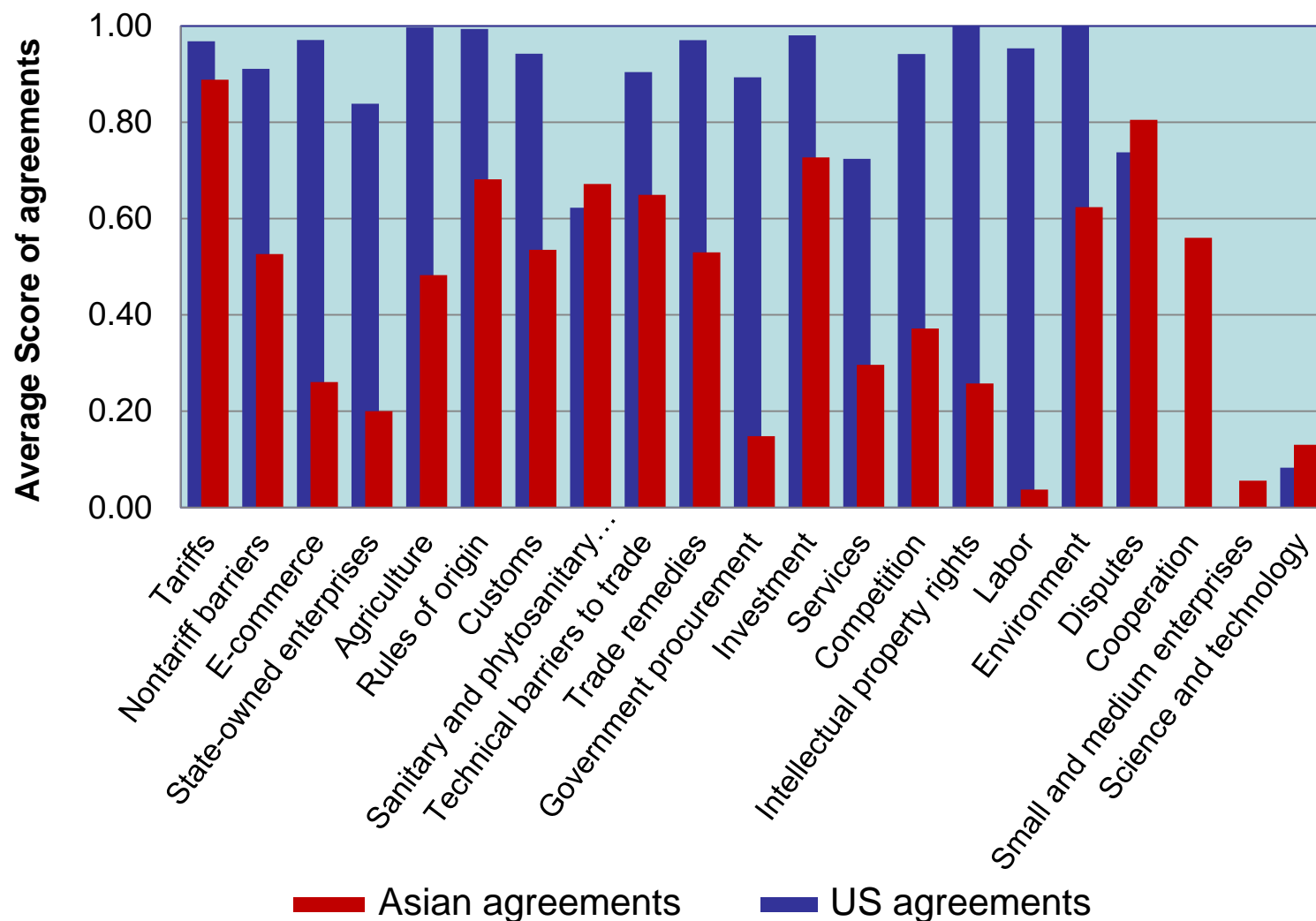
Differences in templates

- Asian template targets comparative advantage of emerging economies: market access in manufacturing
- Trans-Pacific template targets comparative advantage of advanced economies: services, investment, intellectual property
- Each produces gains, both are needed to produce largest gains

Asian and Trans-Pacific templates (1)



Asian and Trans-Pacific templates (2)



Source: scores of provisions from FTA database.

Minefield of issues (a TPP sample)

- Intellectual property
 - Length of patents, copyright, data exclusivity
 - Copyright enforcement (esp. on-line)
 - Government medical insurance
- Services
- Investor-state dispute resolution
- Competitive neutrality of SOEs
- Labor
- Agriculture (various countries)
- Rules of origin (esp. textiles for Viet Nam)

Modeling analysis

- Structure
 - 18-sector, 24-region CGE model
 - Recursive, baseline growth projection: 2010-25
 - Analyzes 47 existing and 10 new agreements
 - Novel model structure: trade based on firm-level differences in productivity
- Ongoing analysis, new work reported:
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Key results

- TPP and Asian tracks generate large gains
- The larger the area, the larger the gains
- The better the template, the larger the gains (TPP template nearly doubles FTAAP gains)
- Gains are mostly trade and investment creation
- Country gains depend on size, trade patterns, prior FTAs, initial barriers
- ASEAN gains more from TPP than RCEP
- US and China: interests partly opposed, partly aligned

Income gains 2025

	Baseline 2025	TPP11	TPP16	RCEP	FTAAP
United States	20,273	24	108	0	267
China	17,655	-21	-84	297	678
Japan	5,338	-1	129	96	228
Korea	2,117	0	50	82	129
India	5,233	-1	-7	91	-30
ASEAN	3,635	50	218	76	210
Others	48,972	24	36	3	440
World	103,223	74	451	644	1,922

Japan, Korea
on the fence

ASEAN gains
from TPP

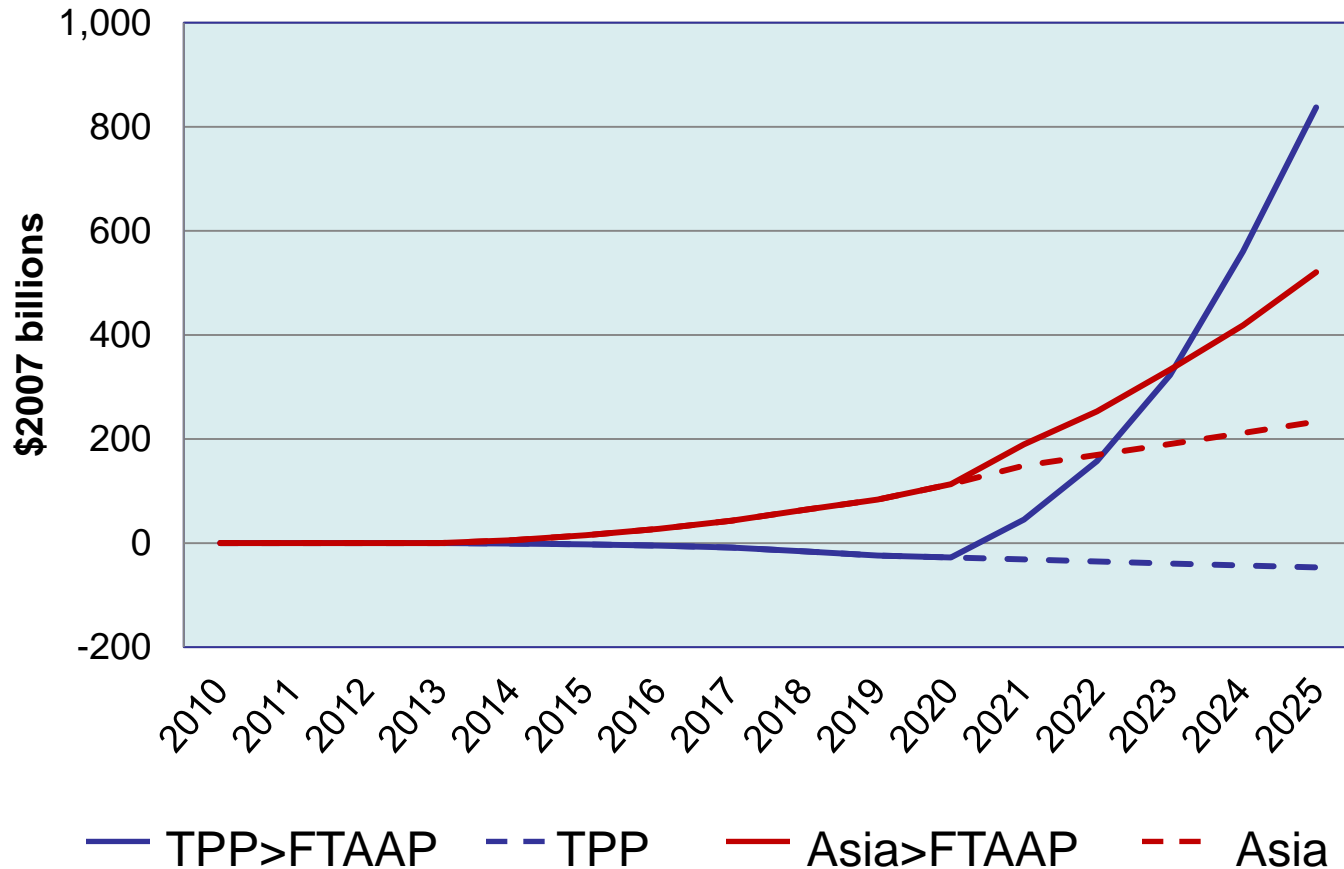
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China and US
opposed on
TPP/RCEP;
aligned on
FTAAP

Effects of the template: China

(income gains, \$billion)



An optimistic scenario

2010-2015: Competition

- TPP and Asian tracks attract small economies
- Competitive liberalization drives progress

2015-2020: Enlargement

- Middle economies (Japan, Korea) join
- Deeper integration, wider leadership

2020-2025: Consolidation

- China and US are among few *without* access to both
- China and US need to consolidate

Policy implications

- “Just do it” in 2013 (and 2015 for RCEP)
- Balance depth of agreement against potential expansion to other countries
- Create dialogue on convergence of TPP and Asian tracks
- Pursue third track of China-US cooperation consistent with eventual FTAAP