

The Relative Significance of EPAs in Asia-Pacific

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GRIPS/JIIA/RIETI

Overview

The relative significance of EPAs in Asia-Pacific

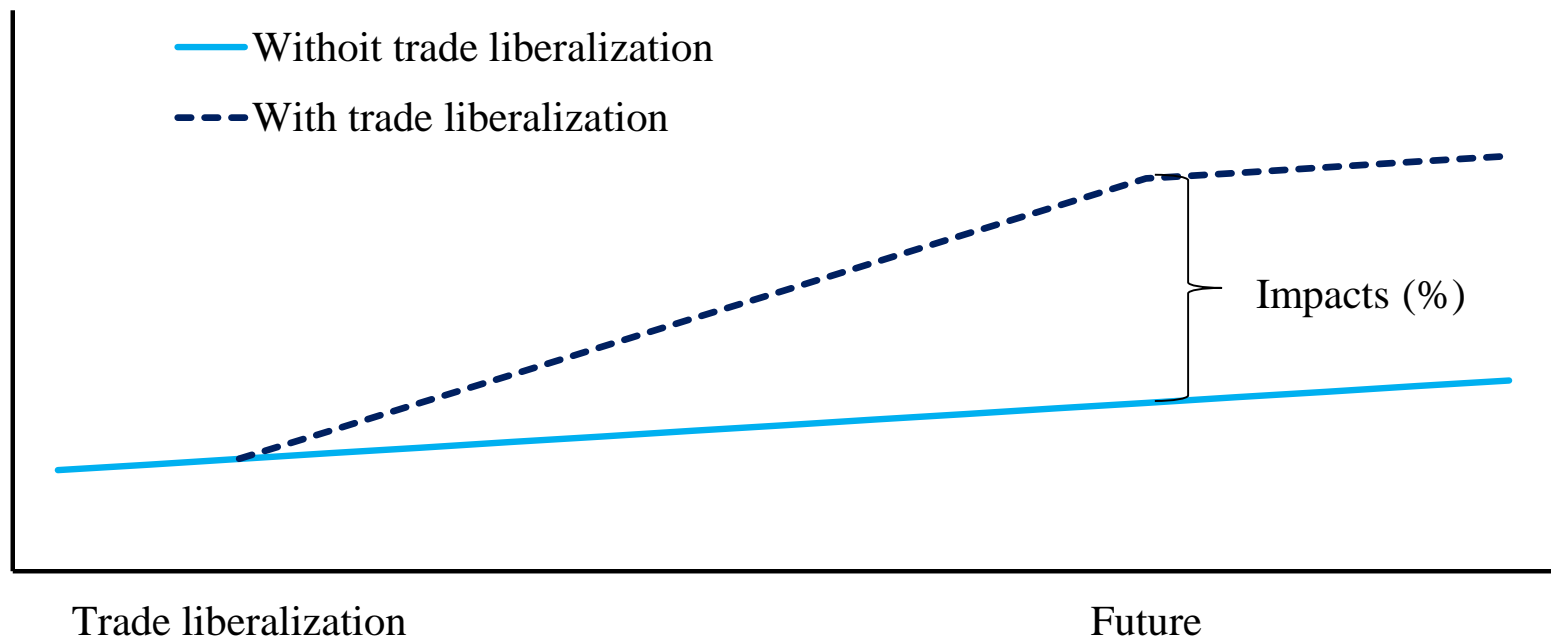
- TPP and RCEP are shown to complement each other rather than be competitors toward the establishment of FTAAP.
- Trade diversion effects will deteriorate the economic welfare of the non-member economies of regional EPAs.
- Larger economic benefits are expected from NTMs reductions in addition to tariff removals.
- ASEAN countries and others will primarily benefit from their own EPA policy measures.
- East Asian economies would remain benefit largely from future trade liberalization.

Estimated impacts of EPAs

Estimated economic impacts of trade liberalization are compared with business as usual without liberalization at some time in the future. Those will be achieved over medium-term, after around 10 years.

Economic impacts of trade liberalization

GDP



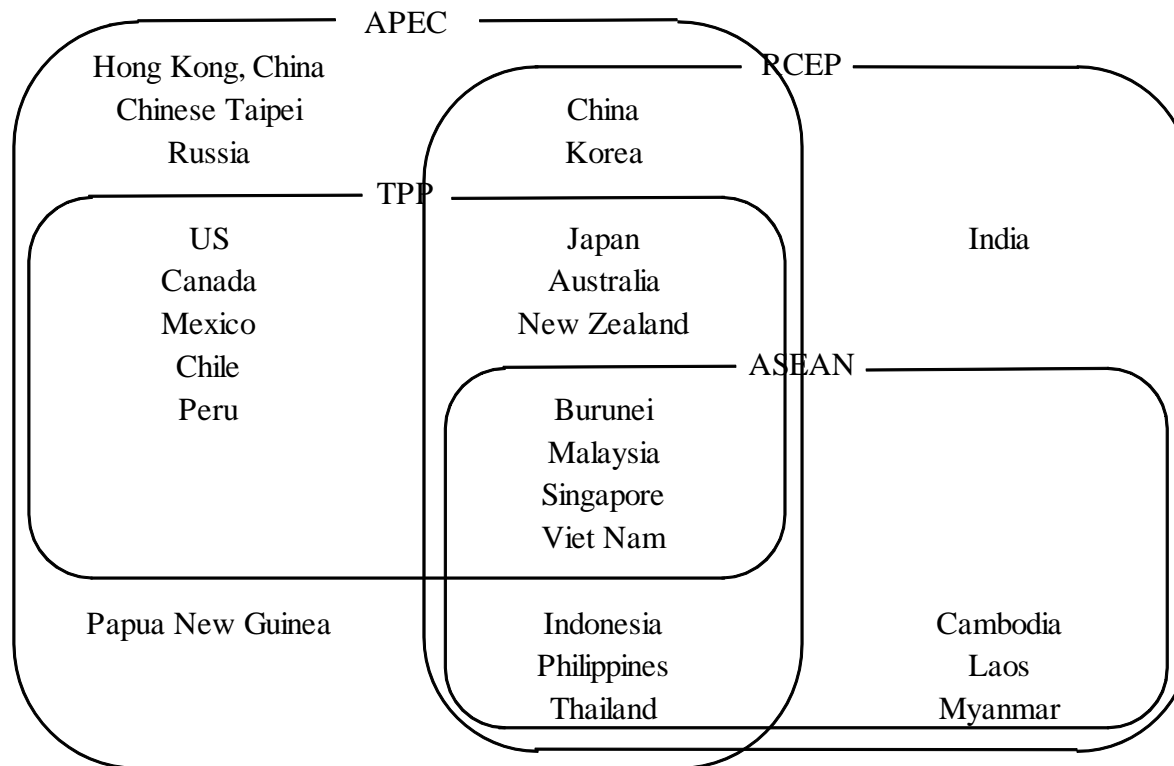
Source: Author

Regional integration in Asia-Pacific

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

The members of the Trans-Pacific Partnership (TPP) have increased.

Framework of EPAs in Asia-Pacific



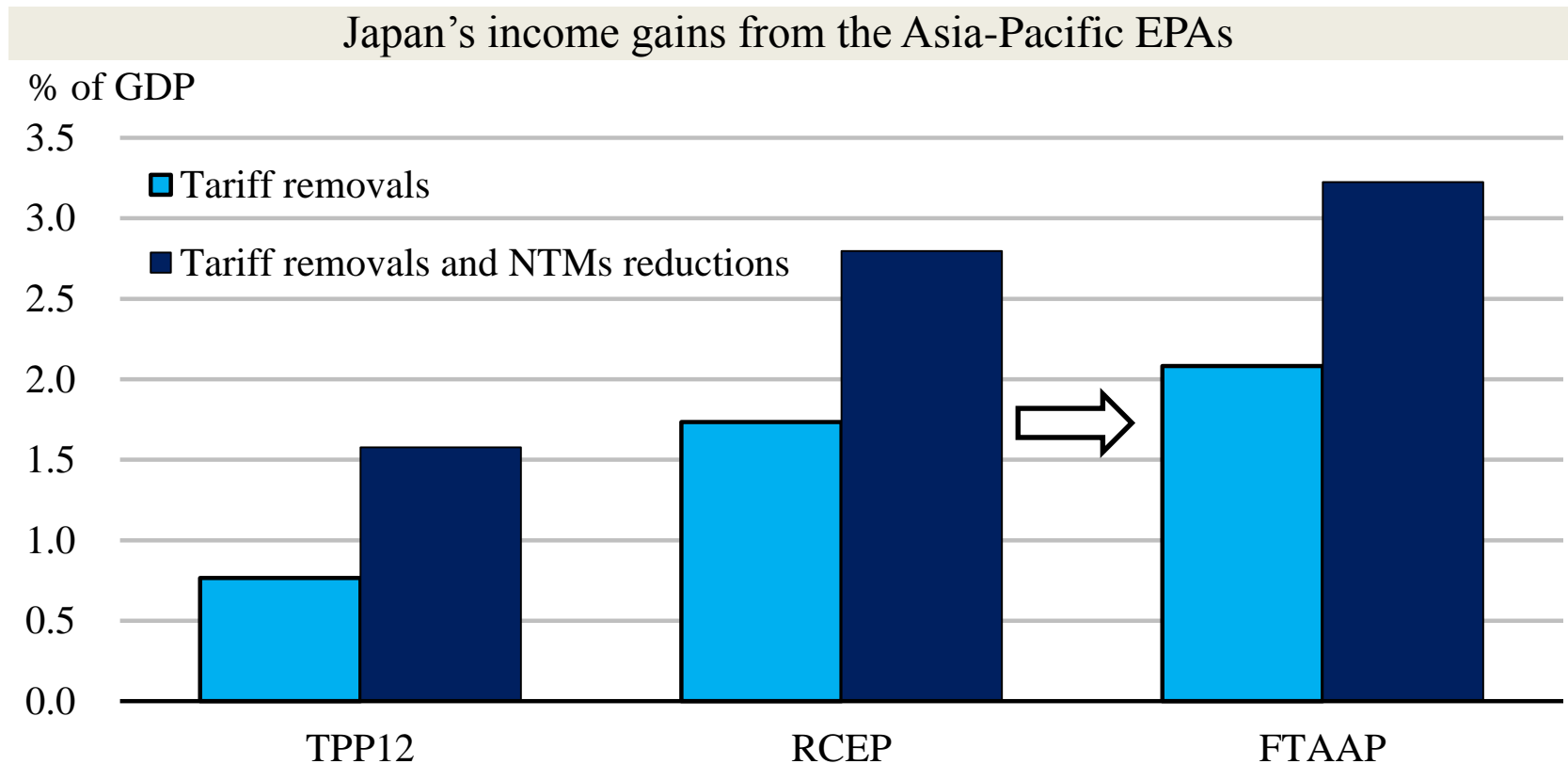
Source: Author's compilation

Impacts of Asia-Pacific EPAs: Japan

Higher levels of achievement in TPP including NTMs reductions.

Larger gains from RCEP by growing and large Asian markets.

Complementary benefits from FTAAP participating in TPP and RCEP.



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

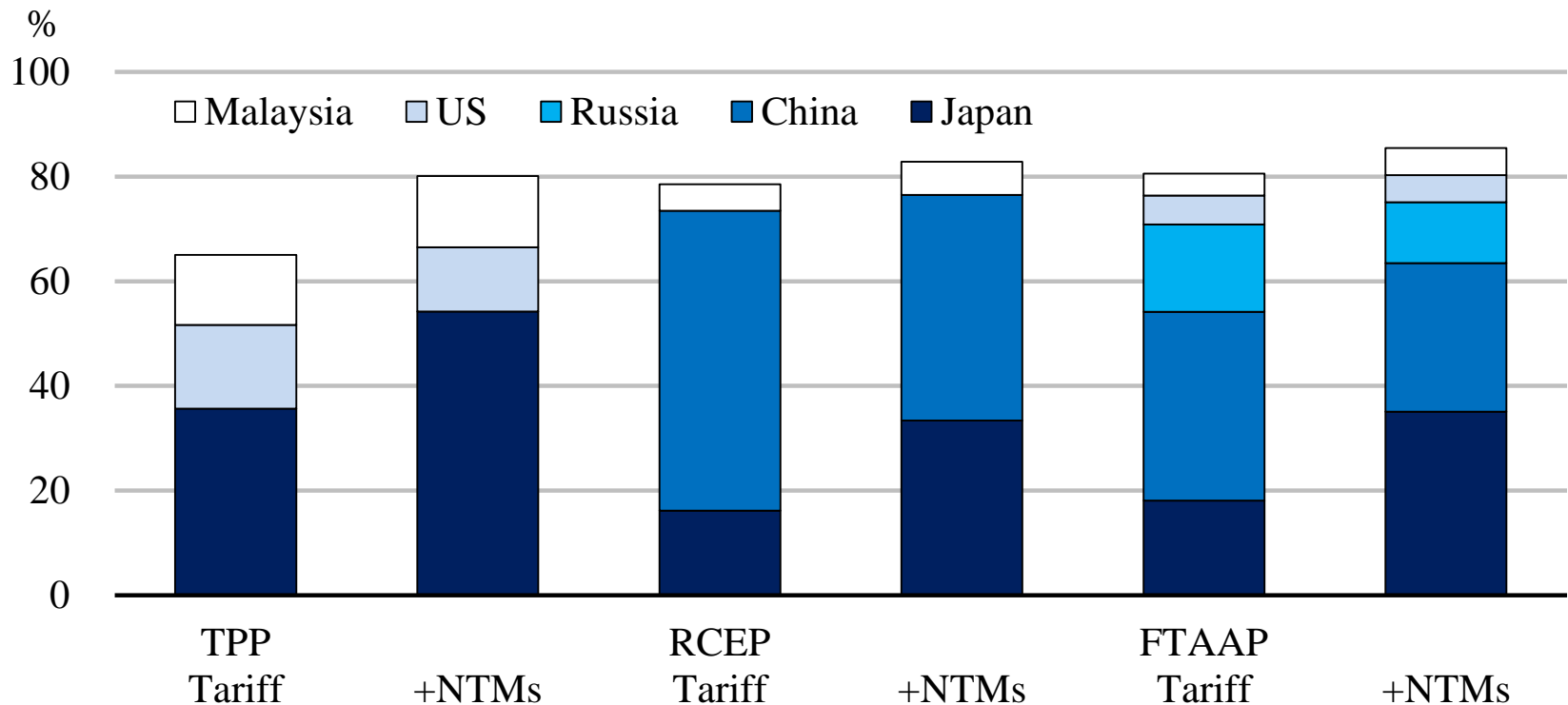
Japan's source of economic benefits

Japan's own contribution will be relatively large in TPP.

China's contribution will be major in RCEP.

Japan's gains from FTAAP will largely be given by Japan and China.

Contributions to Japan's income gains by economies



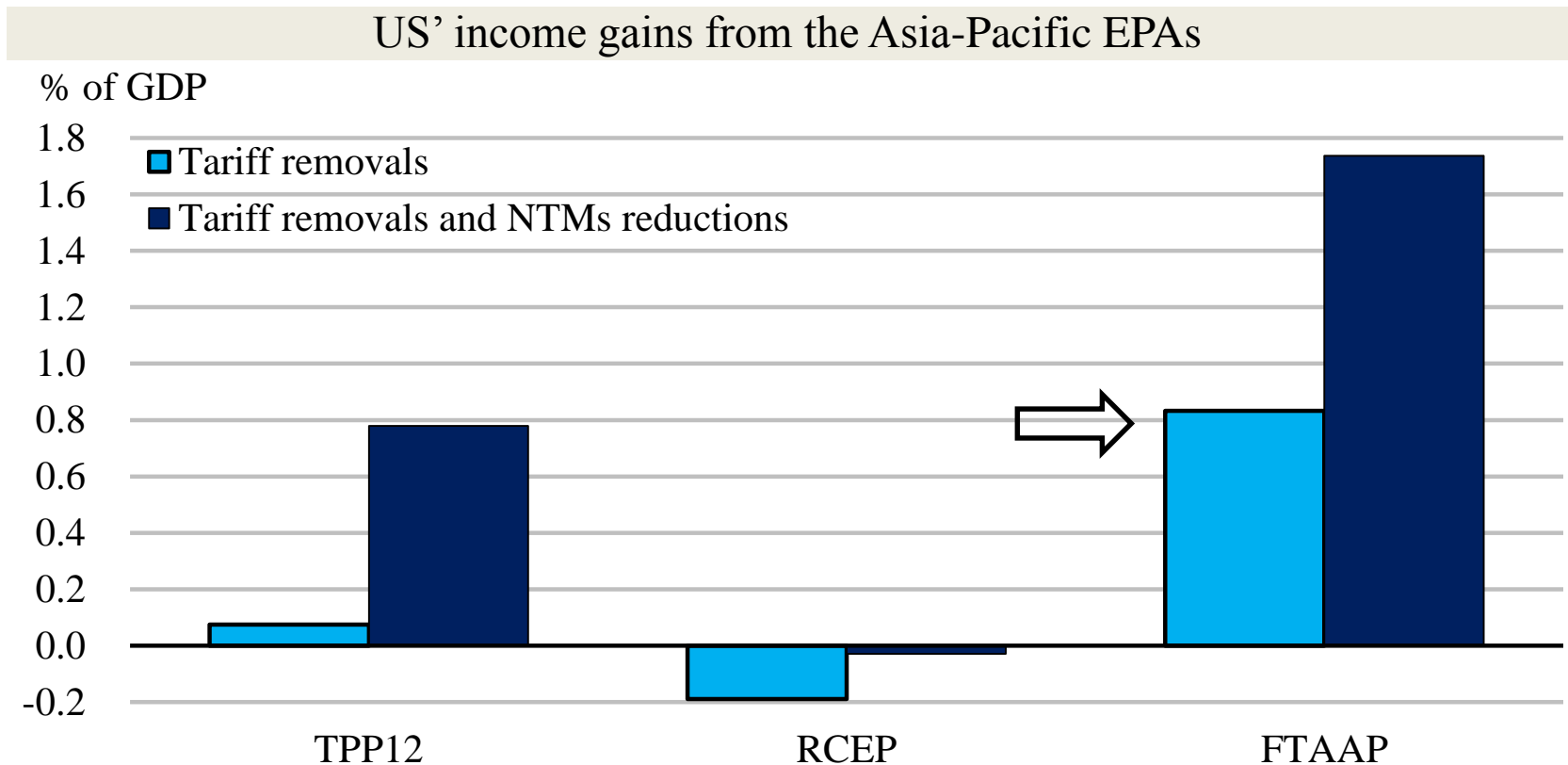
Sources: Kawasaki (2015), "The Relative Significance of EPAs in Asia-Pacific", *Journal of Asian Economics* 39

Impacts of Asia-Pacific EPAs: US

Income gains from TPP mainly from NTMs reductions.

Income losses from RCEP due to trade diversion effects

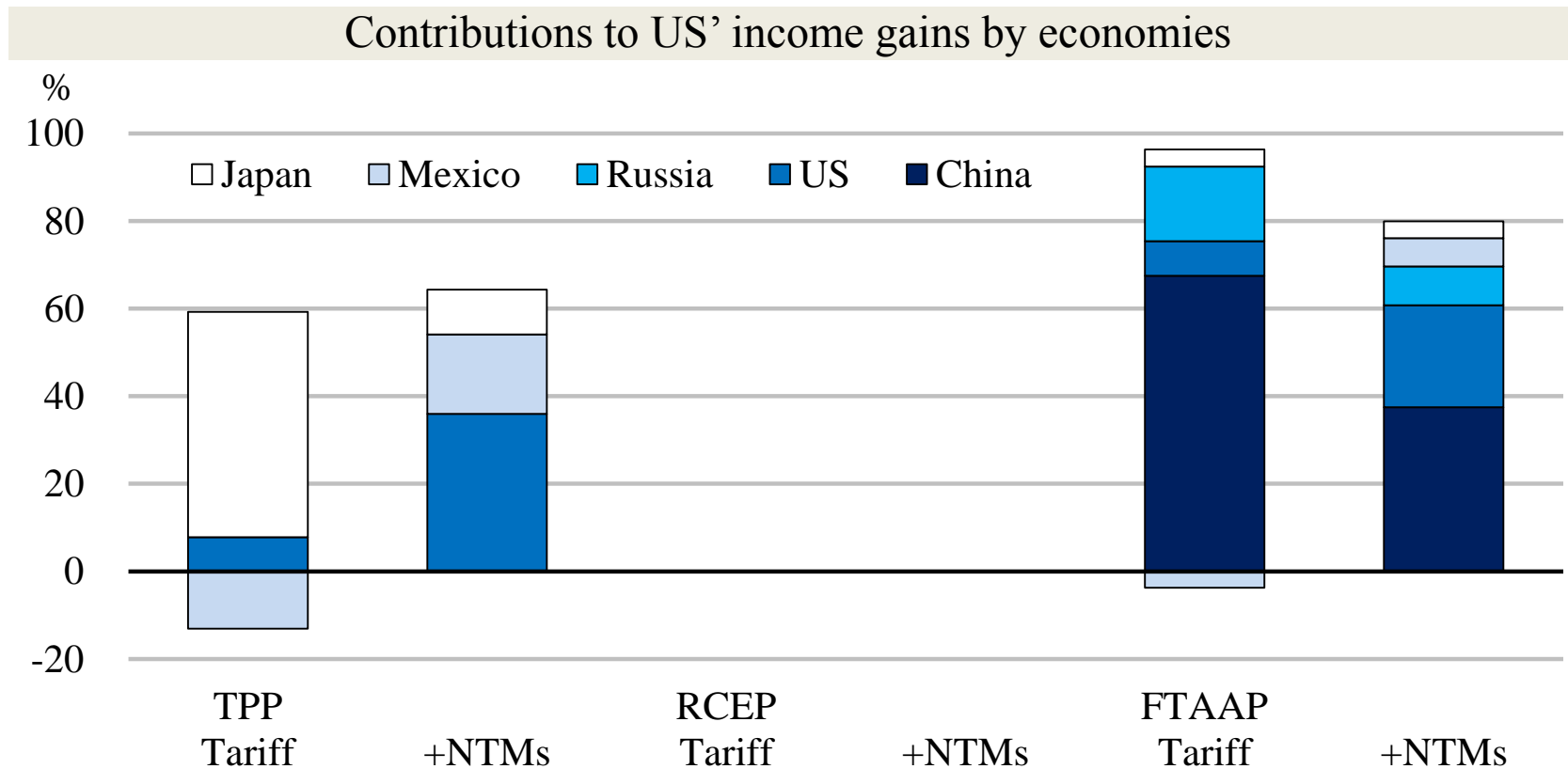
Much larger economic benefits from FTAAP than from TPP.



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

US' source of economic benefits

Japan's contribution to tariff removals will be large in TPP. Meanwhile, the US's own NTMs reductions will be significant. Income gains from FTAAP will firstly be influenced by China.



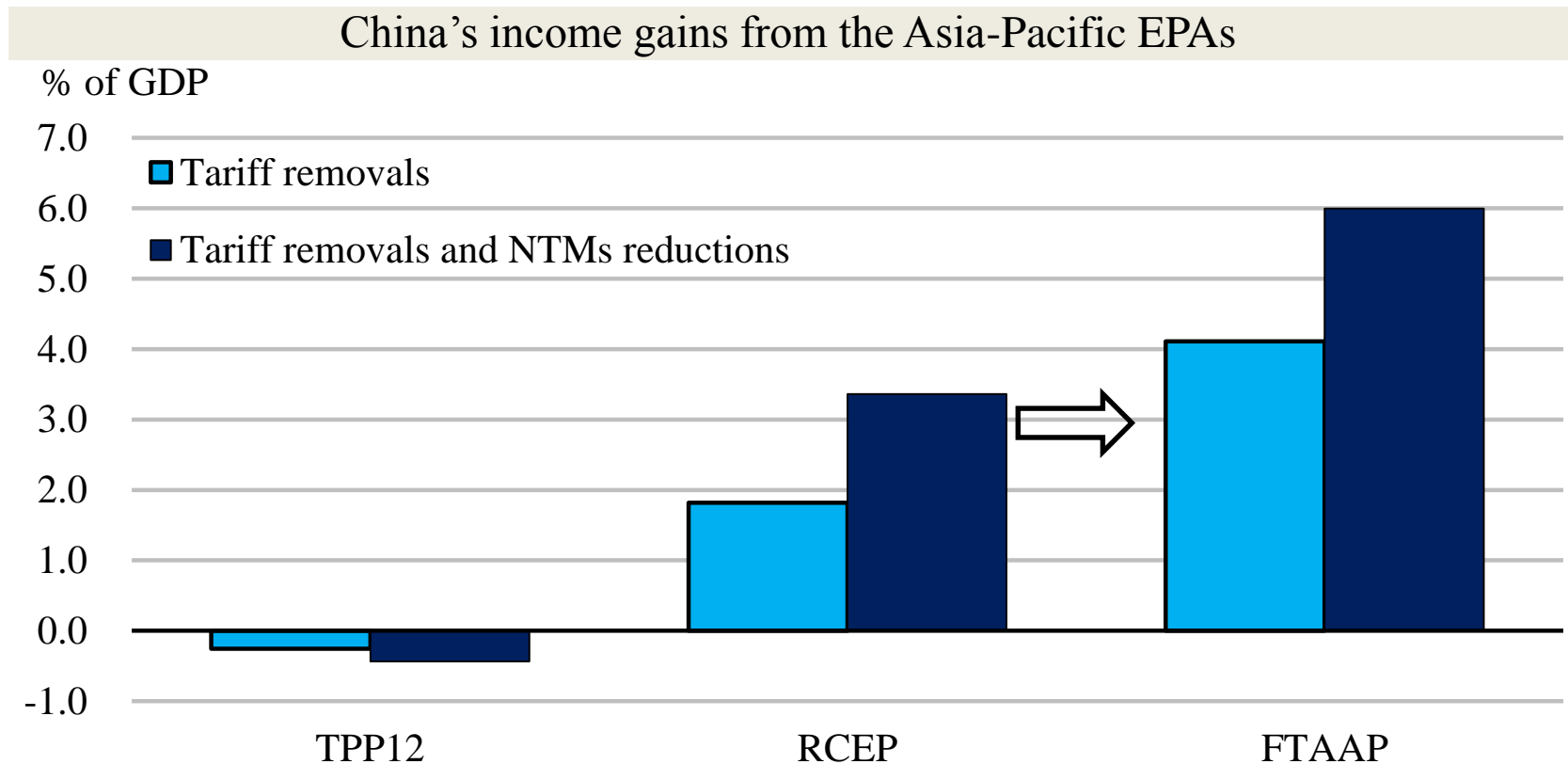
Sources: Kawasaki (2015), "The Relative Significance of EPAs in Asia-Pacific", *Journal of Asian Economics* 39

Impacts of Asia-Pacific EPAs: China

Income losses from TPP due to trade diversion effects.

Large gains from RCEP, in which tariff removals remain important.

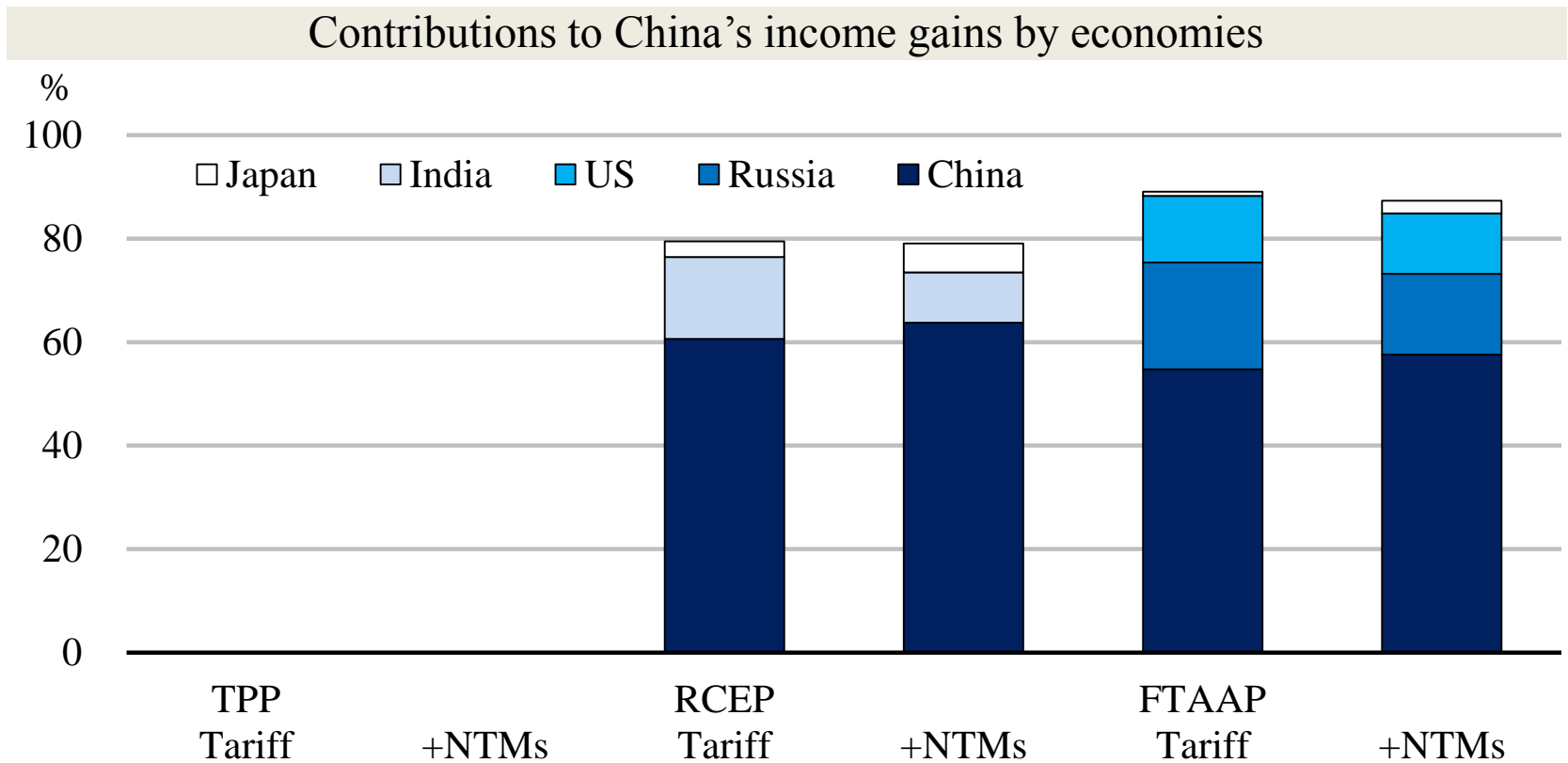
Further income gains from FTAAP expanding the members of EPAs.



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

China's source of economic benefits

Income gains from FTAAP will primarily be driven by own measures. India's contribution in RCEP and Russia's contribution in FTAAP will be noted.



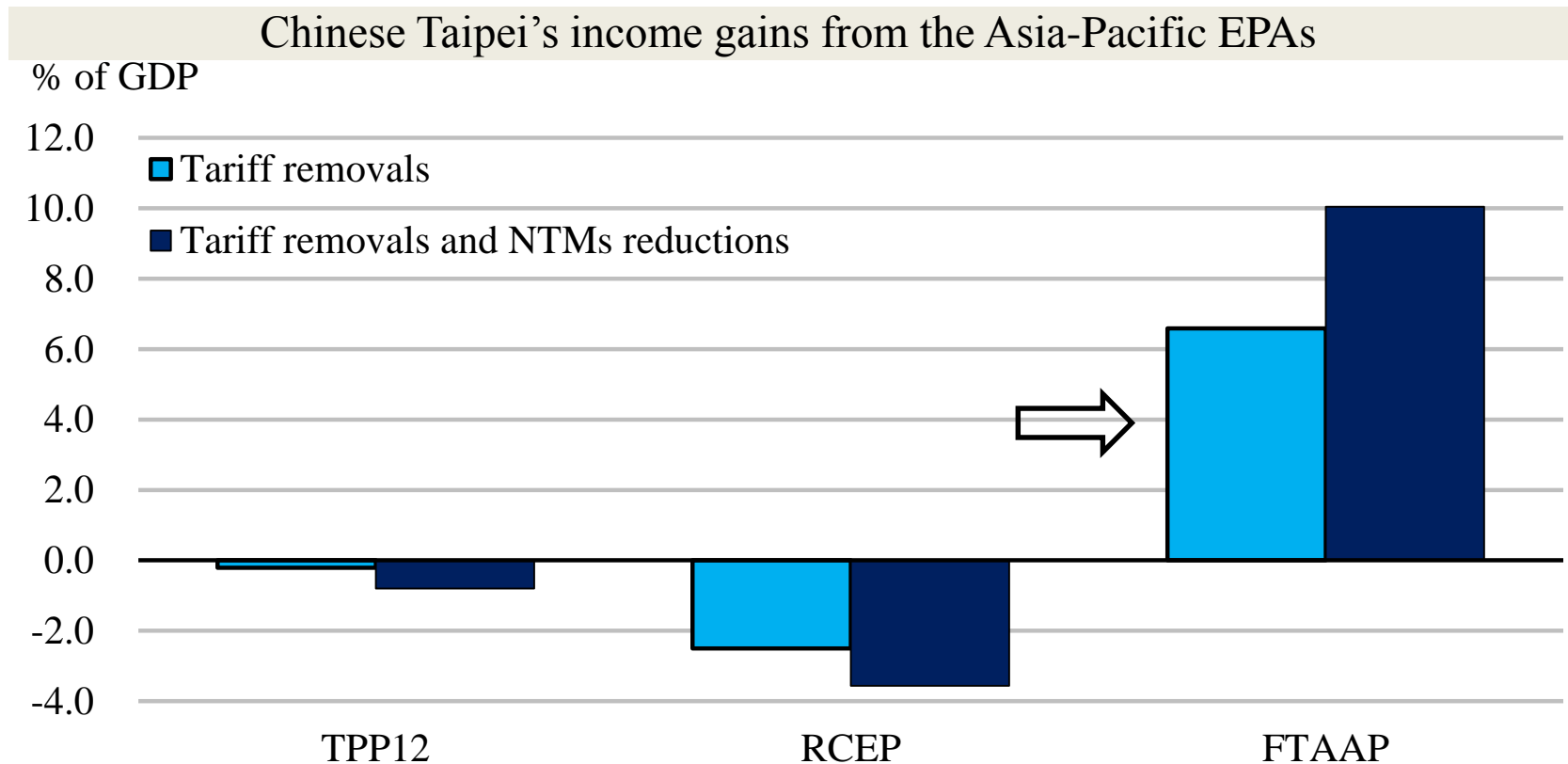
Sources: Kawasaki (2015), "The Relative Significance of EPAs in Asia-Pacific", *Journal of Asian Economics* 39

Impacts of Asia-Pacific EPAs: Chinese Taipei

Income losses from TPP due to trade diversion effects.

Much larger income losses from RCEP.

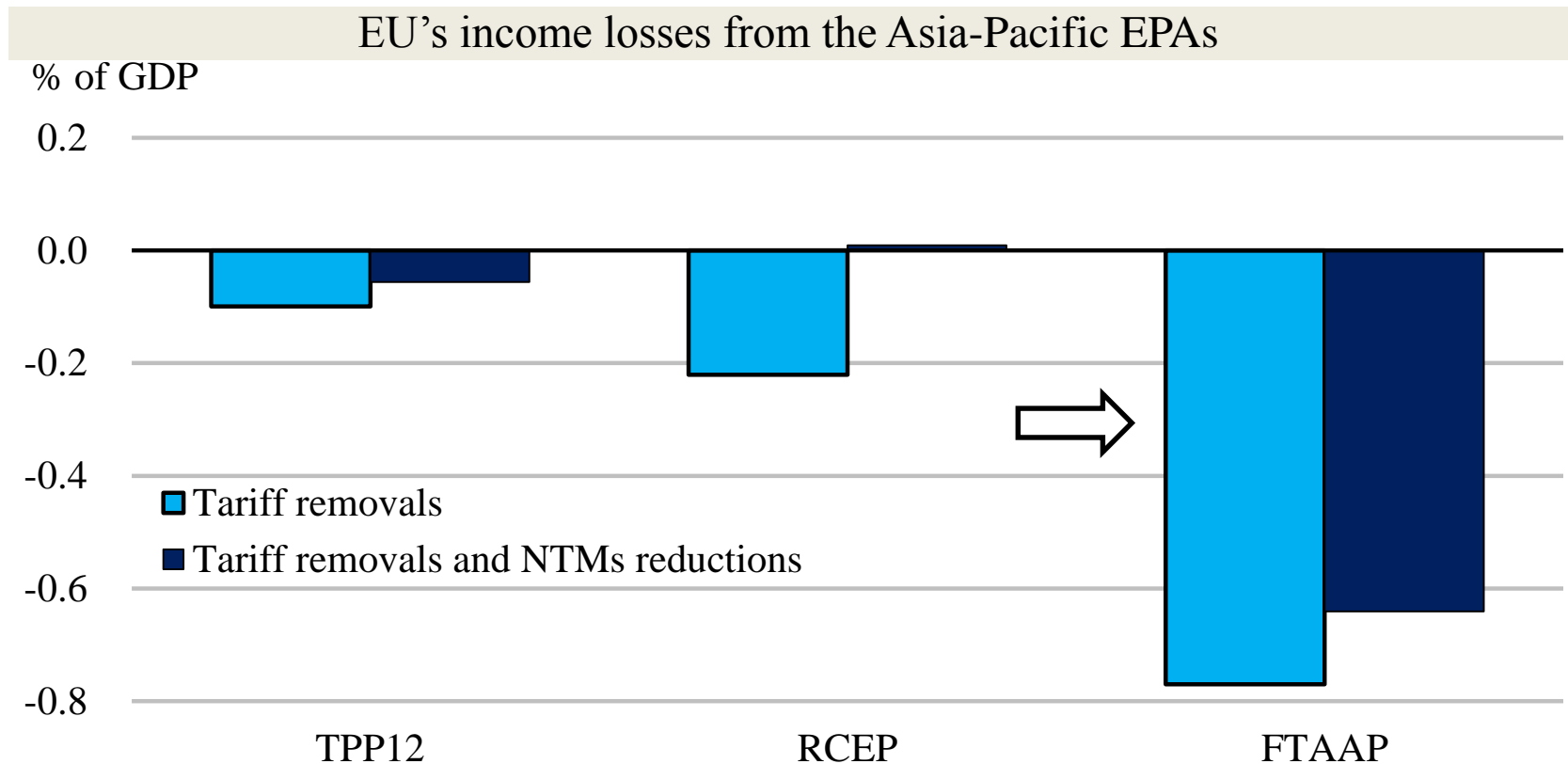
Significant economic benefits from FTAAP.



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

Impacts of Asia-Pacific EPAs: EU

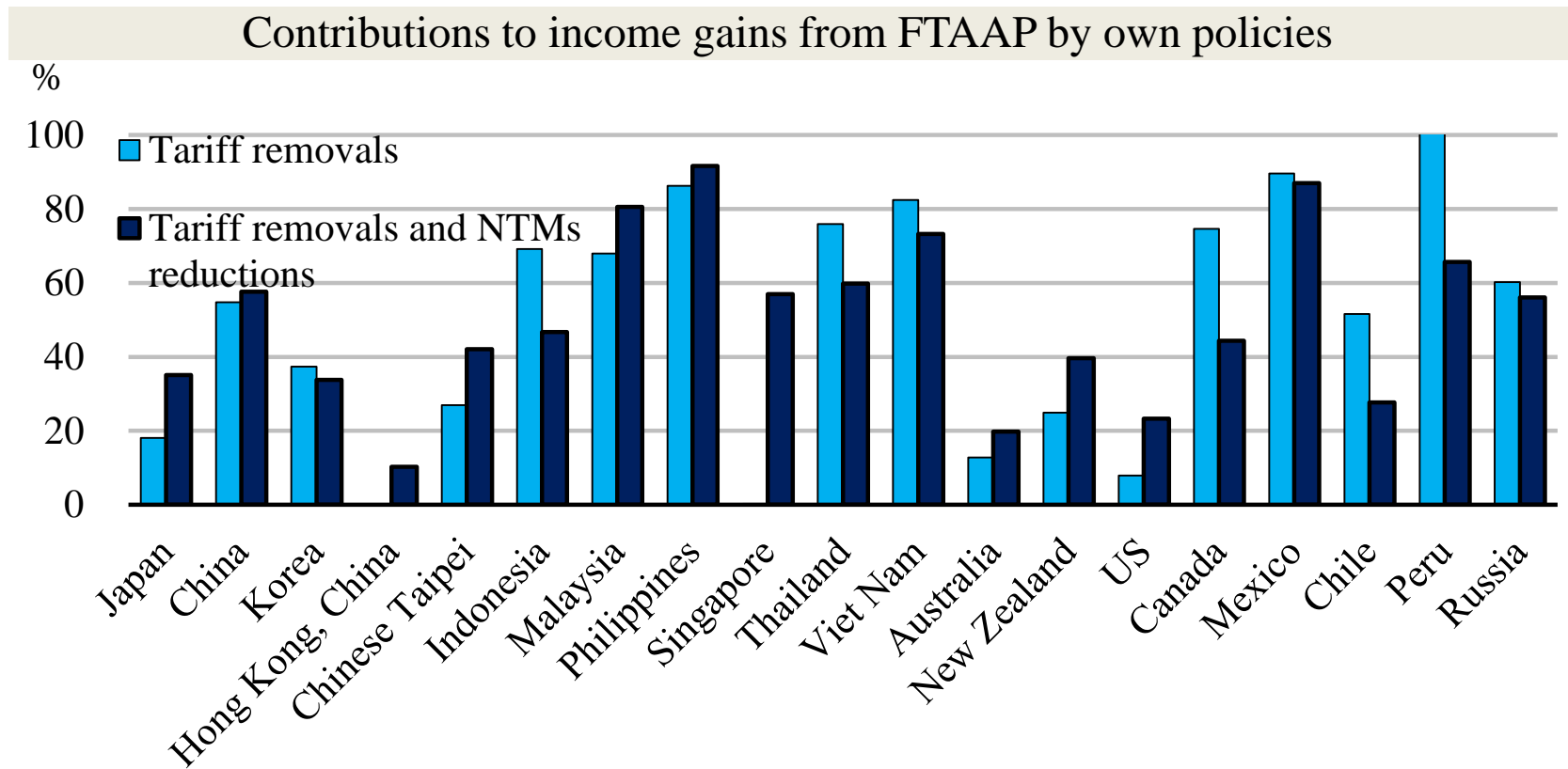
May benefit from the spill-over effects of NTMs reductions.
However, income losses from FTAAP will be sizable compared with expected gains from TTIP and EU-Japan EPA.



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

Significance of domestic reforms in FTAAP

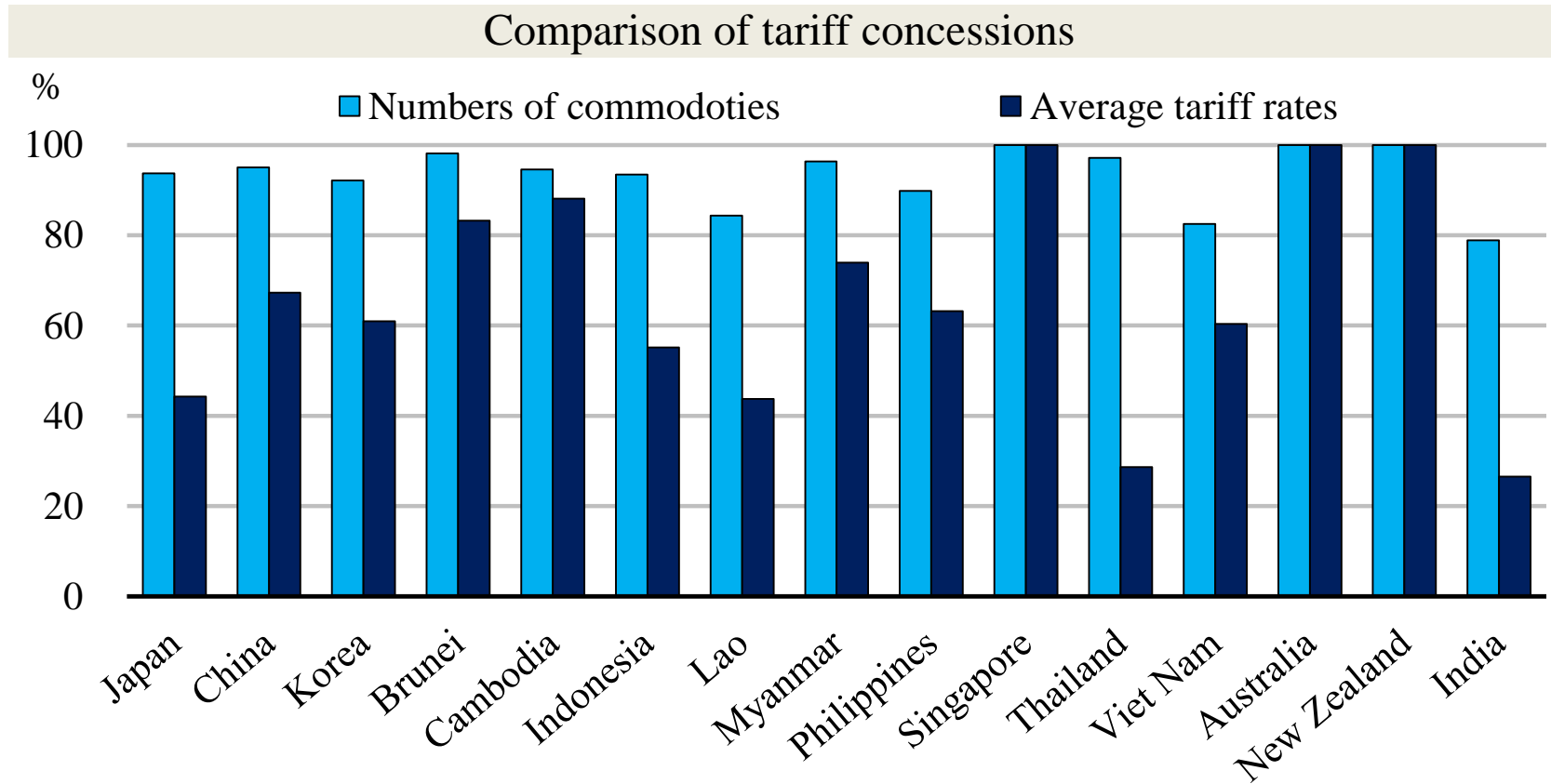
In ASEAN countries and others, contributions through their own initiatives will be much larger than those by partners in FTAAP.



Sources: 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.



Sources: Authors' estimates