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

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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

- Without liberalization
- With trade liberalization

<table>
<thead>
<tr>
<th>GDP</th>
<th>Trade liberalization</th>
<th>Future</th>
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<tr>
<td>Impacts (%)</td>
<td>Without liberalization</td>
<td>With trade liberalization</td>
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Regional integration in Asia-Pacific


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.

Changes in real GDP: APEC economies

Key economies of FTAAP

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

Contributions to real GDP gains of FTAAP: APEC economies

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.

Changes in real GDP: US

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.

Changes in real GDP: Japan

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.

Changes in real GDP: US

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<th>TPP</th>
<th>China</th>
<th>Mexico</th>
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<tbody>
<tr>
<td>% unilateral</td>
<td>-2.0</td>
<td>-1.5</td>
<td>-1.0</td>
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<tr>
<td>% reciprocal</td>
<td>-1.5</td>
<td>-1.0</td>
<td>-0.5</td>
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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.

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<th>Changes in real GDP: China</th>
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<tr>
<td>%</td>
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<td>2.0</td>
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<td>-3.0</td>
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<td>-4.0</td>
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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.

Changes in real GDP: UK

Impacts of BREXIT: EU

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

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.

Changes in real GDP: US

Impacts of EPAs: Japan

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.

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.

Contributions to income gains from RCEP by own policies

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

Comparison of tariff concessions