EMPLOYMENT IMPACTS OF MEGA-TRADE DEALS

Session-5

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Employment impacts of mega-trade deals

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Trade Policy and Sustainable Development Meeting
UNCTAD, Geneva, 6-8th October 2015
Objectives

• TPP, RCEP, TTIP, Doha
• Under negotiation
• Assess trade and employment impacts
• Exemptions not known?
Global general equilibrium

- GTAP
- Version 9, base 2011
- Bilateral trade and tariffs
- Includes preferential tariffs (needed for FTAs) from TASTE
- Whole economy
- Includes resource (land, labour, capital) constraints
- Limitation - each country: one region, one household
Scenarios

• Baseline to 2015, 2020 and 2025
• ‘Modest’ FTA with many exemptions
  i. TPP
  ii. RCEP
  iii. TTIP
  iv. Doha
Methodology

- Specify baseline growth projections of GDP, labour, land, capital and productivity
- Simulate alternative scenarios or negotiated tariff reductions using previous FTAs as a guide to exemptions
- Report deviation of alternative scenarios from baseline
Exemptions

- Scheduled tariff cuts have exemptions for sensitive products
- Few in number but cover large volume of trade
- These differ by partner
- Specify HS 6 level tariff cuts (5052 products) from bilateral applied tariff schedules as negotiated
• Aggregates tariffs weighted by bilateral trade
• Contains bilateral bound and applied tariffs and trade
• 5052 HS6 commodities x 236 regions
• 186,835,304 records
• Aggregate to 30 sectors x 32 regions
• Generate tariff cuts for GTAP
<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Industrial</th>
<th>Services</th>
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<tbody>
<tr>
<td>Rice</td>
<td>Beverages &amp; tobacco</td>
<td>Transport and comm.</td>
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<td>Other cereals</td>
<td>Textiles</td>
<td>Utilities</td>
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<td>Oilseeds</td>
<td>Wearing apparel</td>
<td>Business services</td>
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<td>Vegetable oils</td>
<td>Electronics</td>
<td>Other services</td>
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<tr>
<td>Sugar</td>
<td>Petroleum, coal products</td>
<td>Transport and comm.</td>
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<tr>
<td>Vegetables, fruit, nuts</td>
<td>Motor vehicle &amp; trans equip</td>
<td>Utilities</td>
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<td>Plant fibres</td>
<td>Wood &amp; paper products</td>
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<tr>
<td>Other crops</td>
<td>Chemical, rubber &amp; plastics</td>
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<td>Livestock</td>
<td>Machinery and equipment nec</td>
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<td>Beef and veal</td>
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<td>Pork and poultry</td>
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<td>Dairy products</td>
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<td>Retail services</td>
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<td>Technical and professional</td>
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<td>Off_mgr_pros</td>
<td>Office managerial</td>
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<td>Ag_othlowsk</td>
<td>Agriculture and other low skilled</td>
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</tbody>
</table>
Project GD (Projected GDP)

2011 = 100.

Source: IMF
Mexico, growth in factors 2011 to 2025

Source: IMF
Results

- Macro
  - Welfare
  - Exports
  - Imports
  - Real wages

- Sector
  - Output
  - Employment
Global welfare in 2020 relative to 2011

Little change from baseline
Global welfare in 2020 relative to baseline in 2020

Doha Round dominates
Winners and losers
Welfare in 2020 relative to baseline in 2020

Vietnam gains from TPP
Exports in 2020 relative to 2011

Modest gains
Indonesia: Real wages vary by type in 2020 relative to 2011

Oversupply of skilled labour
Indonesia: Real wages in 2020 relative to 2020 base

RTAs have little impact
Vietnam: Employment by sector Doha scenario in 2020 relative to 2020 base

Movement from manufactures to textiles
Implications

• Likely impacts from proposed FTAs
  • Intra-FTA trade increases
  • Income and real wages increase
  • However, gains are small compared with underlying growth
  • Growth depends on capital and productivity
Limitations

- Speed of adjustment
- One representative firm/household per region
- Five labour types
- Substitutability between labour types
- Substitutability between labour and capital
- Closure - wages vs employment
The End