

The new landscape of world trade policy

Peter A. Petri

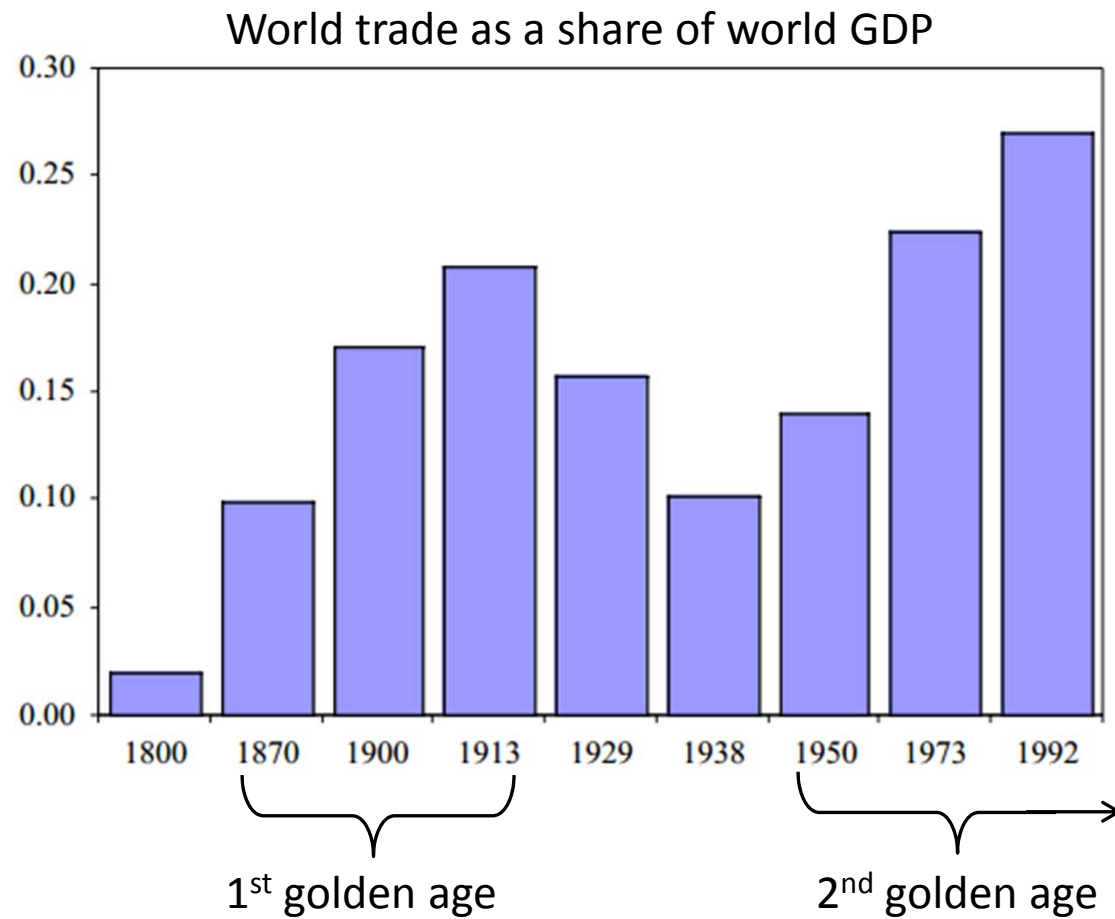
based on work with

Michael Plummer and Fan Zhai

November 2013

I. Tectonic change

Trade matters



Source: Estevadeordal, Frantz and Taylor (2003)

Trade negotiations now: mega-FTAs

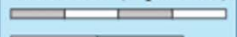
77% world GDP

RCEP
26%

TPP 38%

TTIP 44%

4000 km (équateur)



2000 mi (equator)

Game changers

- Need a “third track” in addition to TPP, RCEP
- Could China join the TPP?
 - MOFCOM said it might
 - Deutsche Bank (Ma Jun) promotes its effects
 - What will the plenum say?
- A China-US FTA?
 - Hank Greenberg (ex-AIG CEO) suggested it to Wen Jibao
 - Fung Institute/Michael Spence study endorsed it
 - CCIEE-U.S. Chamber is studying it
 - Is the bilateral investment treaty a dry run?

II. The negotiations

**Nothing is agreed until
everything is agreed.**

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Points of contention

Area	Provisions
Tariffs	Eliminate most (95%?) tariffs in 5-10 years, including peaks in US (garments, footwear) and elsewhere
Services	Reduce restrictions on access in financial services, insurance, package delivery, professional services
Investment	Reduce restrictions on foreign ownership, provisions for investor-state dispute resolution
Intellectual property	Lengthen IPR protection, improve access to formularies of national health systems, penalizing online piracy
Electronic commerce	Eliminate taxes and restrictions on data transfer
Government procurement	Limit “buy national” policies, including at local level
State-owned enterprises	Limit competitive preferences offered to SOEs
Labor	Accept International Labor Organization “declaration of rights,” including right to organize
Environment	Accept international environmental treaties
Agriculture	Reduce tariffs on sensitive products (rice, dairy, sugar)
Rules of origin	Ease “yarn forward” rules that limit benefits of tariff elimination to garment producers (Vietnam)

The status

- US administration
 - Warning to lobbies
 - Vice President Biden gets involved
 - More speeches from senior administration
 - US Chamber support
- US Congress and the TPA
 - House and Senate form groups of supporters
 - Republican leadership is “whipping”
- Problems
 - Hard issues in negotiations
 - Congressional letters ask for currency clause
- What about China?

House hearings, October 30, 2013

Witnesses, in order of appearance:

- Michael Ducker, executive VP and COO, FedEx
- Ryan McCormick, president, Montana Grain Growers
- Dave Ricks, senior VP, Eli Lilly
- William Roenigk, senior VP, National Chicken Council

Scenarios

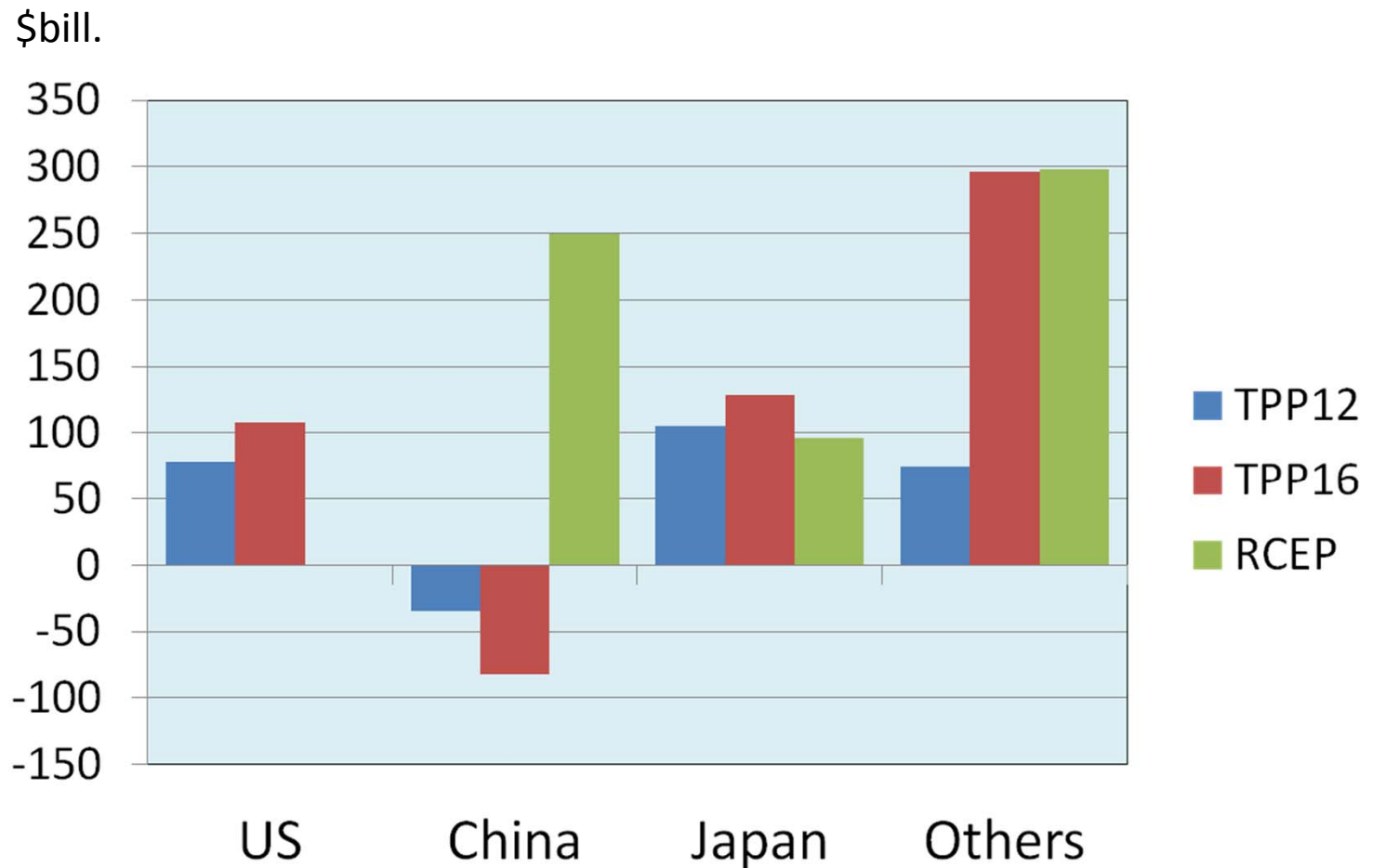
- A timeline (70%)
 - Announcement of “great progress” in early 2014
 - US Congress passes TPA in February
 - Announcement of conclusion at APEC 2014
 - US ratifies in early 2015
- Signals that timeline is not working (30%)
 - President Obama’s position erodes
 - February ends without “great progress”
 - March ends without TPA vote
 - TPA includes harsh currency language
 - China comes on board

III. Why TPP is important

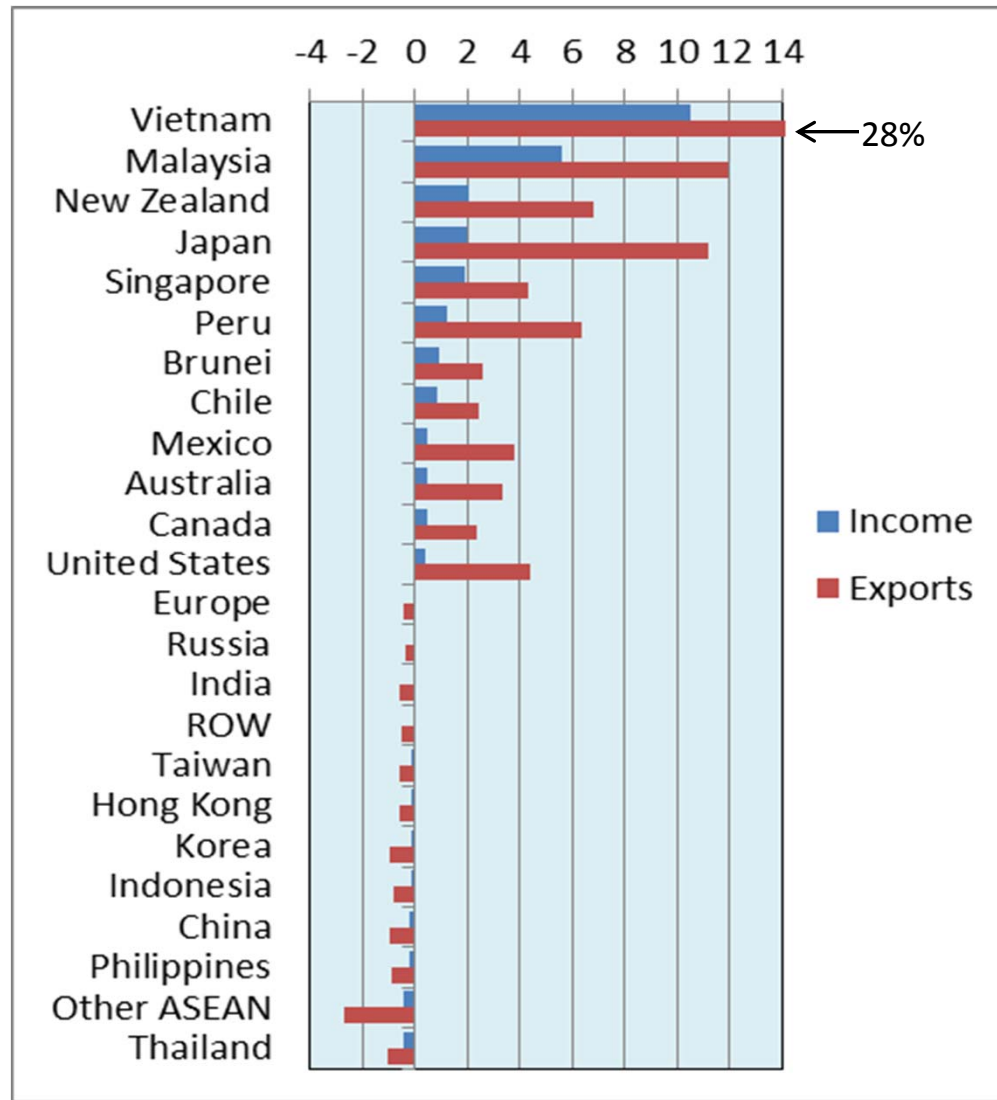
We need a 21st century template

- New issues
 - supply chains
 - internet
 - rise of emerging markets, esp. China
- Benefits for both emerging and advanced
 - emerging countries: manufacturing, technology
 - advanced countries: services, IPR, investment
- Addressing “behind the border” rules
 - regulations, product and safety standards, customs procedures, IPR, investment rules, labor, environment

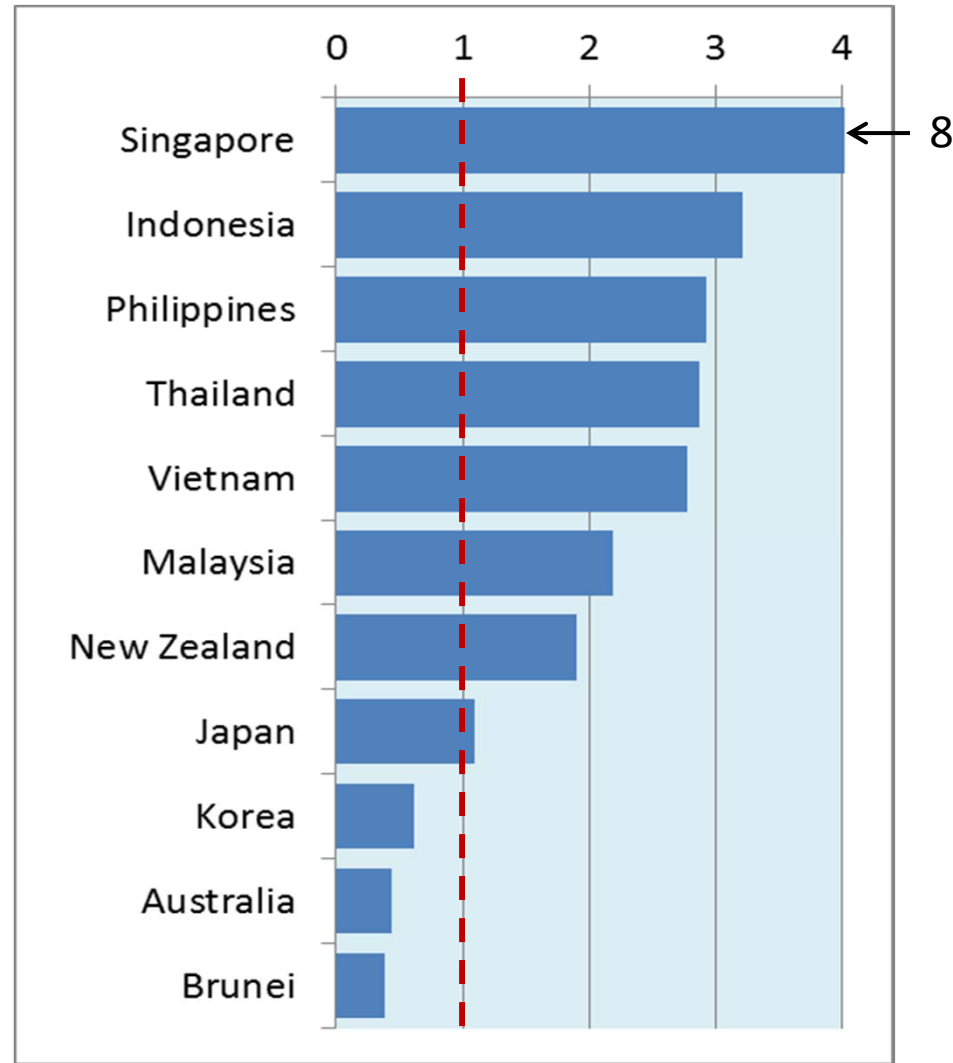
Big income gains with TPP and RCEP(?)



Income and export gains with TPP12 (%)



Ratio of benefits: TPP / RCEP

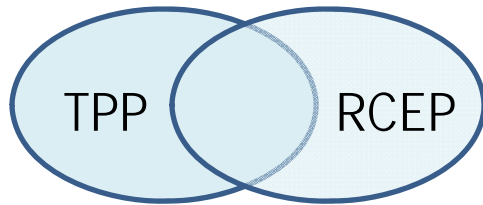


What would China-US FTA do?

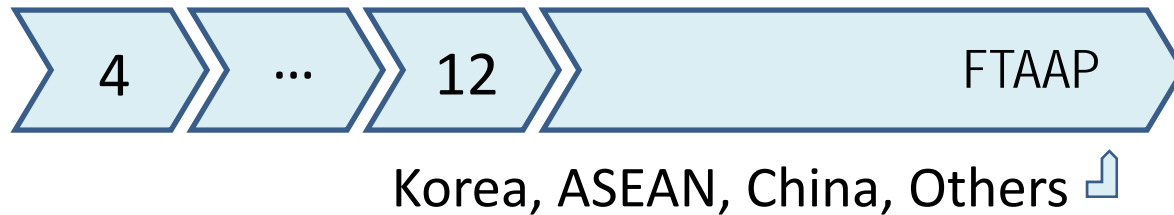
- Global gains similar to TPP, RCEP
- Roughly 50% better for China than RCEP, and 50% better for US than TPP
- More Chinese exports of manufactures for US exports of agriculture and services
- More two-way trade in virtually all sectors
- More adjustment ➡ adjustment assistance!
- Complex new issues: SOEs, cyber, currency

Where are we heading?

- Rival templates?



- TPP pathway?



- Consolidation?



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Year	Regional	Trans-Pacific
1980	1	0
1985	2	0
1990	3	0
1995	4	0
2000	5	0
2005	10	0
2010	15	10
2012	18	15

This website provides research papers, results and data from an ongoing study of trade flows and trade agreements in the Asia-Pacific region, with particular attention to the Trans-Pacific Partnership (TPP) and intra-Asian negotiations. The principal researchers are [Peter A. Petri](#), [Michael G. Plummer](#) and Fan Zhai; Nian Lin provides research support.

The team gratefully acknowledges the support of the [East-West Center](#), the [Peterson Institute for International Economics](#), and the [Asia-Pacific Center](#) of the Brandeis International Business School. Information on this website is generated in our capacity as independent researchers and does not represent the views of any institution with which we are affiliated or that provides support.

The website is in development and questions and suggestions are appreciated!

Overview slide Presentation

Peter Petri, Michael Plummer and Fan Zhai

New on the site

- * Book now available from Peterson Institute (link from "Publications")
- * New TPP-track comparisons on "Results"
- * New RCEP comparisons on "Results"
- * FTA scores added on "Data"

New on "Related work"

- The Trans-Pacific Partnership: A Model for Twenty-First-Century Trade Agreements?
- From the P4 to the TPP: Explaining Expansion Interests in the Asia-Pacific.
- The Trans-Pacific Strategic Economic Partnership Agreement.

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