SESSION 3:
New regional trade architecture, systemic coherence and development

MEGA REGIONAL TRADE AGREEMENTS
IMPLICATIONS FOR INCLUSIVE DEVELOPMENT

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Mega Regional Trade Agreements
Implications for Inclusive Development

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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**
<table>
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<tr>
<th></th>
<th>Net Exports</th>
<th>GDP Growth</th>
<th>Employment</th>
<th>Empl. Income</th>
<th>Net Taxes</th>
<th>Depend. Ratio</th>
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<tbody>
<tr>
<td>Units</td>
<td>% GDP</td>
<td>%diff</td>
<td>Thousands</td>
<td>EUR/employee</td>
<td>% GDP</td>
<td>%</td>
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<td>Other Surplus EU</td>
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<td>Other deficit EU</td>
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<td>EU Total</td>
<td></td>
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<td>583,000</td>
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</table>
Income from employment as % of GDP
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!

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