

Emergent Uncertainty in Regional Integration - Economic impacts of alternative RTA scenarios -

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Professor and Senior Fellow, GRIPS

Kenichi Kawasaki

Overview

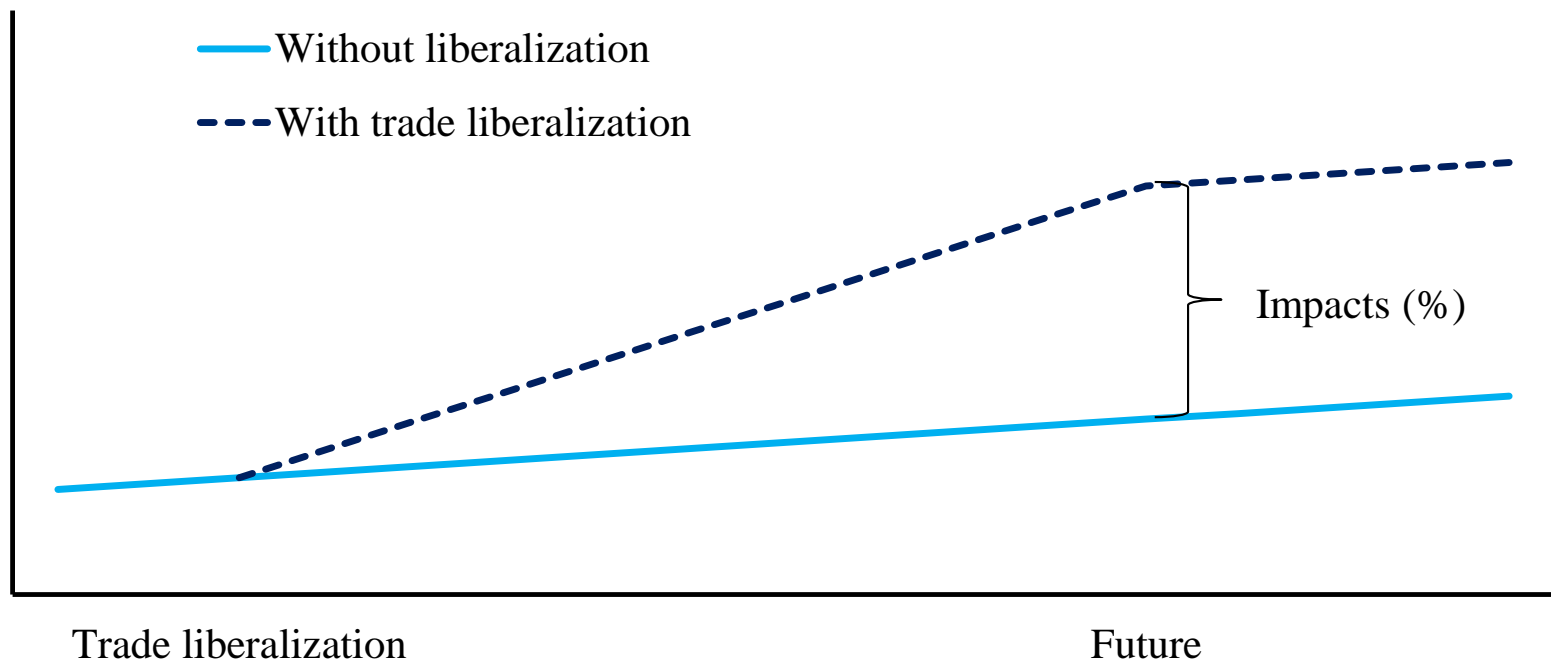
- The US would no longer gain and might even lose, if the US withdraws from TPP.
- The benefits of the bilateral FTA with Japan would be smaller than those of TPP.
- China would lose seriously, if the US imposes a high tariff on imports from China either unilaterally or bilaterally.
- China's benefits from RCEP might be relatively limited depending on the levels of the agreement.
- The UK's cost of BREXIT could be smaller than the possible benefits of joining TPP.

Impacts of EPAs

The impacts of structural reforms measures including EPAs will be achieved over medium-term and contributing to sustainable growth.

Economic impacts of trade liberalization

GDP

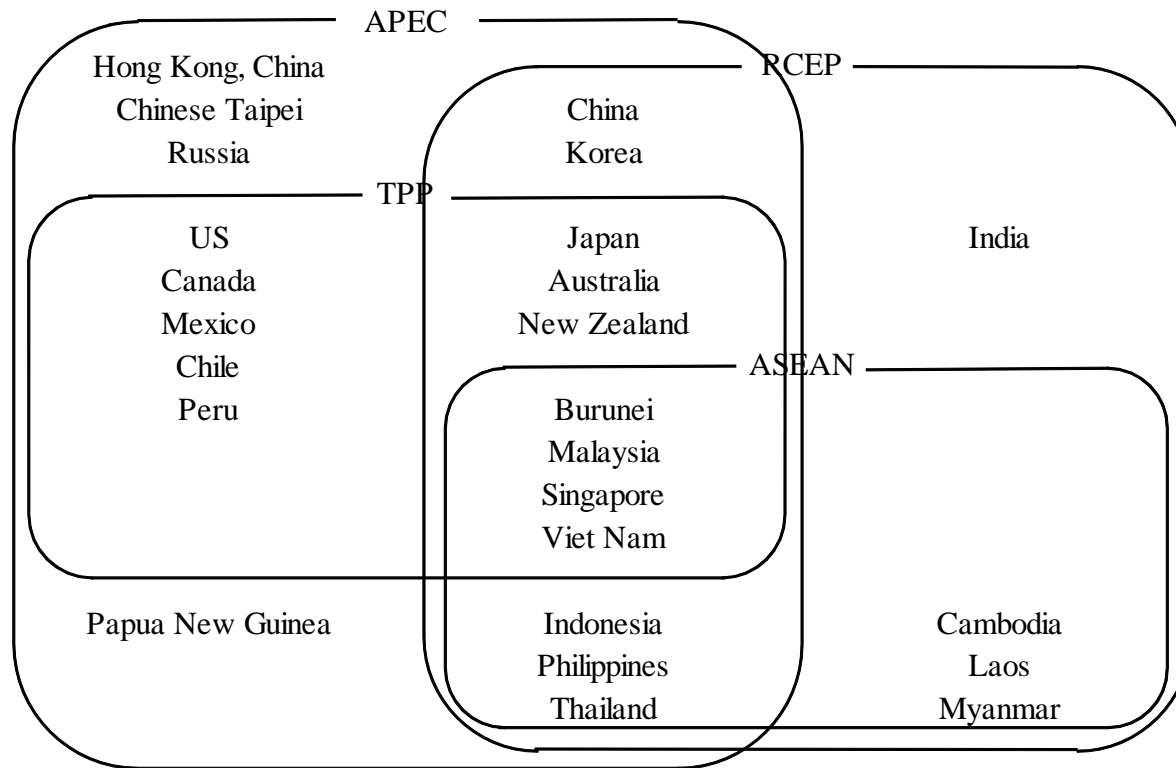


Regional integration in Asia-Pacific

Negotiations on the Regional Comprehensive Economic Partnership (RCEP) began in 2013.

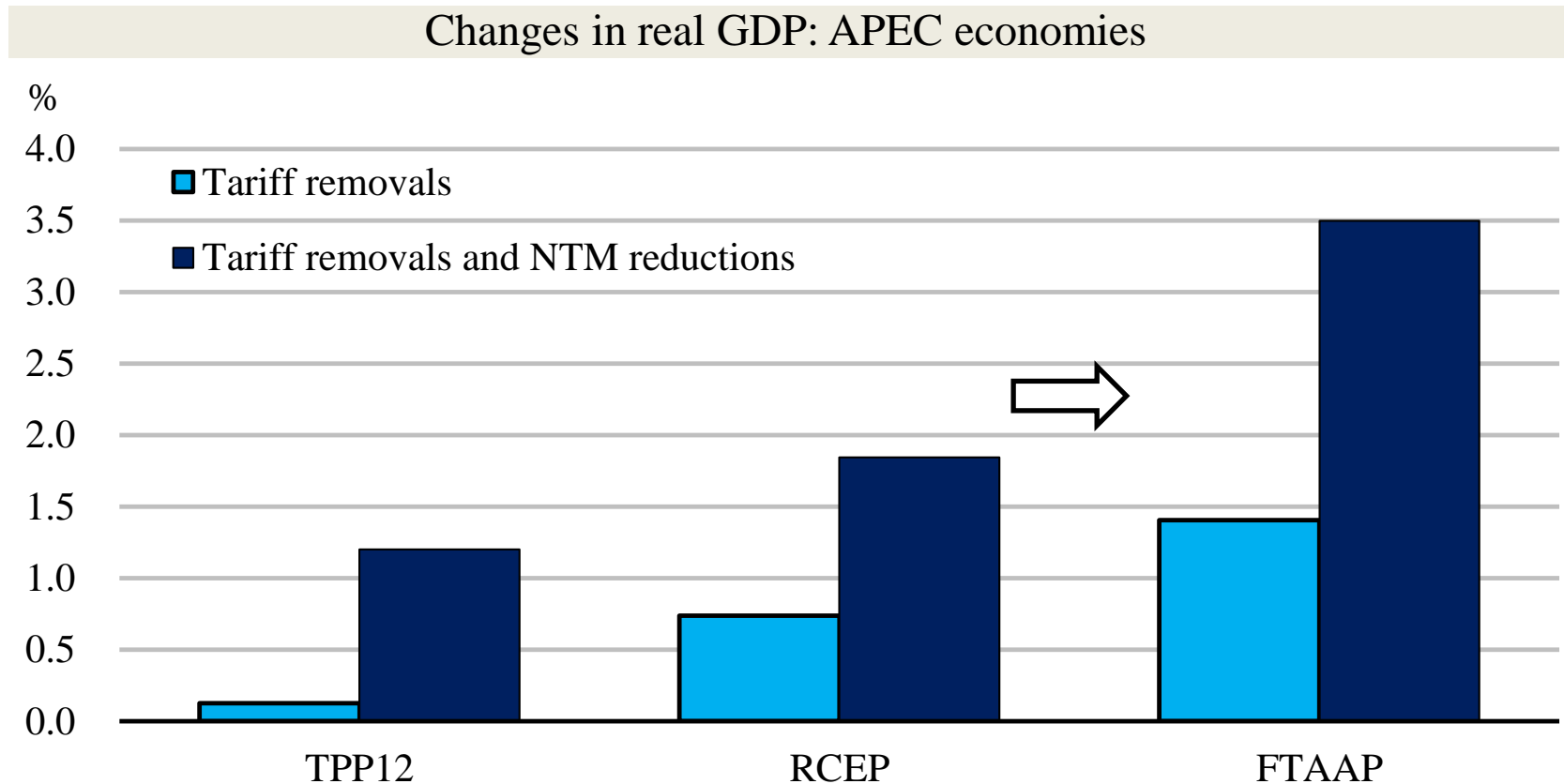
The Trans-Pacific Partnership (TPP) negotiations concluded in 2015.

Framework of EPAs in Asia-Pacific



Impacts of Asia-Pacific EPAs

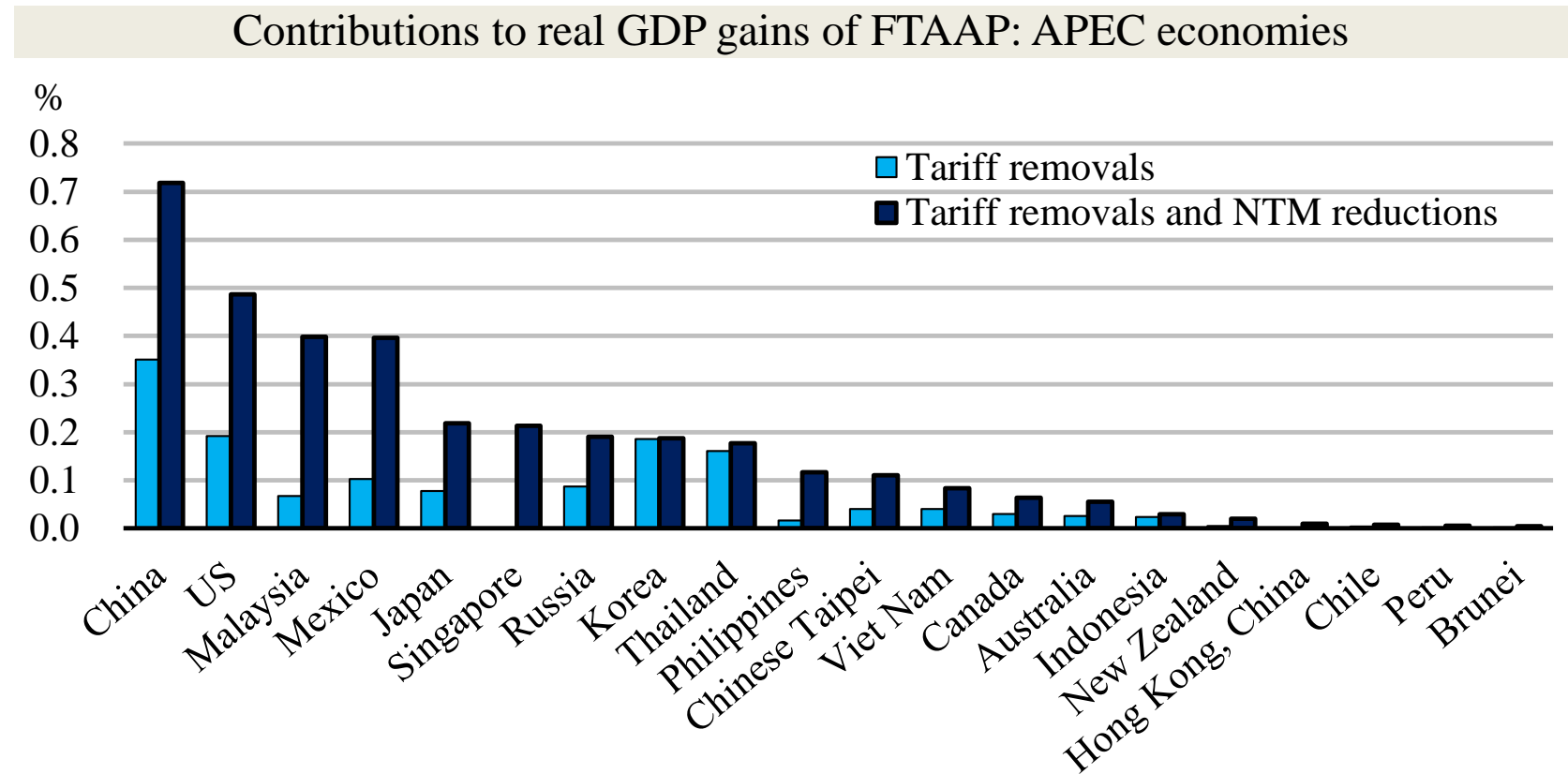
TPP and RCEP are shown to complement each other rather than be competitors towards the establishment of FTAAP.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Key economies of FTAAP

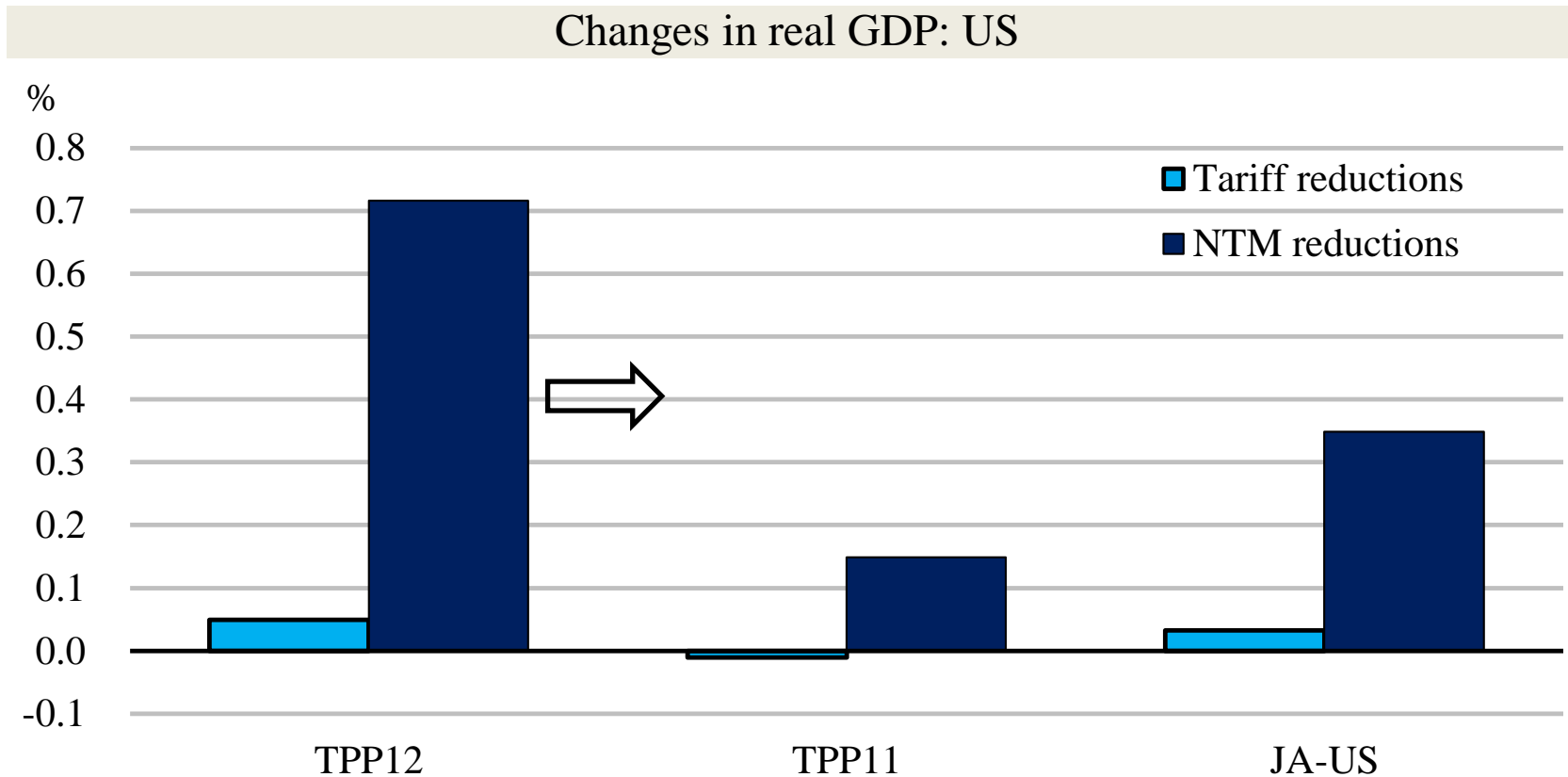
China would generate the largest income gains from FTAAP followed by the US.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Alternative scenarios of TPP: US

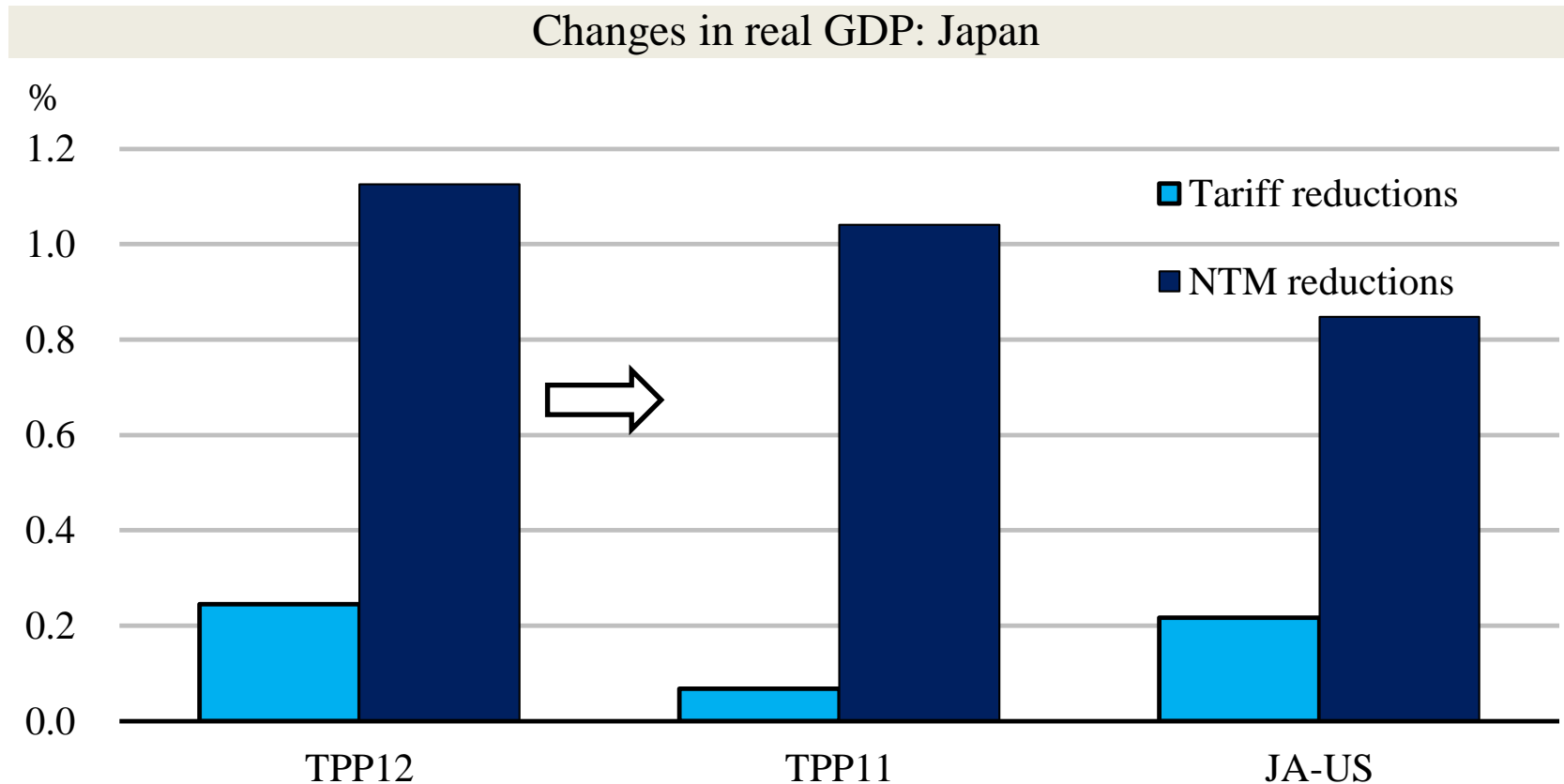
The US' gains not joining TPP would be limited. The US might lose by tariff reductions of the other TPP countries. The US' benefits by the bilateral FTA with Japan would be a half of TPP.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Alternative scenarios of TPP: Japan

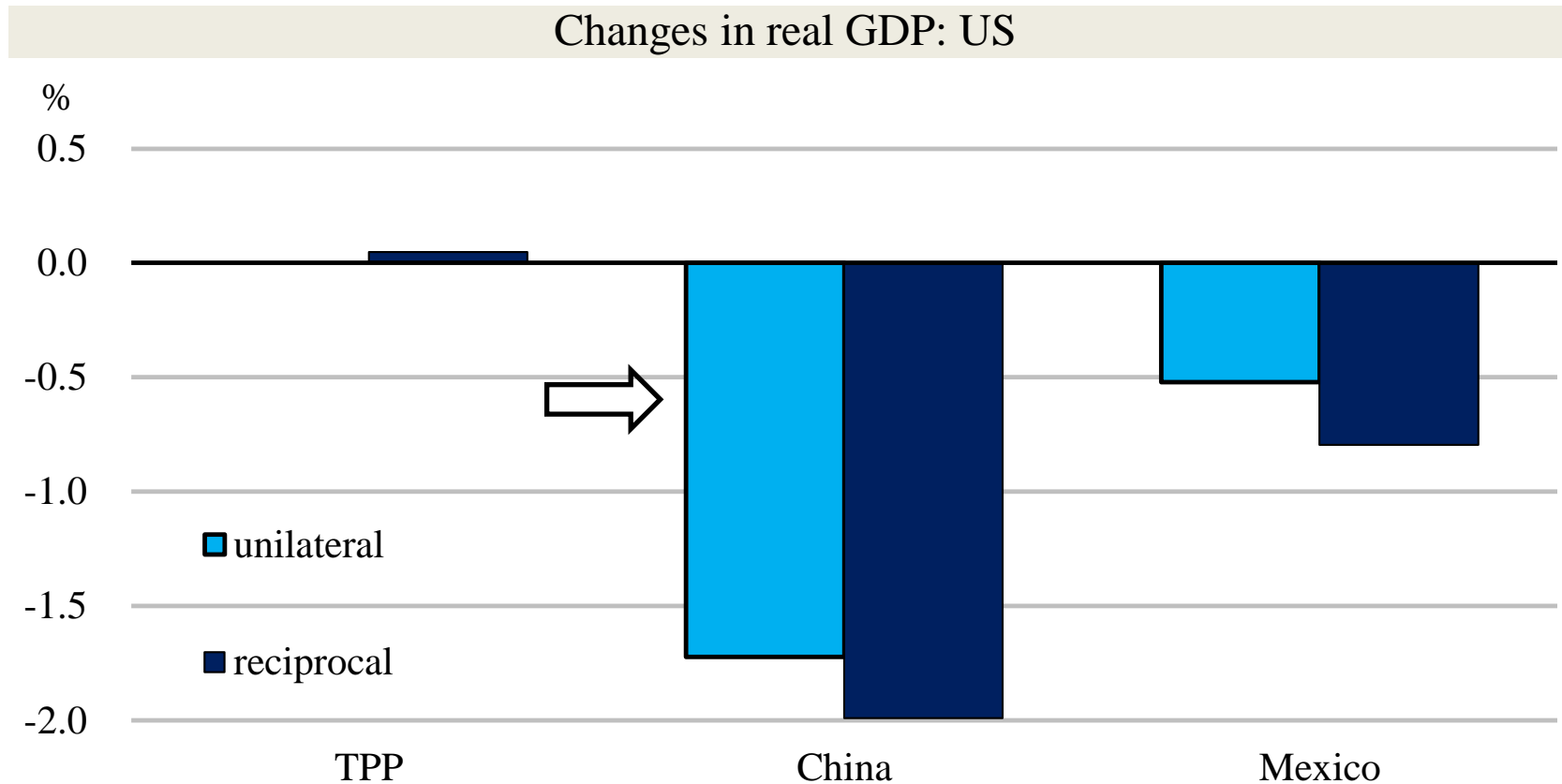
Income gains by tariff reductions would largely be reduced, if the US would not join TPP. That said, the benefits by NTM reductions would not be so smaller including spill-over effects to third countries.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Impacts of US tariffs: US

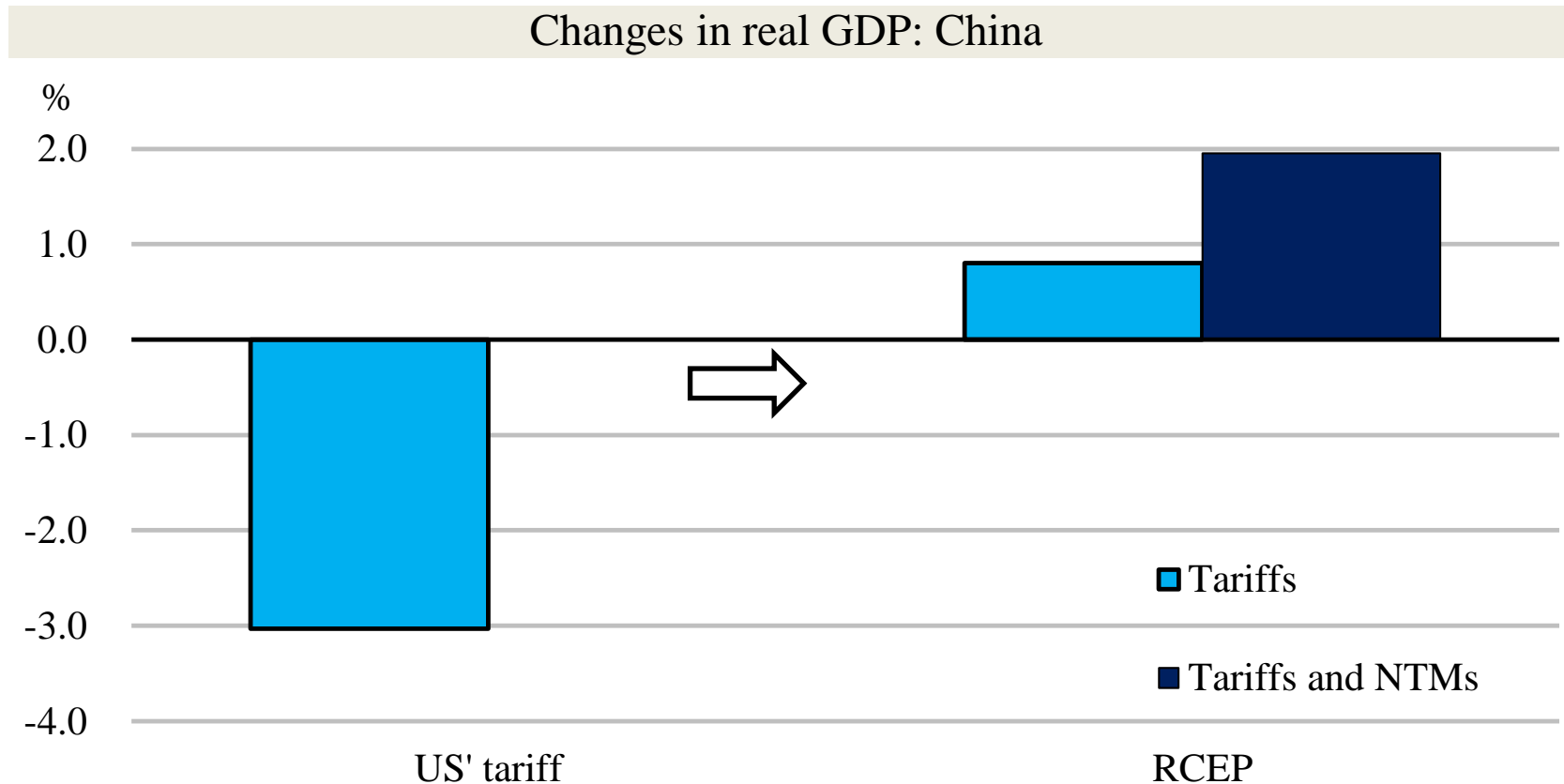
A 45% tariff on imports from China would much more significantly deteriorate the US real GDP than a 35% tariff on imports from Mexico.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Impacts of US tariffs: China

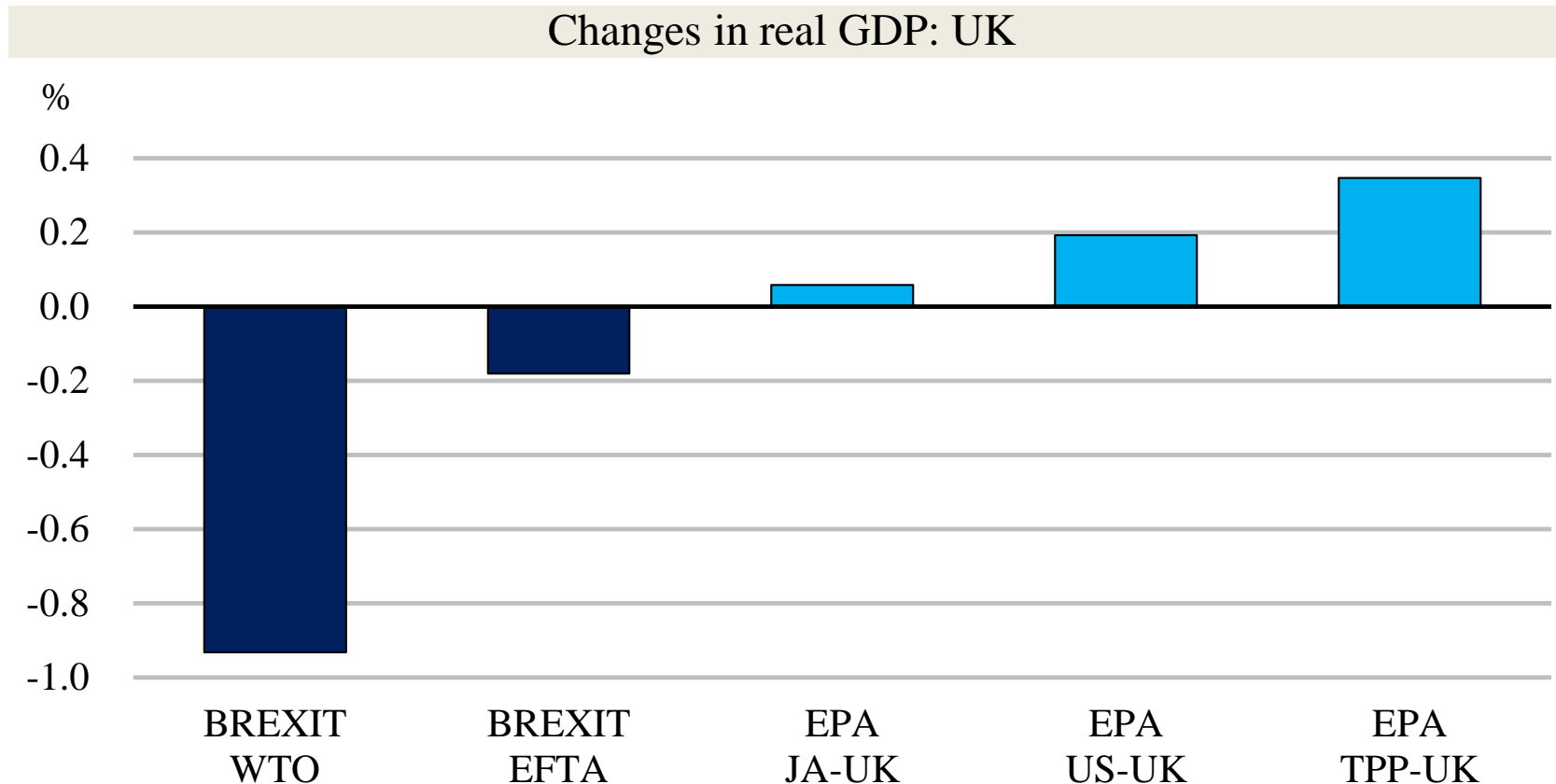
The US' 45% tariff on imports from China will seriously deteriorate Chinese real GDP compared with the possible gains from RCEP tariff and NTM reductions.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Impacts of BREXIT: UK

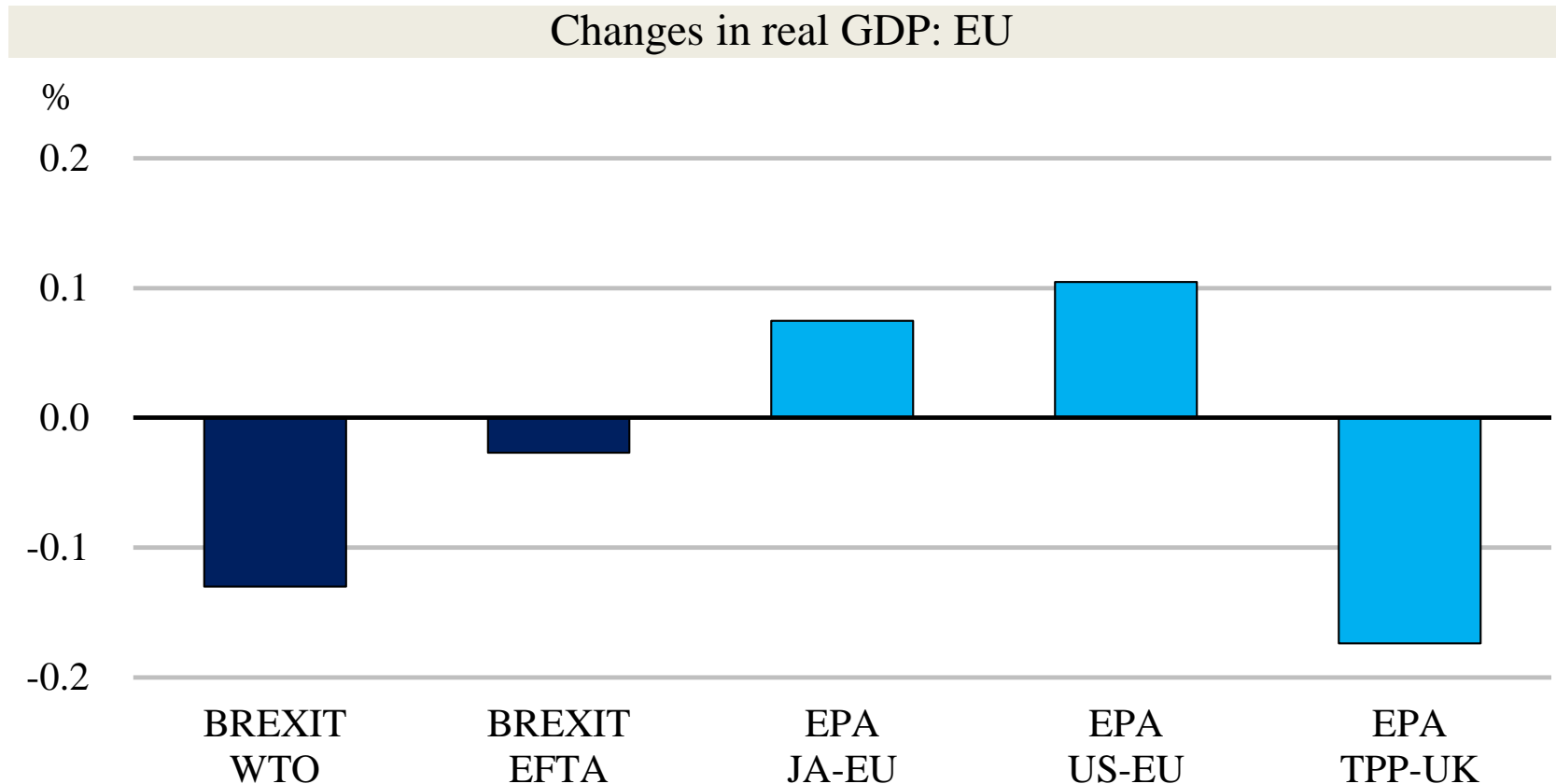
The UK's BREXIT cost would be serious depending on the EU border measures, those adverse impacts could be more than offset by tariff reductions joining TPP.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Impacts of BREXIT: EU

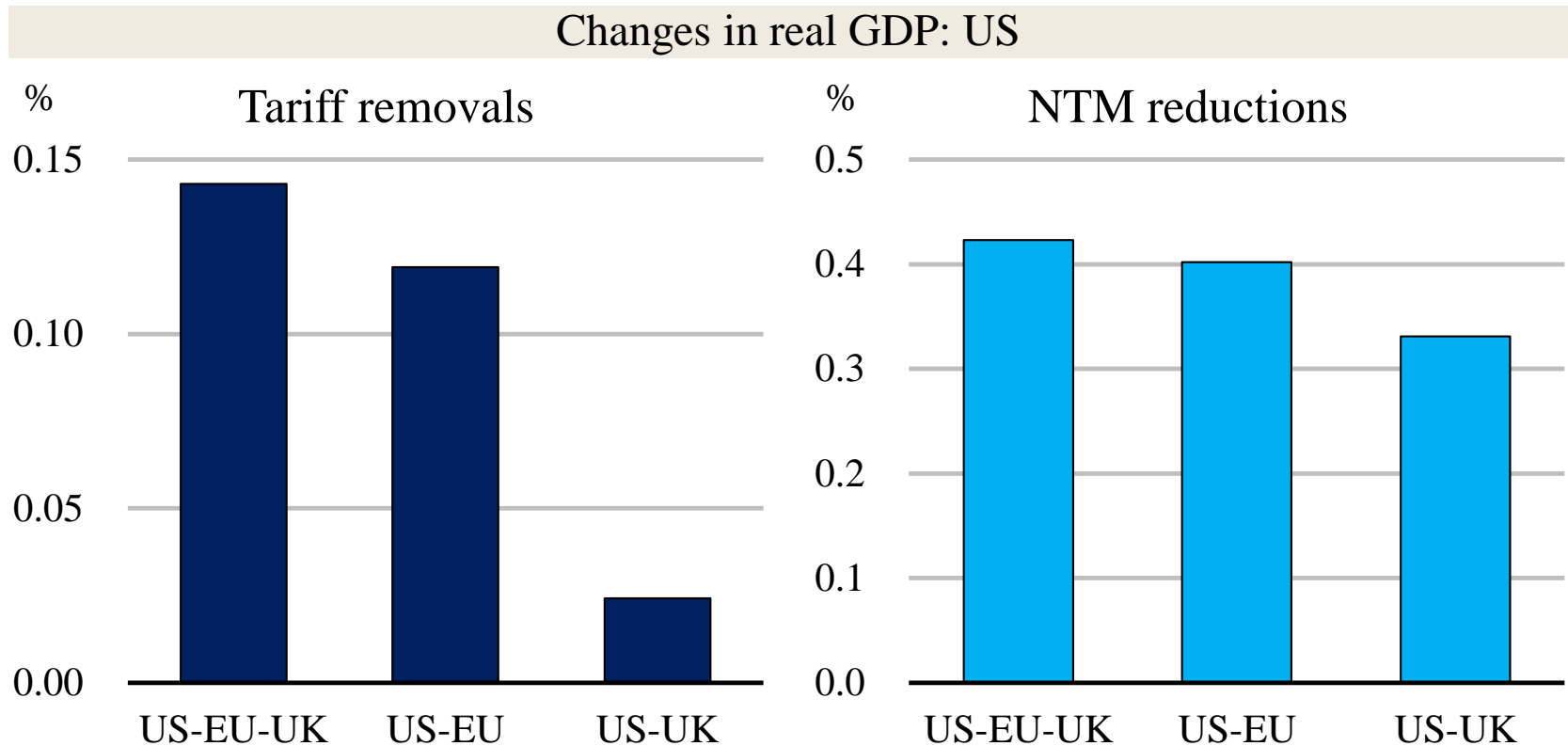
The EU's BREXIT cost would be limited smaller than the trade diversion effects from TPP.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Impacts of EPAs: US

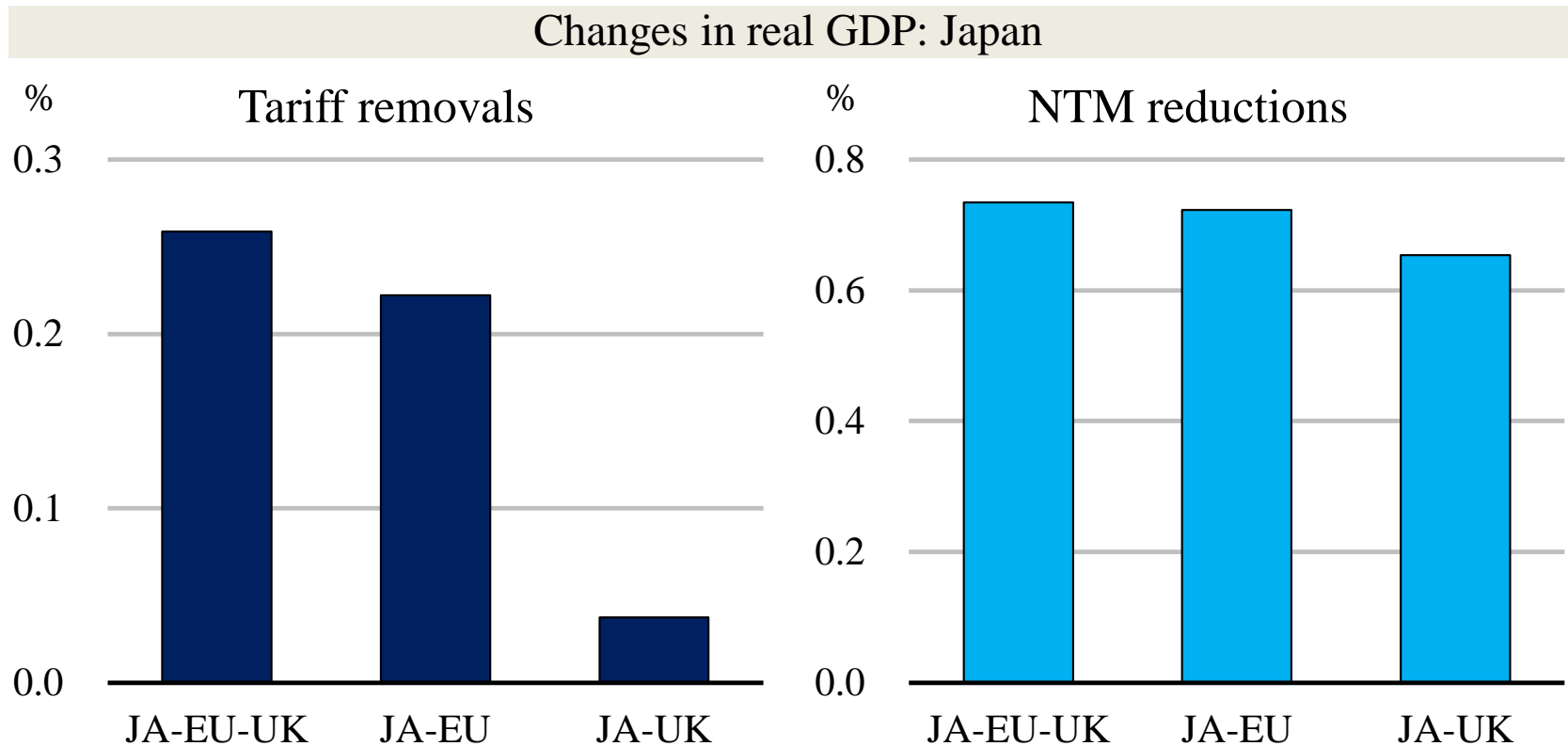
Income gains from bilateral tariff reductions with the EU would be 15 per cent smaller after BREXIT. The spillover effects of NTM reductions with the UK would be large enough.



Source: Kawasaki (2017), "Emergent Uncertainty in Regional Integration", GRIPS Discussion Paper 16-28

Impacts of EPAs: Japan

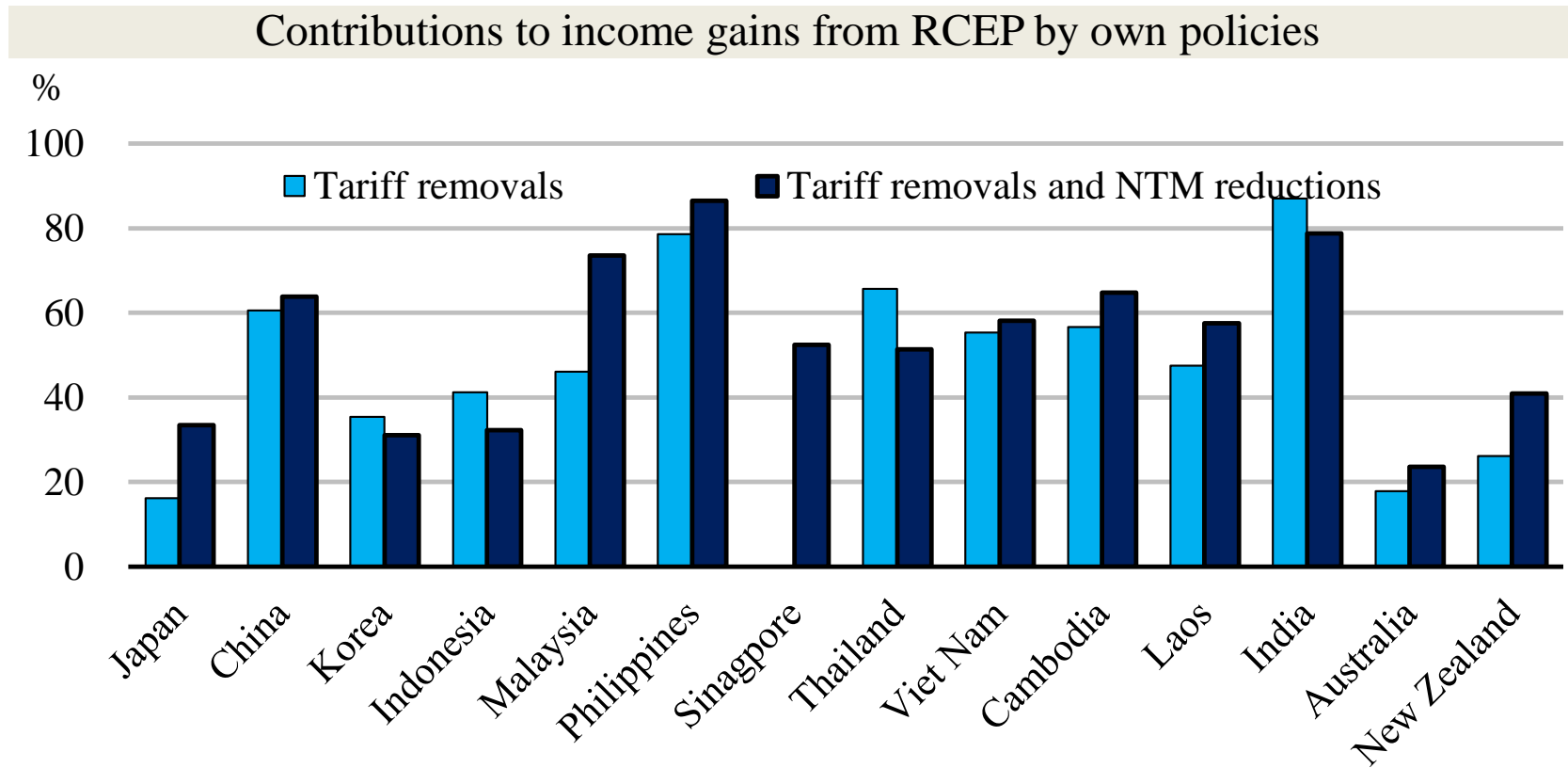
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Significance of domestic reforms in RCEP

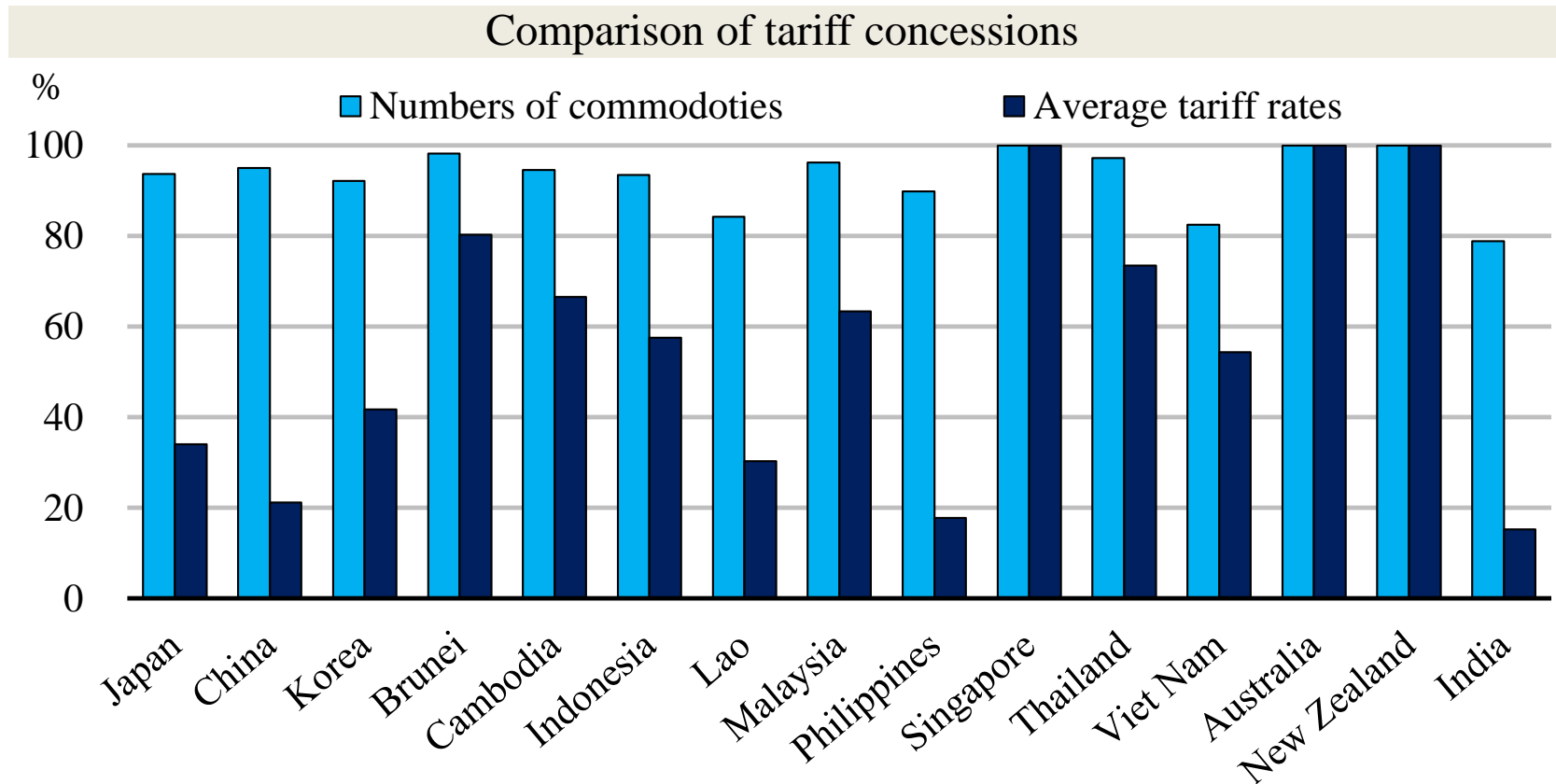
ASEAN countries, China and India will benefit more by their own tariff removals and NTM reductions than those by trade partners in RCEP.



Source: Kawasaki (2015), "The Relative Significance of EPAs in Asia-Pacific", *Journal of Asian Economics* 39

Tariff concessions in East Asia

Tariff concessions in East Asian EPAs have not substantially been high enough in effect.



Source: Kawasaki et al. (2016), "Analysis of the Role of Tariff Concessions in East Asia", GRIPS Discussion Paper 16-21