

Public Affairs 856
Trade, Competition, and Governance
in a Global Economy
Lecture 18
4/1/2019

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UW Madison
Spring 2019

Outline

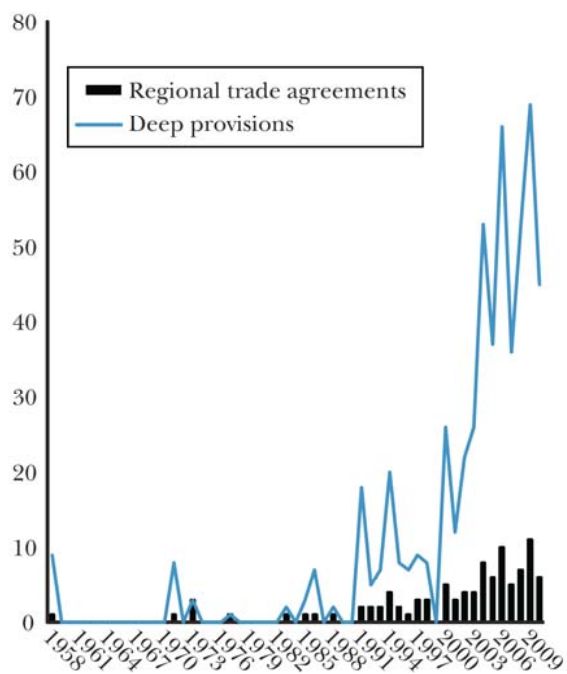
- New regionalism
- TPP12/TPP11
- TTIP

New Regionalism

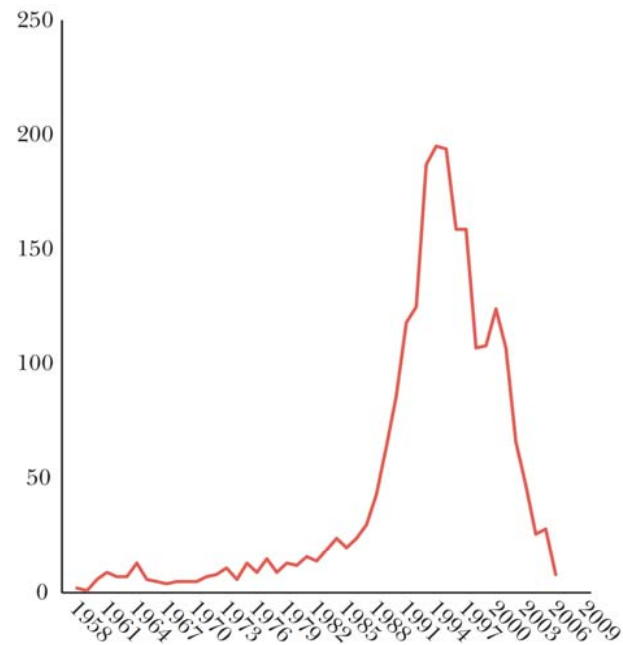
Figure 2

Number of Regional Trade Agreements, Deep Provisions, and Bilateral Investment Treaties

A: New Regional Trade Agreements and Deep Provisions in Them, per Year

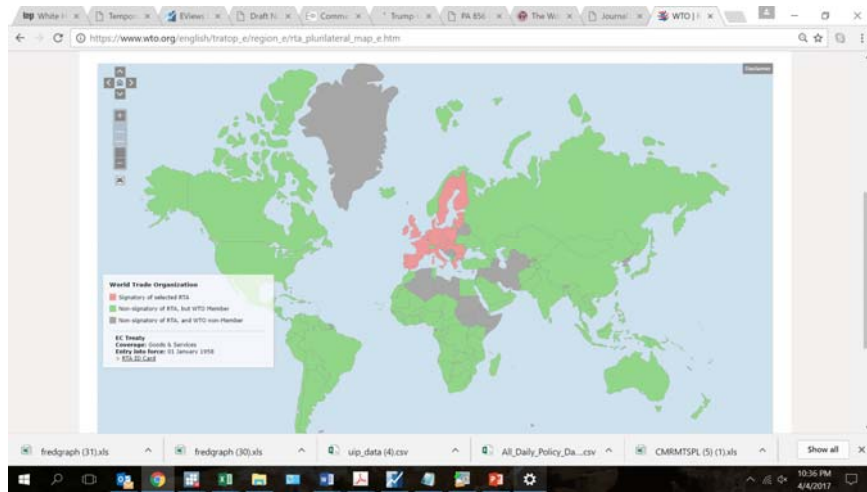


B: Bilateral Investment Treaties Signed per Year



Sources: WTO RTA database (left) and UNCTAD online data (right).

Notes: Deep provisions are defined as beyond tariff cutting; see Baldwin (2012) for details. The provisions counted as deep include those that constrict nation laws on foreign investment, intellectual property rights, regulatory convergence, short-term movement of managers and technicians, and capital flows.



European Economic Community



NAFTA



Mercosur



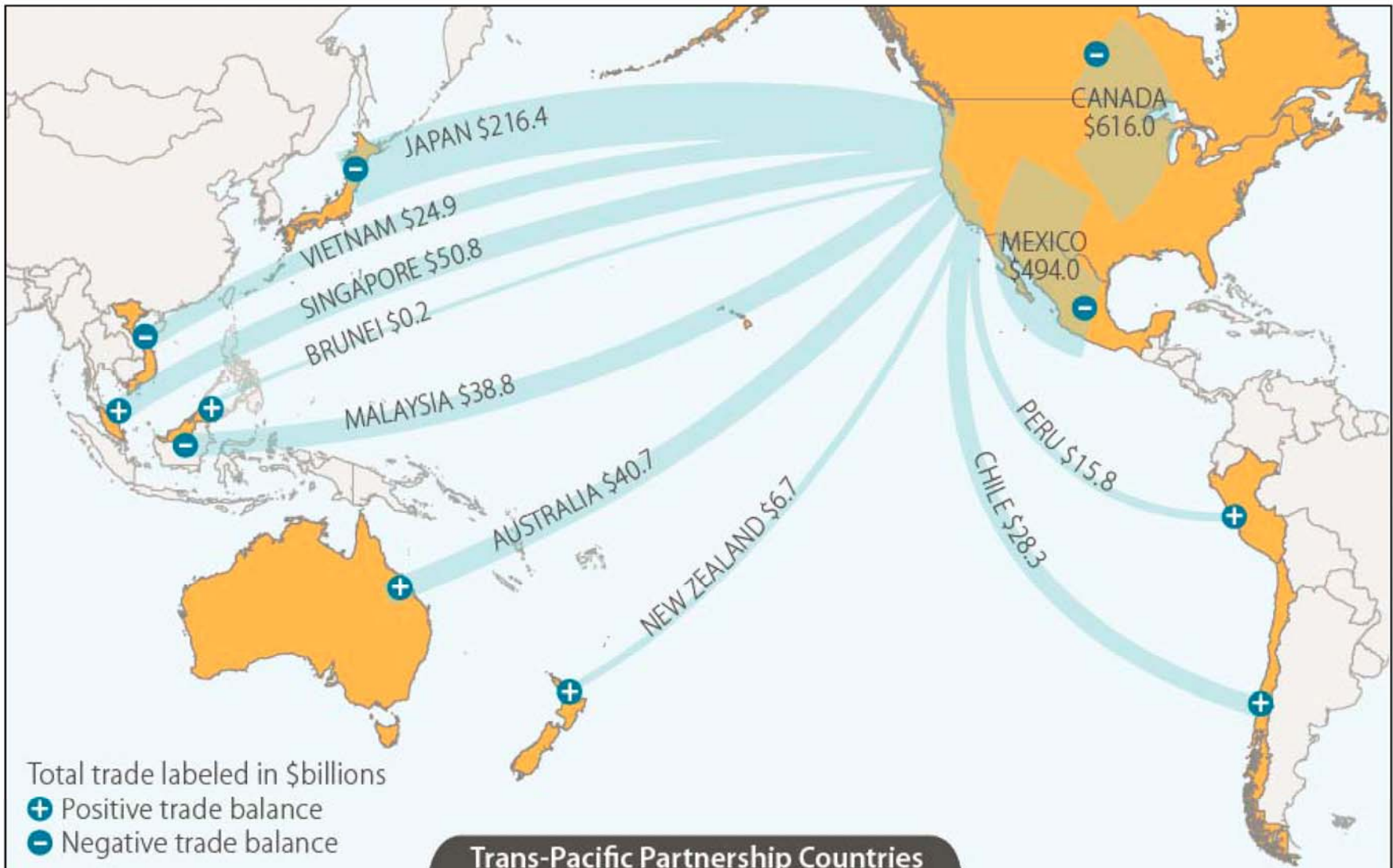
US Plurilateral and Bilateral FTAs

https://www.wto.org/english/tratop_e/region_e/region_e.htm

US FTAs

- Dominican Republic - Central America - US FTA (CAFTA-DR)
- Korea, Republic of - United States
- North American Free Trade Agreement (NAFTA)
- United States - Australia
- United States - Bahrain
- United States - Chile
- United States - Colombia
- United States - Israel
- United States - Jordan
- United States - Morocco
- United States - Oman
- United States - Panama
- United States - Peru
- United States - Singapore

Figure I. Trans-Pacific Partnership Countries



	U.S. FTA	Population (millions)	GDP (\$billions)	U.S. Imports (\$billions)	U.S. Exports (\$billions)	Trade Balance (\$billions)
Australia	✓	22.8	1,542	9.5	31.2	21.7
Brunei		0.4	17	0.1	0.2	0.1
Canada	✓	34.8	1,819	324.2	291.8	-32.5
Chile	✓	17.4	268	9.4	18.9	9.5
Japan		127.6	5,964	146.4	70.0	-76.3
Malaysia		29.5	304	25.9	12.9	-13.1
Mexico	✓	114.9	1,177	277.7	216.3	-61.3
New Zealand		4.4	170	3.4	3.2	-0.2
Peru	✓	30.5	199	6.4	9.4	2.9
Singapore	✓	5.4	277	20.2	30.6	10.3
Vietnam		90.4	138	20.3	4.6	-15.6
United States		314.2	15,685	Total U.S. Imports from TPP Countries \$843.6	Total U.S. Exports to TPP Countries \$689.0	Total U.S. Trade Balance with TPP Countries -\$154.6

\$U.S. dollars

Source: Analysis by CRS. FTA data from the United States Trade Representative (USTR). Population and GDP data from IMF, World Economic Outlook, April 2013. Trade data from the U.S. International Trade Commission (ITC).

Note: Does not include trade in services.

Table I. APEC Members and Economic Statistics, 2012

	Member	GDP (in billions of U.S. dollars)	Population (in millions)	GDP/Capita (in U.S. dollars at PPP)	Real GDP Growth (%)
TPP Countries	Australia	\$1,542	22.8	\$42,640	3.58
	Brunei	\$17	0.4	\$54,389	1.30
	Canada	\$1,819	34.8	\$42,734	1.84
	Chile	\$268	17.4	\$18,419	5.47
	Japan	\$5,964	127.6	\$36,266	2.00
	Malaysia	\$304	29.5	\$16,922	5.61
	Mexico	\$1,177	114.9	\$15,312	3.95
	New Zealand	\$170	4.4	\$29,730	2.54
	Peru	\$199	30.5	\$10,719	6.28
	Singapore	\$277	5.4	\$60,410	1.32
	Vietnam	\$138	90.4	\$3,548	5.02
		<i>Non-U.S. TPP Total</i>	\$11,874	478.0	
	United States	\$15,685	314.2	\$49,922	2.21
	<i>Total</i>	\$27,558	792.2		
Other APEC	China	\$8,227	1,354.0	\$9,162	7.80
	Hong Kong	\$263	7.2	\$51,494	1.44
	Indonesia	\$6070	244.5	\$4,077	4.72

Table 4. Top U.S.-TPP Trade Categories
(in millions of U.S. dollars and percentage, 2012)

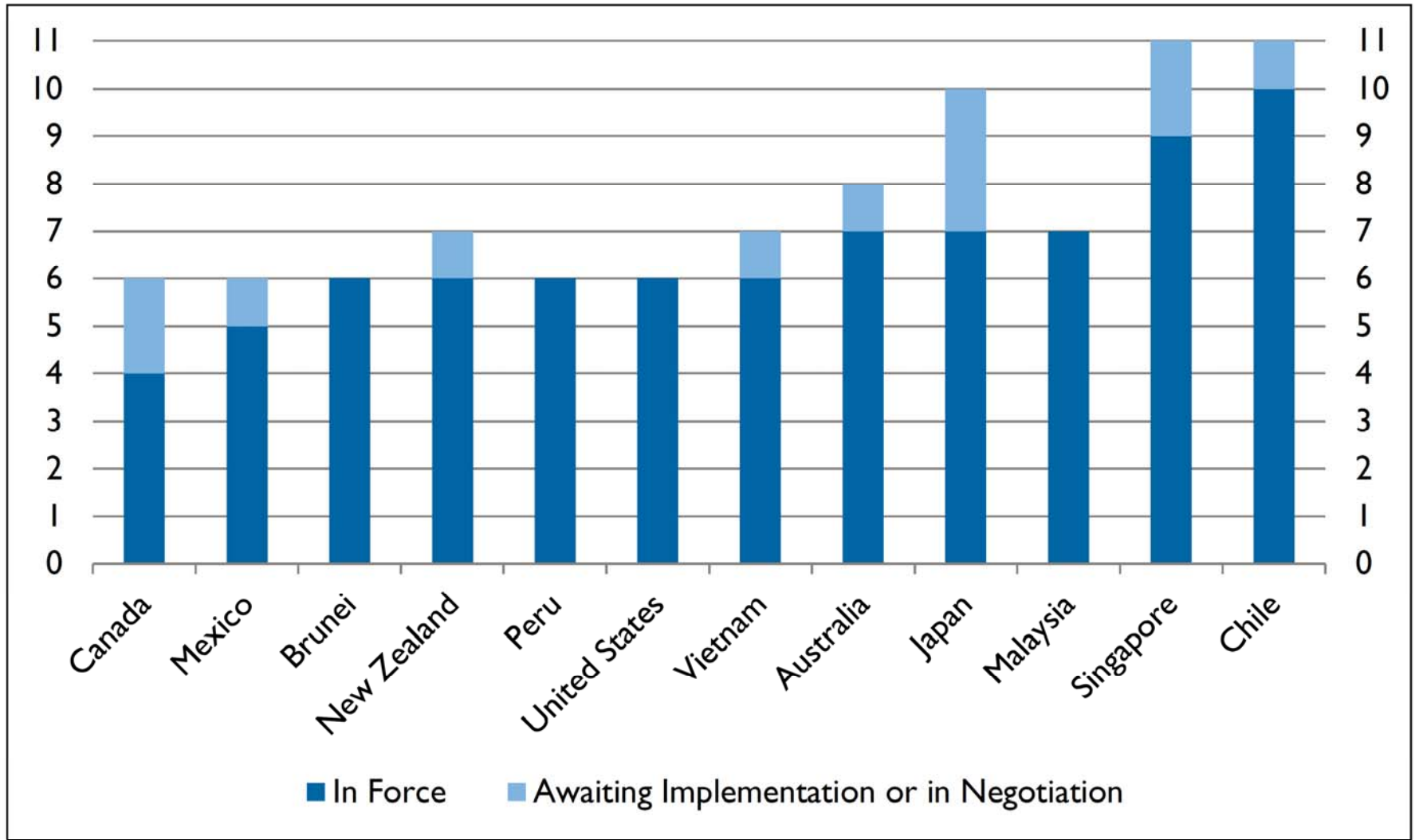
Country	Top U.S. Imports	Value	Percent of Total	Top U.S. Exports	Value	Percent of Total
Australia	(1) Meat	\$1,574	17%	(1) Ag. & Constr. Machinery	\$5,692	18%
	(2) Nonferrous Metal	\$1,035	11%	(2) Aircraft & Parts	\$2,206	7%
	(3) Metal Ores	\$676	7%	(3) Motor Vehicles	\$1,664	5%
Brunei	(1) Oil & Gas	\$75	87%	(1) Aircraft & Parts	\$31	20%
	(2) Apparel	\$4	5%	(2) Ag. & Constr. Machinery	\$20	13%
	(3) Chemicals	\$3	3%	(3) Misc. Metal Products	\$15	10%
Canada	(1) Oil & Gas	\$82,257	25%	(1) Motor Vehicle Parts	\$26,286	9%
	(2) Motor Vehicles	\$46,499	14%	(2) Motor Vehicles	\$24,826	9%
	(3) Petroleum & Coal Products	\$18,782	6%	(3) Ag. & Constr. Machinery	\$13,109	4%
Chile	(1) Nonferrous Metal	\$3,627	39%	(1) Petroleum & Coal Products	\$5,634	30%
	(2) Fruits and Nuts	\$1,229	13%	(2) Ag. & Constr. Machinery	\$2,040	11%
	(3) Farmed Fish	\$564	6%	(3) Aircraft & Parts	\$1,380	7%
Japan	(1) Motor Vehicles	\$38,259	26%	(1) Aircraft & Parts	\$8,468	12%
	(2) Motor Vehicle Parts	\$15,229	10%	(2) Oilseeds & Grains	\$5,269	8%
	(3) Semicon. & Elec. Components	\$6,268	4%	(3) Pharmaceuticals & Medicines	\$4,360	6%

Malaysia	(1) Semicon. & Elec. Components	\$7,439	29%	(1) Semicon. & Elec. Components	\$4,771	37%
	(2) Communications Equip.	\$4,888	19%	(2) Aircraft & Parts	\$1,215	9%
	(3) Computer Equip.	\$2,109	8%	(3) Navigation & Electro-Medical	\$625	5%
Mexico	(1) Oil & Gas	\$37,328	13%	(1) Aircraft & Parts	\$20,755	10%
	(2) Motor Vehicles	\$35,347	13%	(2) Motor Vehicle Parts	\$19,577	9%
	(3) Motor Vehicle Parts	\$33,334	12%	(3) Computer Equip.	\$14,457	7%
New Zealand	(1) Meat	\$1,104	32%	(1) Aircraft & Parts	\$511	16%
	(2) Dairy Products	\$619	18%	(2) Ag. & Constr. Machinery	\$184	6%
	(3) Beverages	\$264	8%	(3) Motor Vehicles	\$166	5%
Peru	(1) Nonferrous Metal	\$2,281	35%	(1) Petroleum & Coal Products	\$2,278	24%
	(2) Petroleum & Coal Products	\$1,098	17%	(2) Ag. & Constr. Machinery	\$973	10%
	(3) Apparel	\$599	9%	(3) Computer Equip.	\$698	7%
Singapore	(1) Pharmaceuticals & Medicines	\$4,202	21%	(1) Petroleum & Coal Products	\$4,405	14%
	(2) Computer Equip.	\$3,087	15%	(2) Aircraft & Parts	\$4,025	13%
	(3) Semicon. & Elec. Components	\$2,020	10%	(3) Semicon. & Elec. Components	\$2,452	8%
Vietnam	(1) Apparel	\$6,946	34%	(1) Semicon. & Elec. Components	\$559	12%
	(2) Footwear	\$2,404	12%	(2) Oilseeds & Grains	\$380	8%
	(3) Furniture	\$1,995	10%	(3) Meat	\$300	6%

Source: Analysis by CRS. Data from the ITC.

Notes: 4-digit North American Industry Classification System (NAICS) categories. Excludes “special classification” categories 9900 and 9800.

Figure 4. Existing Trade Agreements Among TPP Members



Source: Analysis by CRS. Data from individual TPP government websites.

Major Issues

- Market access
 - Tariff reduction varies by country since bilateral
- Agriculture
 - Biggest opportunities in Japan, Malaysia, Vietnam (non-FTA).
 - Beef, pork for Japan; poultry, dairy for Canada
- Textiles/apparel
 - Phaseout, important to Vietnam

Intellectual Property Rights

- **Biologics.** Provides countries a choice between an eight-year data exclusivity period for biologic medicines or, alternatively, at least five years with possible additional measures that could “deliver a comparable market outcome.”
- **Pharmaceutical Patents.** Requires countries to provide a five-year data exclusivity period for pharmaceuticals, patent linkage, and patent term extension in their domestic law, and an additional three years of data exclusivity for new clinical information for an existing drug covering a new indication, formulation, or administration. Includes phase-in periods for developing countries to adopt these provisions and allows countries to take measures to protect public health consistent with the WTO TRIPs agreement.
- **Copyright.** Increases copyright terms to 70 years with phase-in periods for countries currently providing 50 years of protection. Includes civil and criminal penalties for circumventing TPM (technological protection measures), and prohibits selling devices and services for breaking TPM with exceptions for non-infringing uses. Requires criminal penalties for camcording in movie theatres. Includes nonbinding language encouraging countries to achieve appropriate balance between users and rights-holders in copyright systems—known as “fair use” in the United States. Adopts U.S.-style “notice and takedown” provisions to address Internet Service Provider (ISP) liability. For specific countries, allows certain existing alternative systems.
- **Trademarks.** Requires *Ex Officio* authority for customs agents to seize counterfeit and pirated goods. Provides discretion to authorities to seize “in transit” goods or share information concerning such goods with the country of final destination and to seize goods with “confusingly similar” trademarks. Provides disciplines on the use of geographical indications.

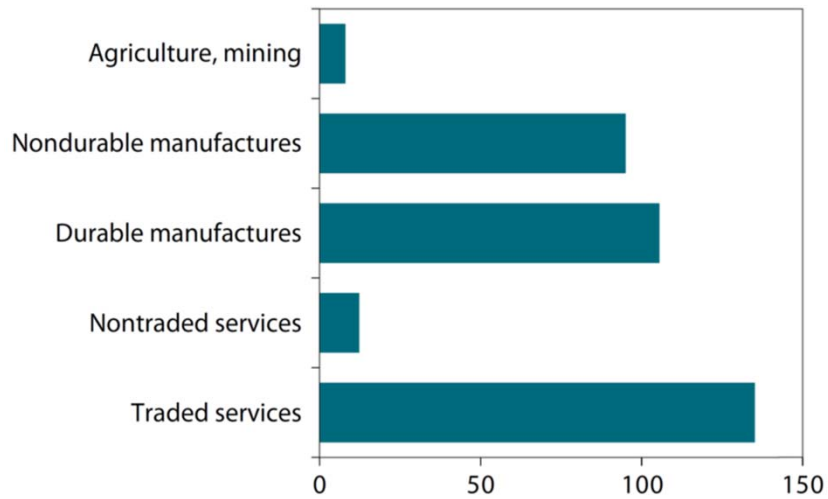
Petri and Plummer (PIIE, 2016)

The TPP is modeled in three steps. First, the CGE model is solved to project global growth and trade over 2015–30. This “baseline” solution includes the effects of 63 regional trade agreements that have been concluded among TPP partners but are in some cases not yet fully implemented. Second, the provisions of the TPP are mapped into projected changes in tariffs, NTBs on goods and services, and barriers on foreign direct investment (FDI). This step assumes that 20 percent of the NTB liberalization under the TPP also applies to partners who are not TPP members, an effect not included in our previous work.¹³ Third, the model is run with the barriers projected under the TPP, and the results are compared to the baseline solution.

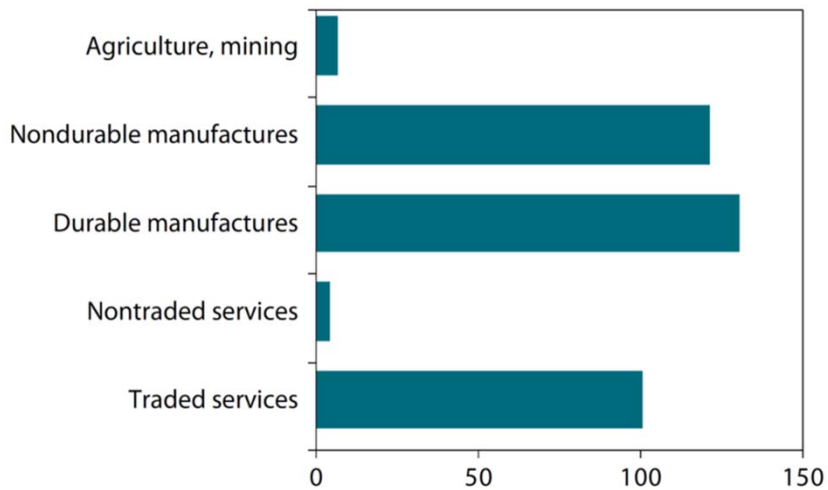
The model assumes that the TPP will affect neither total employment nor the national savings (or equivalently trade balances) of countries. This “macroeconomic closure” assumption allows modern trade models to focus on the goals of trade policy—namely sustained productivity and wage increases through changes in trade patterns and industry output levels. With minor variations, the assumption

Petri and Plummer (PIIE, 2016)

a. US exports



b. US imports



c. Value added

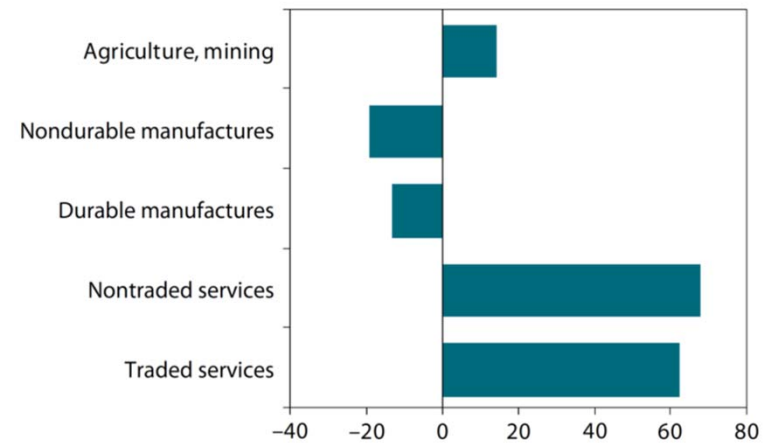
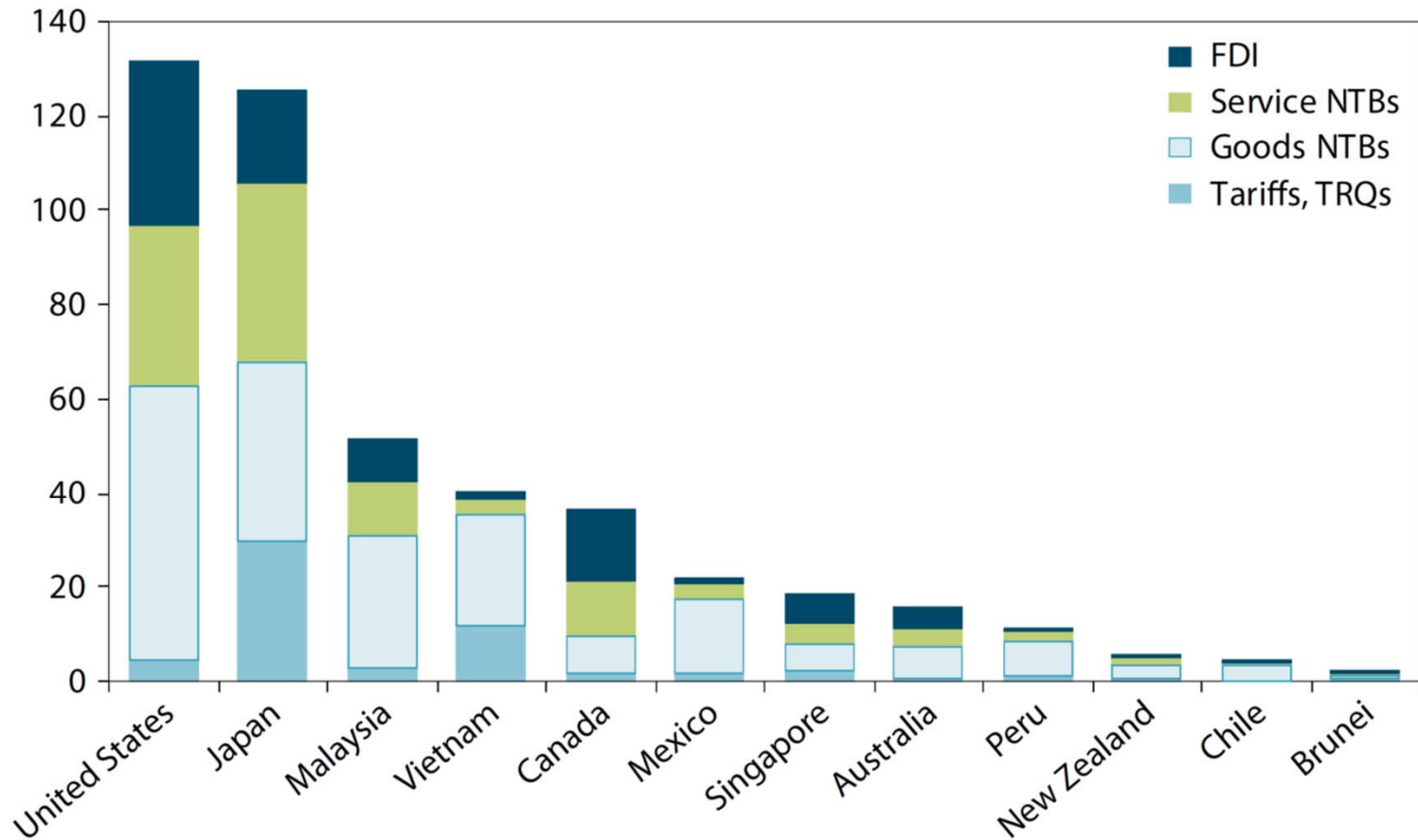


Figure 3 TPP income effects and their composition, 2030

a. TPP members

billions of 2015 dollars



TPP 11/CPTPP

- Most of the gains are lost w/o US
- Peter A. Petri, Michael G. Plummer, Shujiro Urata, and Fan Zhai (Peterson IIE, 2017)

TPP 11/CPTPP

- “The TPP11, which includes all members of the original TPP other than the United States, generates substantially lower global income benefits of \$147 billion, compared with \$492 billion for the TPP12.”
- “replacing the TPP12 with TPP11. The United States experiences the largest single net loss by moving from a \$131 billion gain (under TPP12) to a \$2 billion loss (under TPP11).”

TPP11

Table 1 Trade policy scenarios for the Asia-Pacific

	TPP12	TPP11	TPP16	US-Japan FTA	RCEP
Membership	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, Indonesia, Korea, Philippines, Taiwan, and Thailand	Japan and United States	Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Korea, Laos, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Thailand, and Vietnam
Launch date	2017	2018	2018	2018	2018
Tariff liberalization	99 percent eliminated (as negotiated)	Same as TPP12	Same as TPP12	Same as TPP12	85 percent eliminated
NTB liberalization	KORUS adjusted (see Petri, Plummer, and Zhai 2012)	Same as TPP12	Same as TPP12	3/4 concessions of TPP12; 1/2 concessions of TPP12 in vehicles by US	3/4 concessions of recent ASEAN+1 agreements
Agricultural liberalization				2x concessions of TPP12 by Japan	
Services liberalization				3/4 concessions of TPP12	
FDI liberalization				3/4 concessions of TPP12	
Nonpreferential NTB reductions	20 percent	10 percent	10 percent	10 percent	10 percent

<https://piie.com/system/files/documents/wp17-10.pdf>

TPP11

Table 2 Real Incomes In 2030

Country	2030 income (billions of 2015 dollars)	Change in billions of 2015 dollars					Percent of income				
		TPP12	TPP11	TPP16	US-Japan FTA	RCEP	TPP12	TPP11	TPP16	US-Japan FTA	RCEP
Americas	39,569	208	49	72	51	2	0.5	0.1	0.2	0.1	0.0
Canada	2,717	37	22	29	-1	0	1.3	0.8	1.1	0.0	0.0
Chile	463	4	3	5	0	0	0.9	0.7	1.1	0.0	0.0
Colombia	684	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0
Mexico	2,169	22	16	33	-1	0	1.0	0.7	1.5	0.0	0.0
Peru	442	11	10	11	0	0	2.6	2.2	2.5	0.0	0.0
United States	25,754	131	-2	-6	52	1	0.5	0.0	0.0	0.2	0.0
Latin America nie	7,341	3	0	-1	1	0	0.0	0.0	0.0	0.0	0.0
Asia	50,659	202	69	316	57	253	0.4	0.1	0.6	0.1	0.5
Brunei	31	2	1	1	0	0	5.9	2.6	3.7	0.1	0.9
China	27,839	-18	-10	-53	-1	101	-0.1	0.0	-0.2	0.0	0.4
Hong Kong	461	6	1	1	1	2	1.2	0.2	0.3	0.3	0.4
India	5,487	-5	-4	-16	0	57	-0.1	-0.1	-0.3	0.0	1.0
Indonesia	2,192	-2	-1	18	0	1	-0.1	-0.1	0.8	0.0	0.0
Japan	4,924	125	46	98	60	56	2.5	0.9	2.0	1.2	1.1
Korea	2,243	-8	-3	84	-2	24	-0.3	-0.1	3.8	-0.1	1.1
Malaysia	675	52	21	36	0	6	7.6	3.1	5.4	0.0	0.9
Philippines	680	-1	0	13	0	1	-0.1	0.0	1.9	0.0	0.2
Singapore	485	19	13	19	0	2	3.9	2.7	3.8	0.0	0.4
Taiwan	776	1	0	60	0	-3	0.2	0.0	7.8	0.0	-0.4
Thailand	812	-7	-5	30	-1	3	-0.8	-0.6	3.6	-0.1	0.3
Vietnam	497	41	11	25	0	2	8.1	2.2	5.1	0.0	0.5
ASEAN nie	283	-1	0	0	0	1	-0.4	0.0	-0.1	0.0	0.2
Asia nie	3,272	0	0	-1	0	0	0.0	0.0	0.0	0.0	0.0

TPP11

Table 2 Real Incomes In 2030 *(continued)*

Country	2030 income (billions of 2015 dollars)	Change in billions of 2015 dollars					Percent of Income				
		TPP12	TPP11	TPP16	US-Japan FTA	RCEP	TPP12	TPP11	TPP16	US-Japan FTA	RCEP
Oceania	2,854	21	15	22	0	7	0.7	0.5	0.8	0.0	0.2
Australia	2,590	15	12	17	0	5	0.6	0.5	0.7	0.0	0.2
New Zealand	264	6	3	5	0	2	2.2	1.1	2.0	0.0	0.6
Rest of world (ROW)	40,720	60	14	39	12	23	0.1	0.0	0.1	0.0	0.1
Africa (Sub-Saharan)	4,068	0	0	-1	0	1	0.0	0.0	0.0	0.0	0.0
Europe	23,189	48	12	22	10	16	0.2	0.0	0.1	0.0	0.1
EMENA	10,001	9	2	15	1	5	0.1	0.0	0.1	0.0	0.0
Russia	3,371	2	0	2	0	1	0.1	0.0	0.1	0.0	0.0
ROW	90	0	0	0	0	0	0.2	0.1	0.0	0.0	0.1
World	133,801	492	147	449	120	286	0.4	0.1	0.3	0.1	0.2

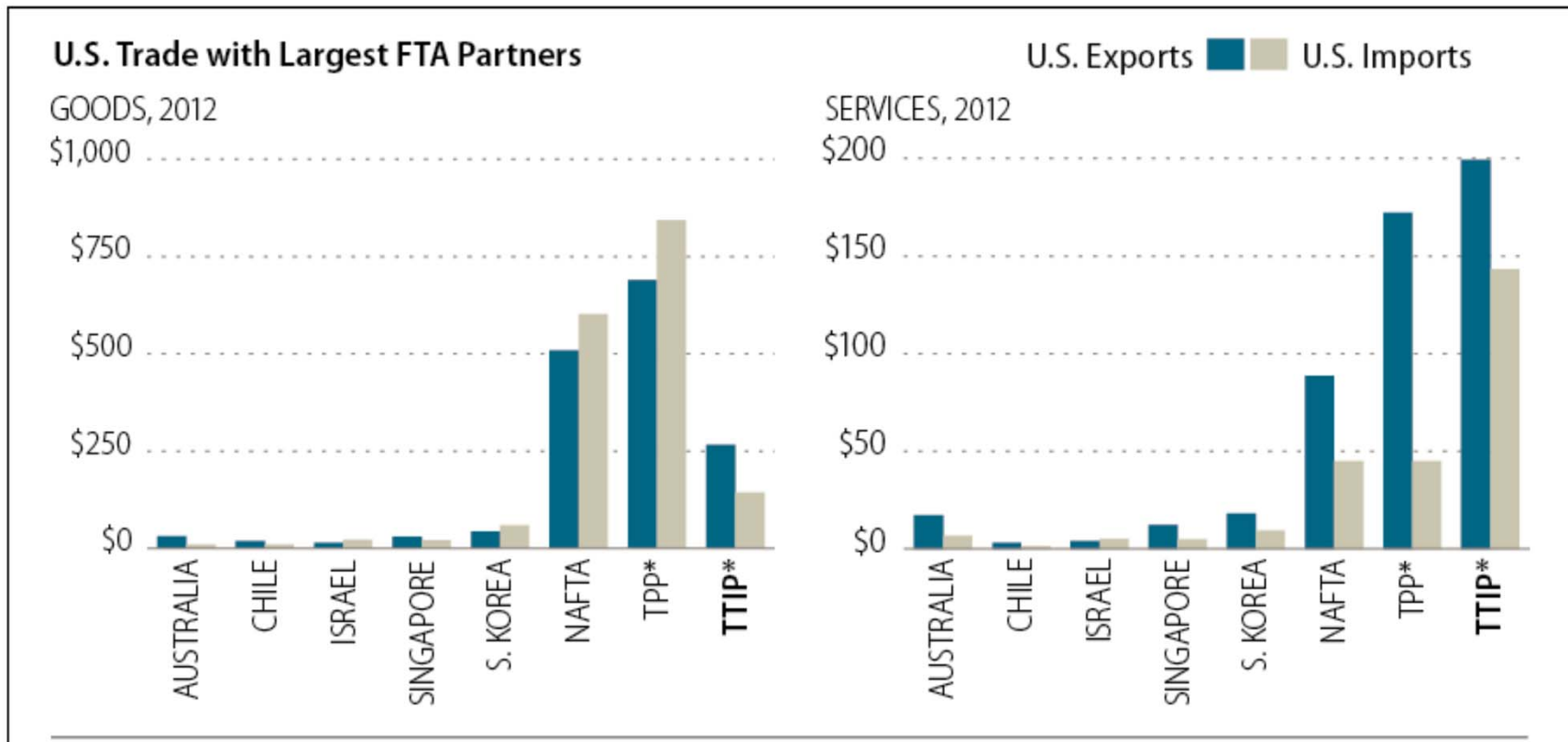
Memorandum

Income (members)	41,011	15,257	21,961	30,678	49,800					
Δ (members)	465	157	486	111	201	1.1	1.0	2.2	0.4	0.4
Δ (nonmembers)	27	-10	-37	9	84	0.0	0.0	0.0	0.0	0.1

<https://piie.com/system/files/documents/wp17-10.pdf>

TTIP

Figure 3. U.S. Trade and Investment with Free Trade Agreement (FTA) Partners



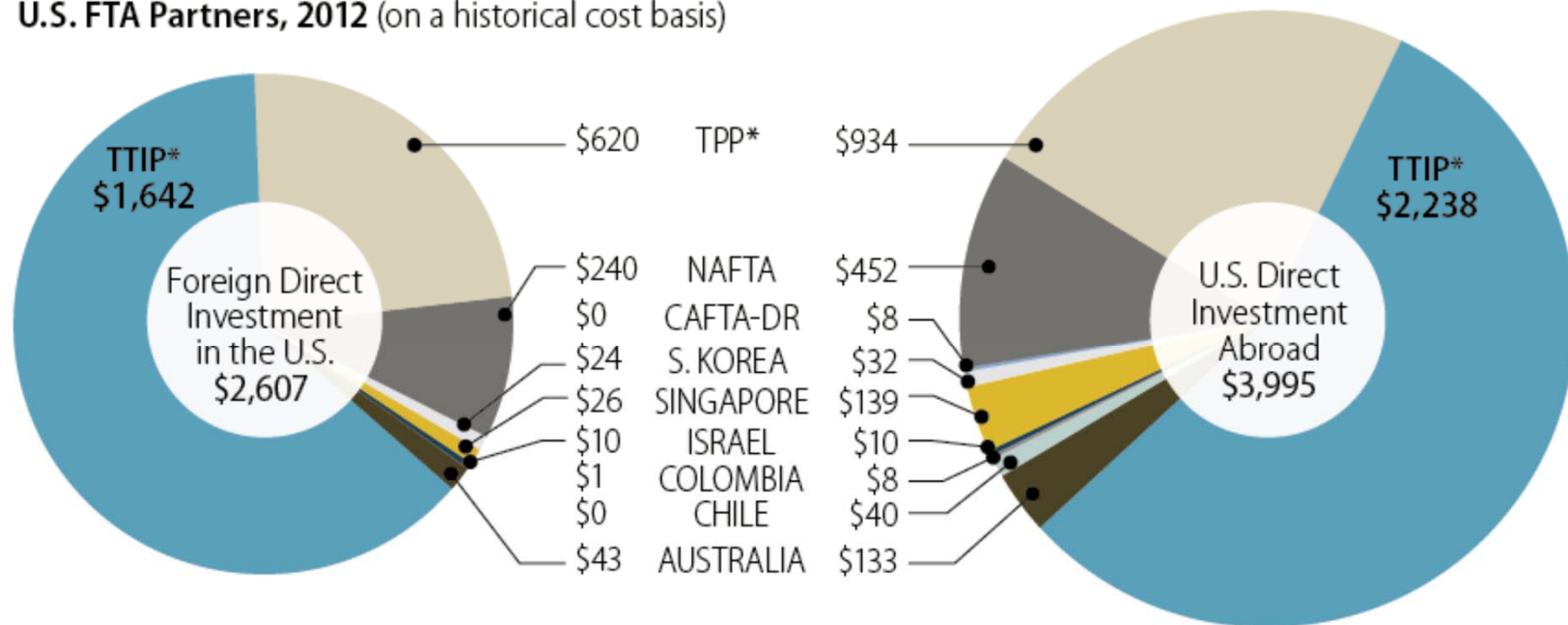
TTIP

U.S. Trade with Largest FTA Partners, 2012



TTIP

Stock of Foreign Direct Investment with Largest U.S. FTA Partners, 2012 (on a historical cost basis)



All dollars in billions.

* Proposed

TTIP

TTIP Negotiations in a Nutshell

Market access: Some “traditional” market access issues may play a lesser role in the TTIP context than they have in other trade negotiations. U.S. and EU tariffs are already quite low, though given the magnitude of the transatlantic relations, further elimination and reduction of tariffs could yield significant economic gains. Commitments in other areas, such as further opening of government procurement markets, could also lead to greater market access.

Regulations: Divergent regulations that may serve as non-tariff barriers and regulatory issues are widely regarded by stakeholders as a core component of the TTIP negotiations. Economic gains from greater regulatory cooperation and compatibility could be significant. At the same time, there is skepticism about whether a comprehensive transatlantic agreement on regulatory issues can be reached.

Rules: TTIP negotiations in trade-related rules, such as intellectual property rights (IPR), could build on the rules contained in the WTO agreements. Many of these areas, while not addressed in the WTO, have become a standard part of U.S. and EU FTAs with other countries; these include investment, IPR, labor, and the environment. The negotiations also could break new ground on other issues that are modestly treated, or not at all, in prior U.S. FTAs and multilateral agreements.

In their approaches to these issues, the United States and EU generally are regarded as having more commonalities than differences. For instance, both sides have strong commitments to protecting consumer health and safety through regulations and maintaining strong overall protections for investment, IPR, labor, and the environment. Nevertheless, certain areas—such as regulations related to genetically modified organisms or rules for cultural exceptions for the audiovisual sector and geographical indications—could be contested areas. To the extent that TTIP is used to advance multilateral trade liberalization, debates about the impact of certain regulations, standards, and rules on third countries may be heightened.