

The Impact of TPP on selected ASEAN Economies

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The Trans-Pacific Partnership (TPP) is viewed as the biggest regional trade agreement linking 12 countries on both sides of the Pacific as well as the most comprehensive one in setting the regional trade rules and addressing the 21st century issues of the global economy. Its scope and significance extends far beyond the traditional trade issues, and touches some new issues like competition policy, regulatory coherence, good governance, standards of labour and environment which have hardly been a part of any of the previous trade agreements.

Since the 1990s, after the establishment of AFTA, the ASEAN became a formidable economic powerhouse and signed a number of trade pacts as a group with other large economies. In case of TPP only, out of ten members of the region, four countries namely Brunei, Malaysia, Singapore and Vietnam have joined the agreement. Each of these TPP-ASEAN members has a significant trade share with the other TPP partners (ranging 34% for Vietnam and Singapore to 56% for Brunei in 2014), implying that with the greater economic integration and elimination of tariff and non tariff barriers, these countries could be the significant beneficiaries of the TPP agreement. While Crude oil and Petroleum Products are among the major export items of all four TPP-ASEAN countries to their TPP partners, the other major commodities include Electrical & Electronic goods and Chemicals for Malaysia and Singapore, and Garments for Vietnam.

Prior to TPP, the TPP-ASEAN countries have already engaged in FTAs with some of the TPP partners. Brunei, Malaysia and Singapore, being the members of AFTA, have already reduced tariffs among themselves to almost zero. Vietnam, as a latecomer in the group of ASEAN, is also in the process of meeting AFTA's tariff reduction obligations. These four countries, as the members of ASEAN, also have trade agreements with some of the large economies like Japan, Australia and New Zealand, which are also the signatories of the TPP. In fact, these four TPP-ASEAN countries, before joining the TPP, were engaged in 17 FTAs with the other eight members of TPP, suggesting that these countries had already committed to some greater integration. However, none of the TPP-ASEAN countries, except Singapore, has any trade negotiation with the US, though the country absorbs a significant share of the exports of the TPP-ASEAN nations, particularly of Vietnam. In 2014 almost 20% of Vietnam's exports were destined to the US. Also, the TPP-ASEAN countries did not have any bilateral agreements with Canada and Mexico. So, these countries are expected to be benefitted from the increased access to North American markets.

Against this backdrop, the present paper aims at evaluating the impacts of the TPP agreement on each of the four TPP-ASEAN countries by the year 2030. The analysis includes the impact of the agreement on several economic variables like GDP, export, import, labour employment, welfare etc for each of these countries. For this purpose the paper uses a global CGE framework and applies a number of simulation exercises based on the phased reduction of tariff rate on some selected commodities between these TPP-ASEAN countries and other TPP partners. The latest version of the standard GTAP database of version 9 (base year 2011) is used to study the potential impact of TPP on ASEAN countries.

Given the overlapping of TPP and other FTAs, particularly the AFTA, the paper also makes a comparative study on the impact of TPP for the TPP-ASEAN member countries' trade with different TPP partners.

Preliminary results of the study show that Vietnam would be the biggest beneficiary of the agreement, followed by Malaysia. Both the countries mostly benefit from the reduced trade barriers and increased market access particularly in North America. Textiles and Apparel industries in Vietnam and Electronics and Chemical industries in Malaysia would be the gainers because of their preferential access to the U.S. and other major markets.