



**Multi-year Expert Meeting on Enhancing the Enabling Economic Environment
at All Levels in Support of Inclusive and Sustainable Development (2nd session)**

Towards an enabling multilateral trading system for inclusive and sustainable development

Geneva, 8 – 9 December 2014

SESSION 3:

New regional trade architecture, systemic coherence and development

**MEGA REGIONAL TRADE AGREEMENTS
IMPLICATIONS FOR INCLUSIVE DEVELOPMENT**

Jeronim CAPALDO

Econometrics and Data Specialist
International Labour Organization
Tufts University

Mega Regional Trade Agreements Implications for Inclusive Development

Jeronim Capaldo
International Labour Organization
Tufts University



Regional vs. Multilateral TAs

- Proliferation of RTAs since early 1990s
 - Approximately 400 in force
- Merits are debated: quick?
- Drawbacks: negotiating parties on unequal footing
- A new generation:
 - Trans-Atlantic Trade and Investment Partnership
 - Trans-Pacific Partnership

Arguments in Favor

- Same arguments as for smaller RTAs, scaled up
- Unprecedented access to markets
- Employment growth
- GDP growth
- Better standards
- Opportunity for economic development
- Supporting studies seem to confirm

TTIP: Official Assessments

- Four main assessments mainly rely on one economic model (CGE)
- Convergence of answers not surprising
- Problems with main model:
 - Non-tariff barriers to trade removable
 - Full employment assumption
- Test with different models to verify results: should be qualitatively similar

Testing TTIP with UN Model

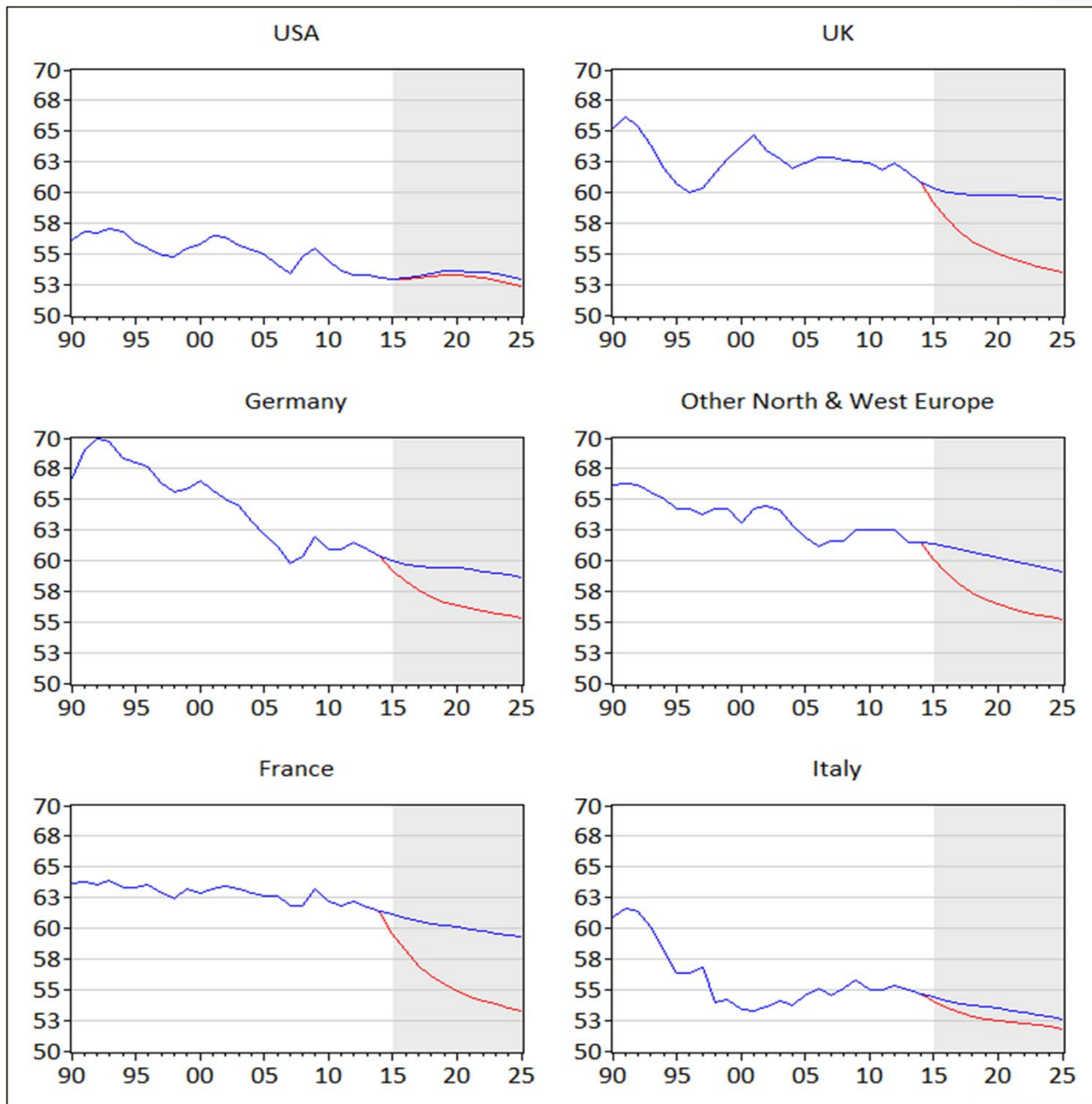
- United Nations Global Policy Model (UNCTAD)
- Used since 2008 for global policy simulations
- Performed better than other models with fiscal austerity
- Features:
 - No full employment assumption
 - Structural features of economy depend on business cycle (austerity)
 - Uses all information available on current policy trends

TTIP with GPM: Very Different

- Results change dramatically and are qualitatively different
- Impact of TTIP on Europe negative overall
- Impact on US mixed
- Impact on developing regions mixed
- For the world as a whole:
 - Higher inequality
 - Higher instability
 - Possible financial bubbles

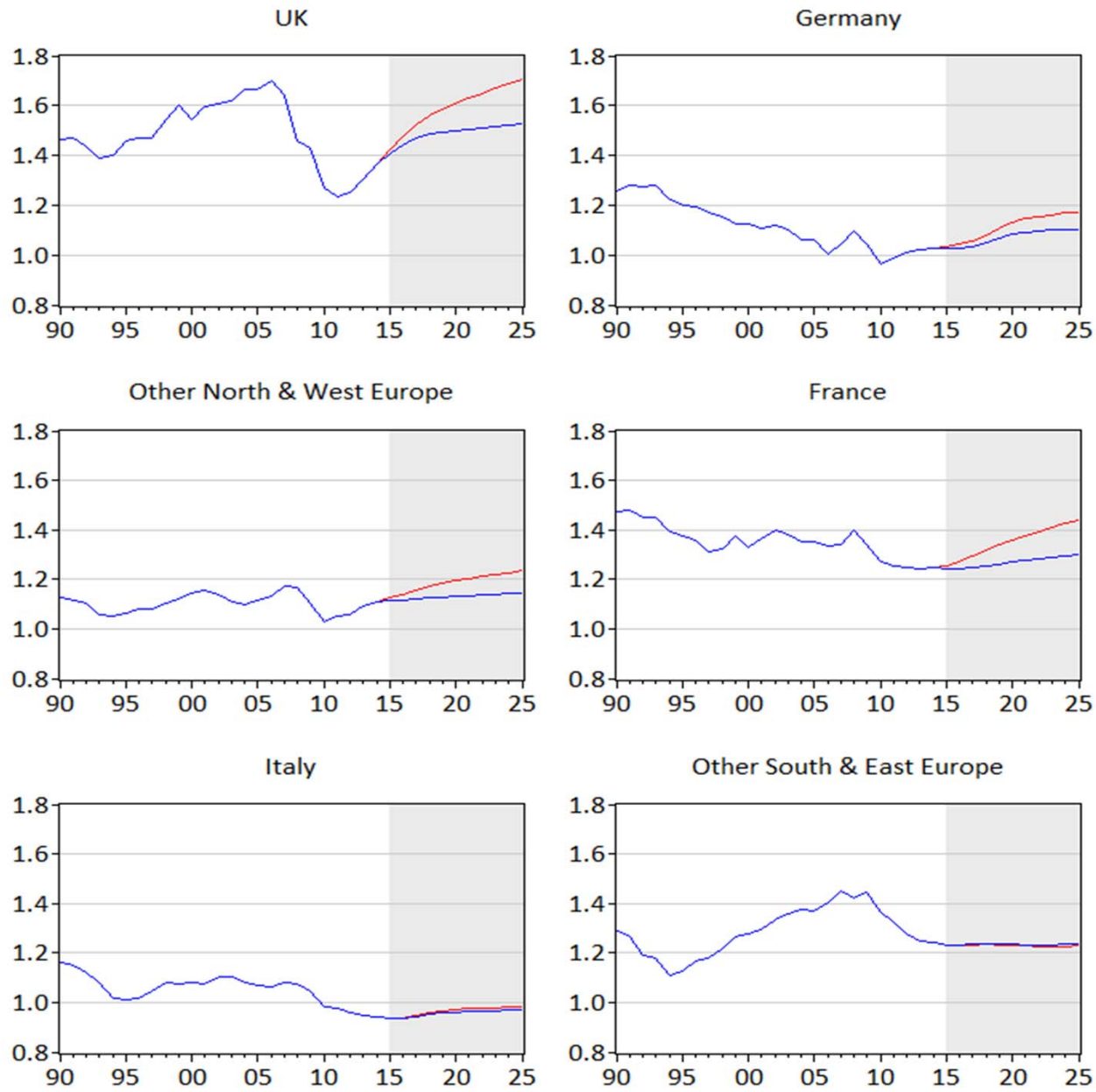
	Net Exports	GDP Growth	Employment	Empl. Income	Net Taxes	Depend. Ratio
<i>Units</i>	% GDP	%diff	Thousands	EUR/employee	% GDP	%
US	1.02	0.36	784,000	699	0.00	-0.97
United Kingdom	-0.95	-0.07	-3,000	-4245	-0.39	0.01
Germany	-1.14	-0.29	-134,000	-3402	-0.28	0.75
France	-1.90	-0.48	-130,000	-5518	-0.64	1.31
Italy	-0.36	-0.03	-3,000	-661	0.00	0.02
Other Surplus EU	-2.07	-0.50	-223,000	-4848	-0.34	1.33
Other deficit EU	-0.70	-0.21	-90,000	-165	-0.01	0.33
EU Total			-583,000			

Income from employment as % of GDP



Valuation of capital stock

baseline (blue), TTIP scenario (red) Units: %



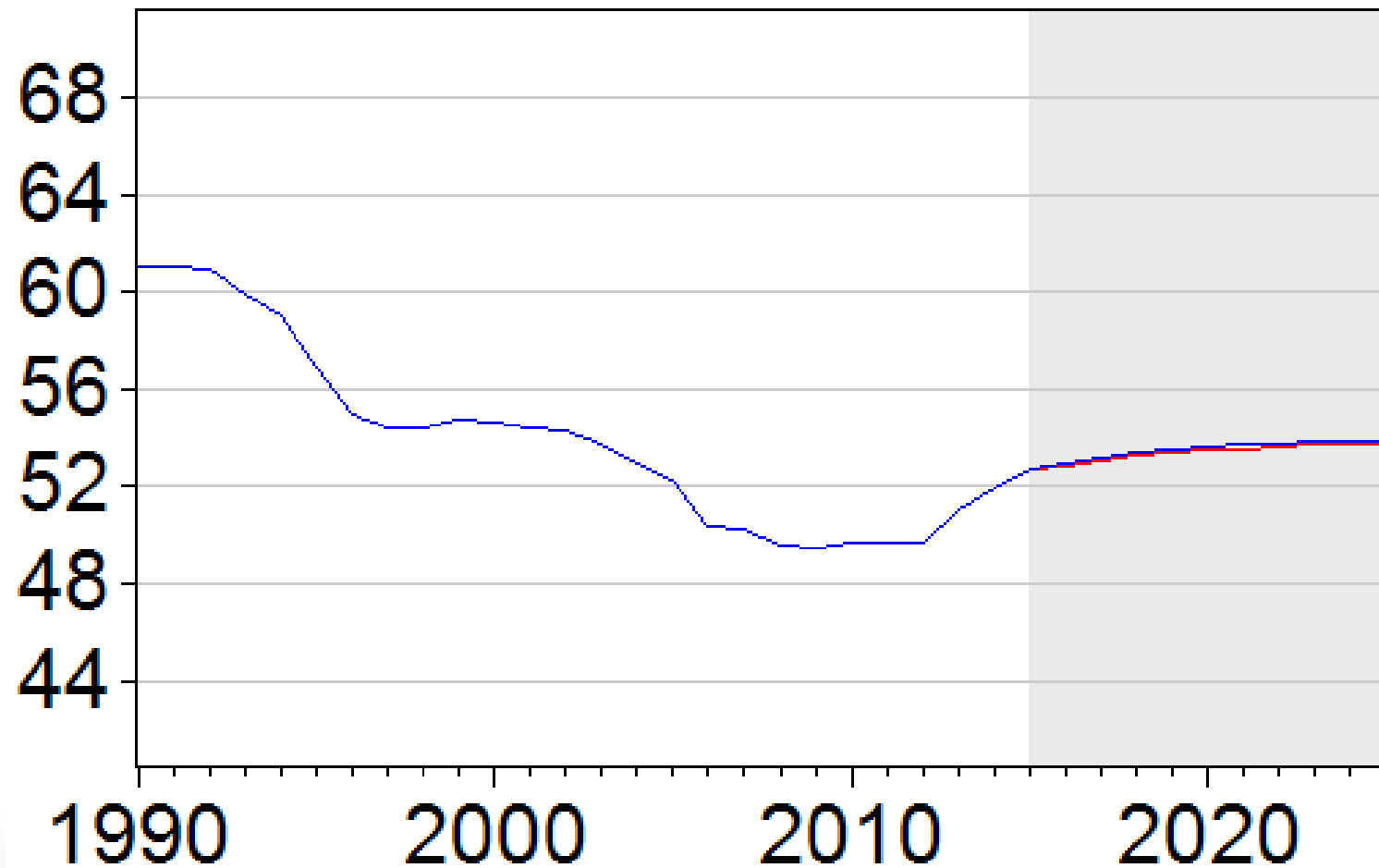
TTIP's overall Impact on EU/US

- Not a sustainable growth strategy
- A step in the wrong direction
 - Domestic demand already Low
 - More competition + more labor flexibility
- Stop and Reverse process
 - Strengthen labor incomes
 - Strengthen social protection

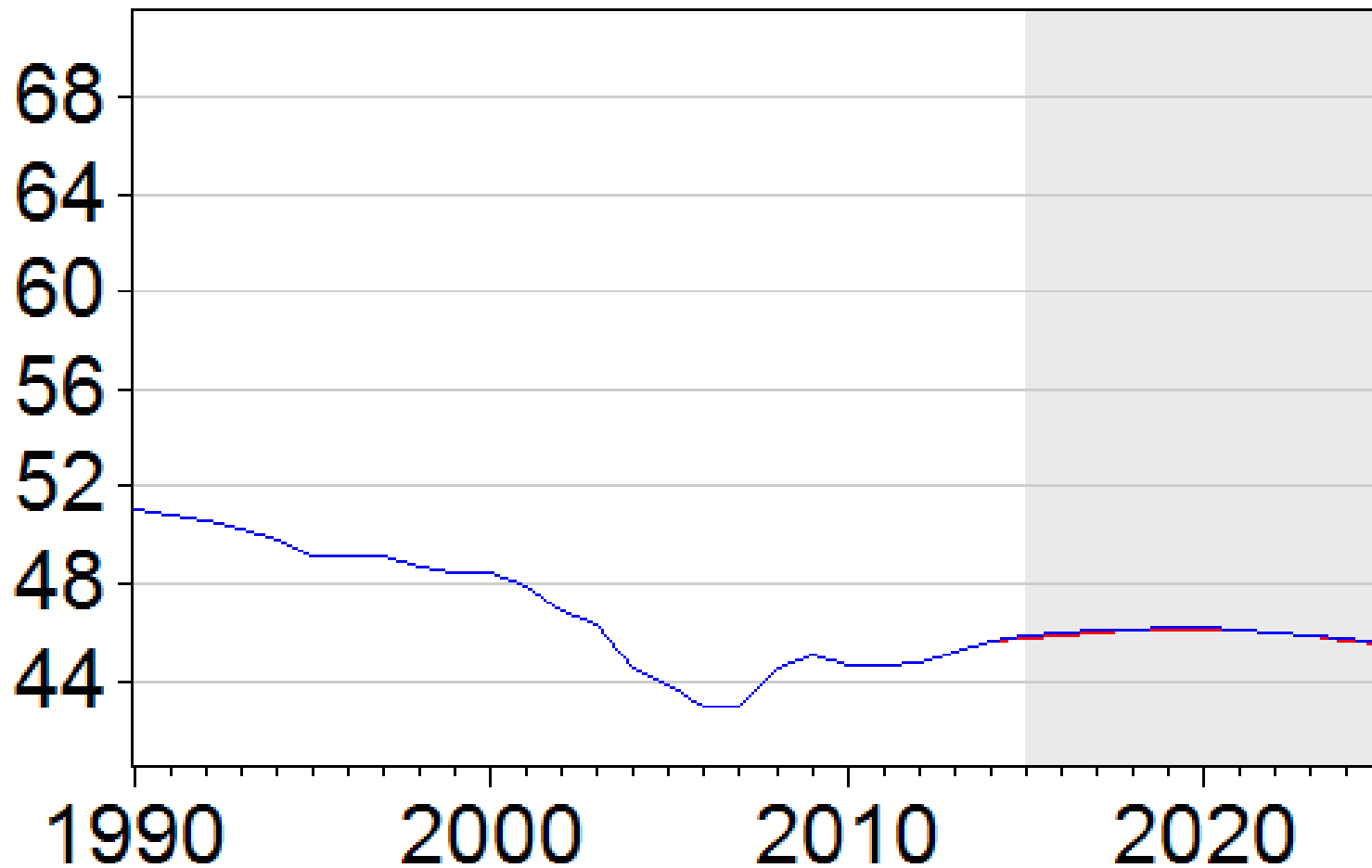
Implications for DNG countries

- Higher inequality
- Weakening of domestic demand
- Higher credit creation (financial liberalization)
- Higher financial instability
- ISDS: Loss of policy independence

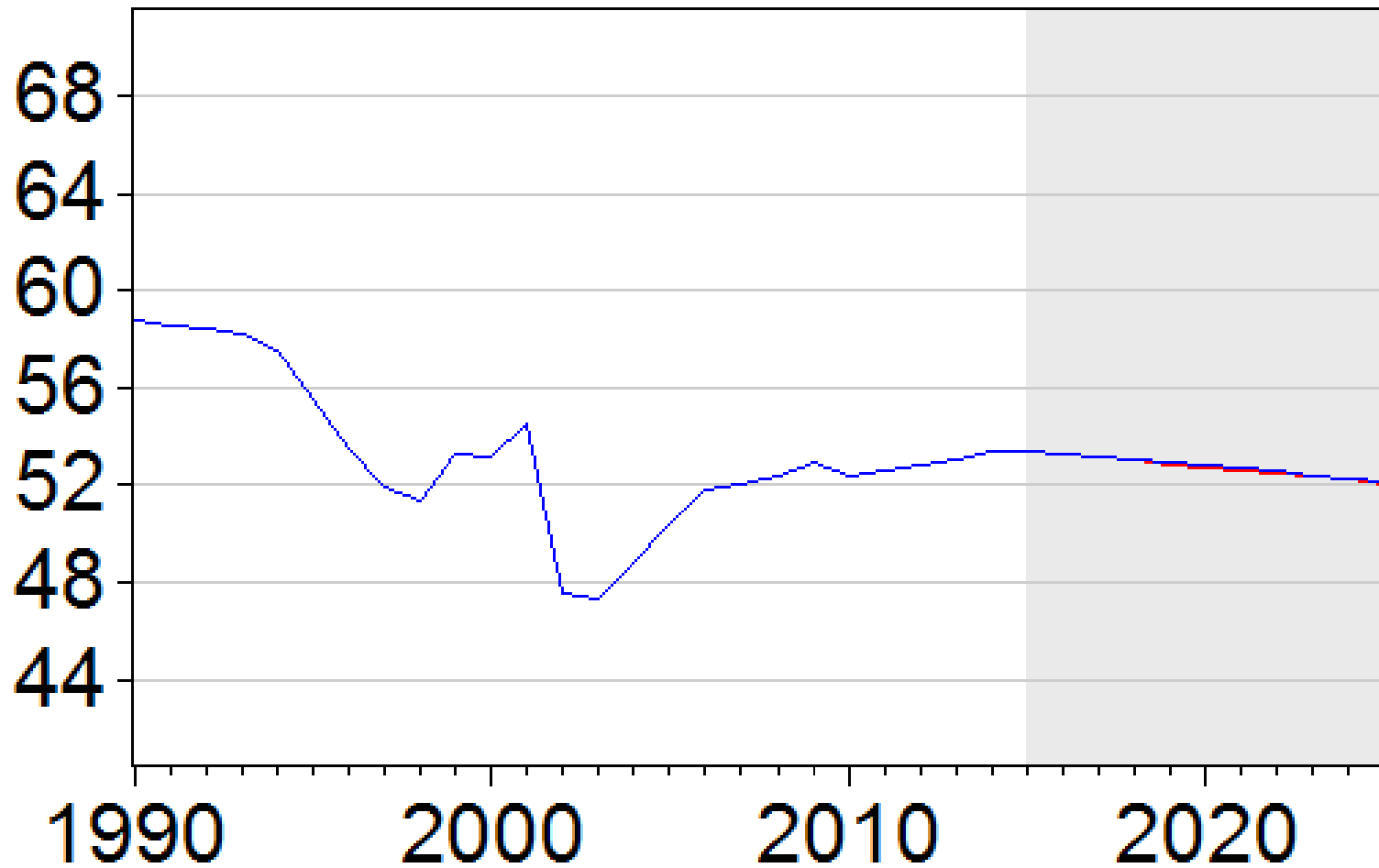
Empl. Income/GDP: China



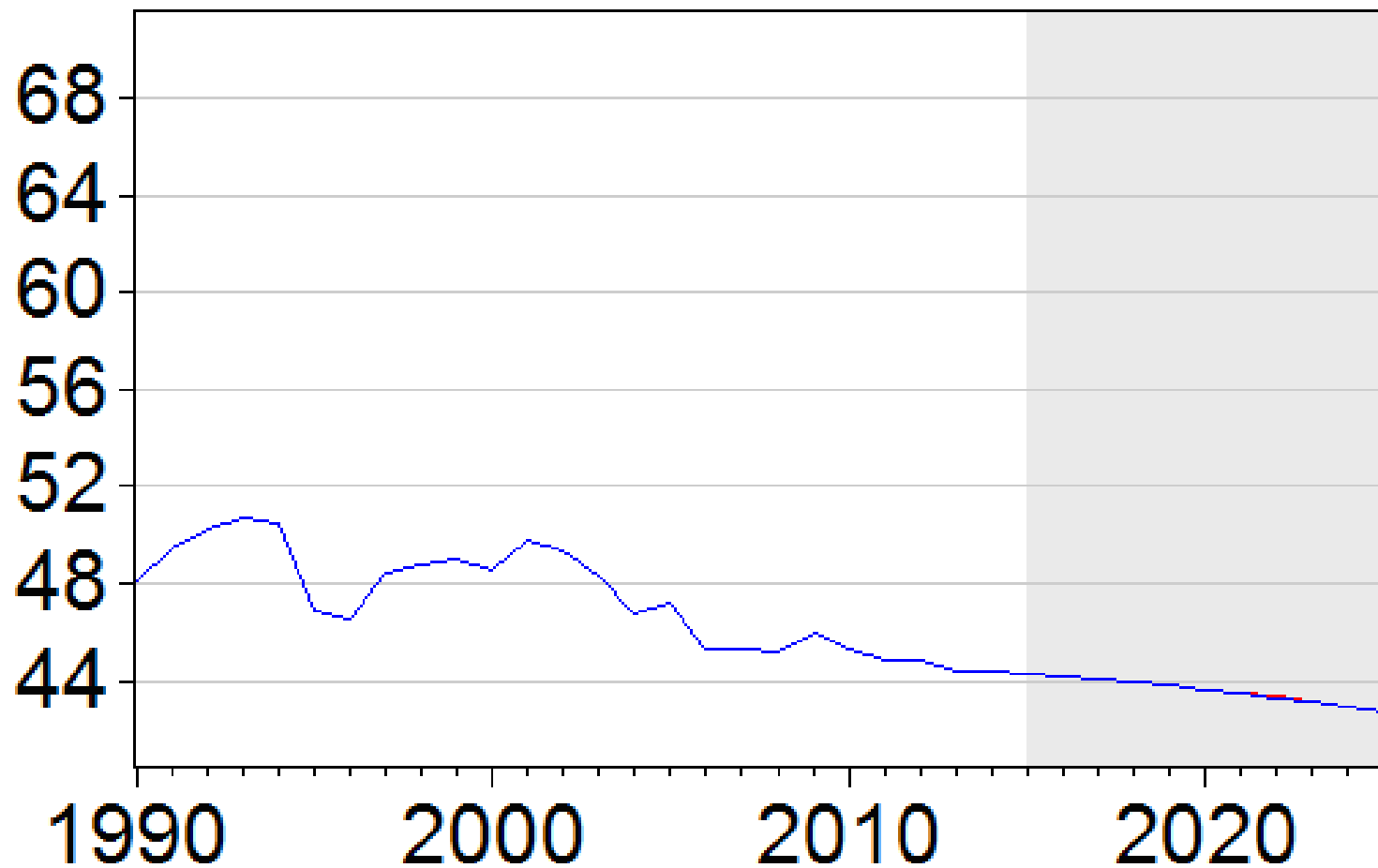
Empl. Income/GDP: India



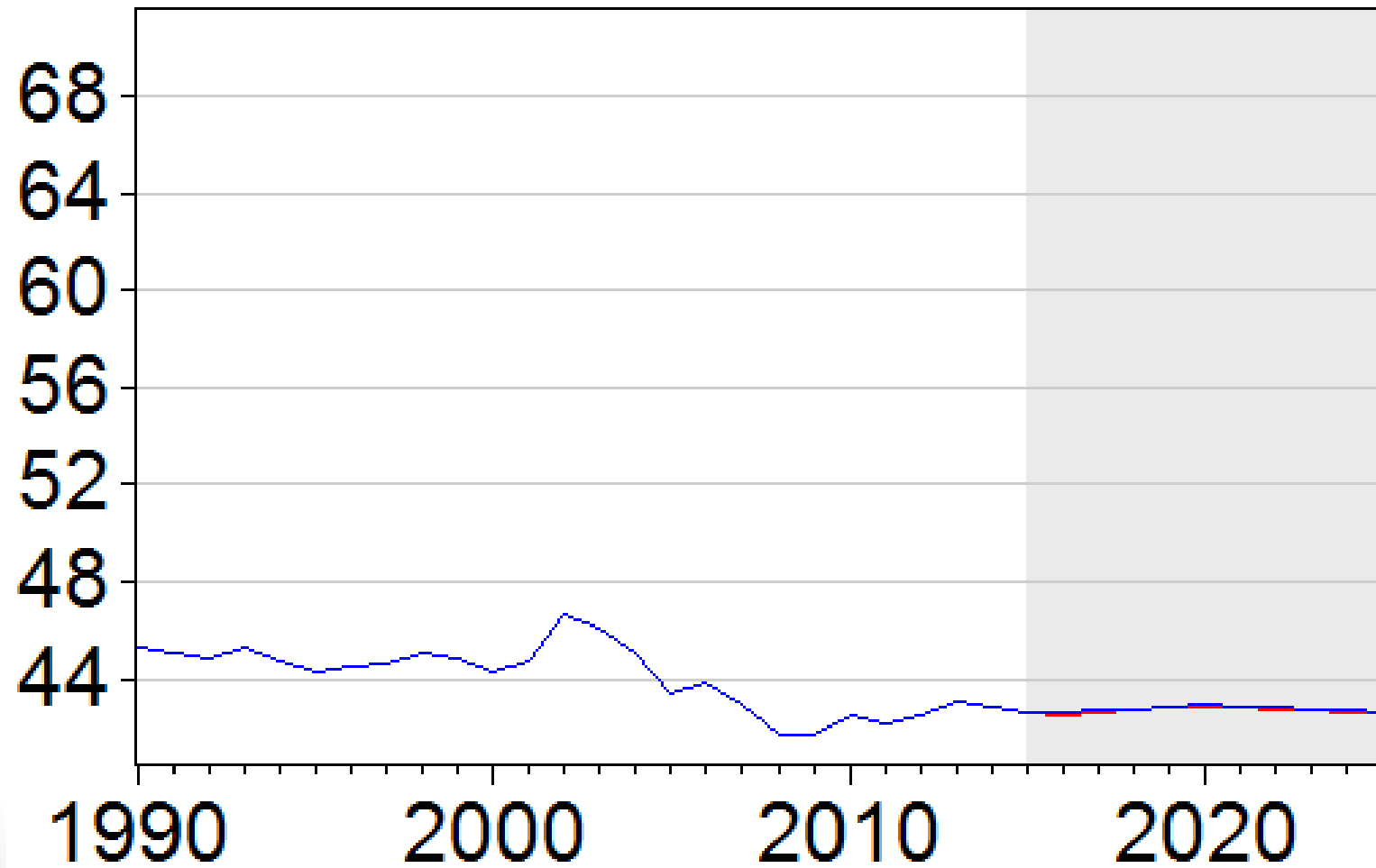
Empl. Income/GDP: Argentina



Empl. Income/GDP: Central Am.



Empl. Income/GDP: SSA



Thank You!

capaldo@ilo.org