



## TRADE POLICY AND SUSTAINABLE DEVELOPMENT MEETING

Geneva, 6 – 8 October 2015

### **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

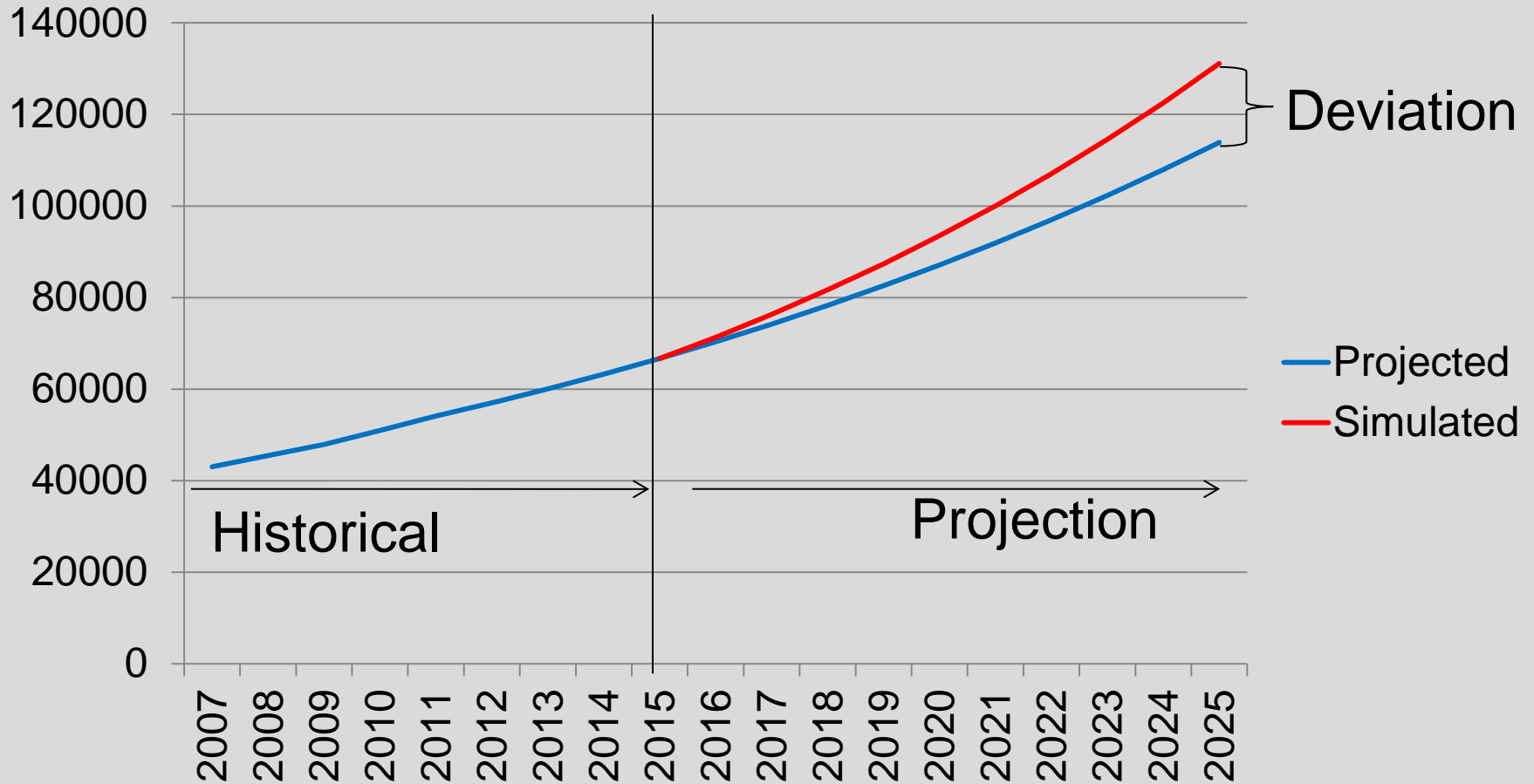
- TPP, RCEP, TTIP, Doha
- Under negotiation
- Assess trade and employment impacts
- Exemptions not known?

- 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

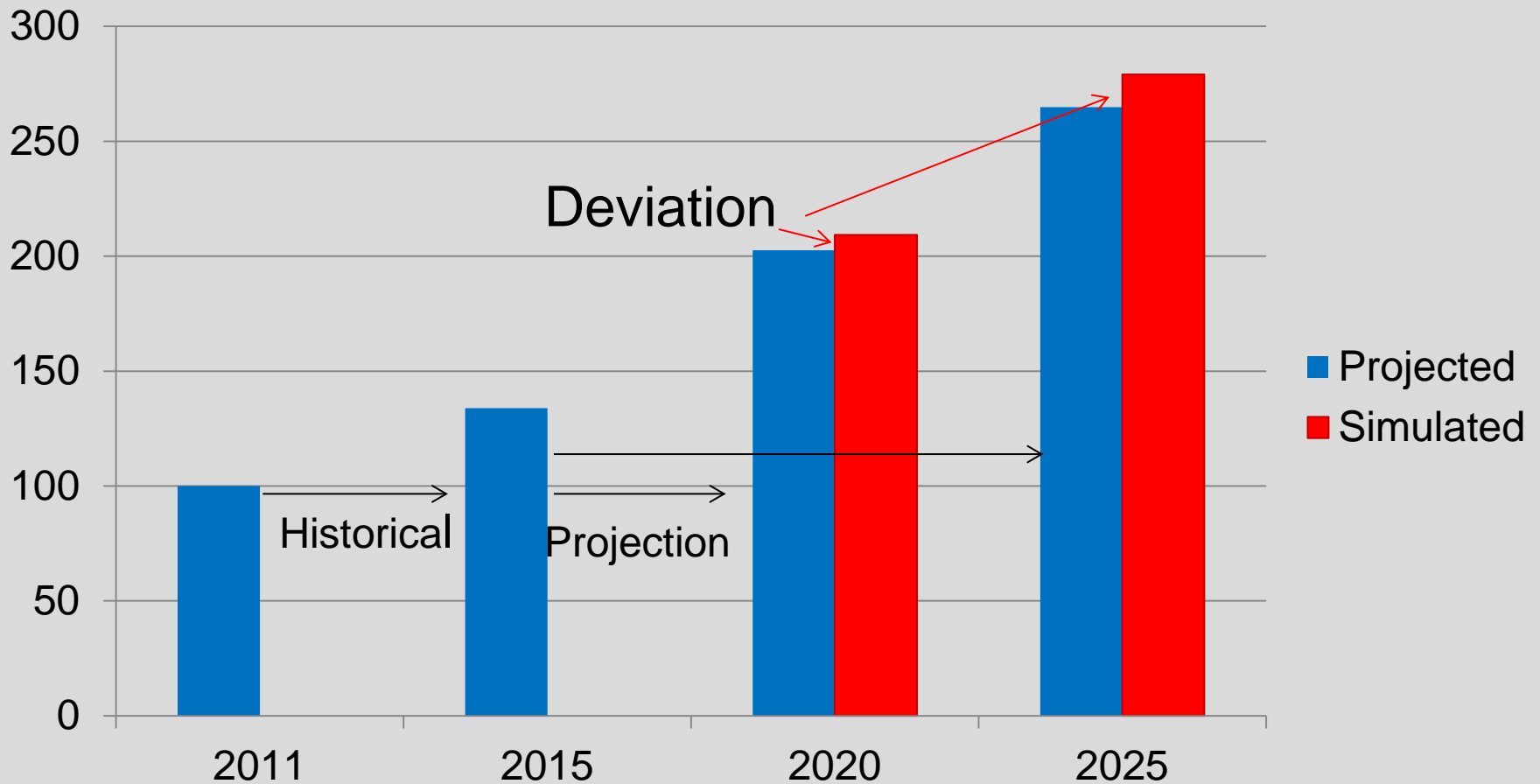
- Baseline to 2015, 2020 and 2025
- ‘Modest’ FTA with many exemptions
  - i. TPP
  - ii. RCEP
  - iii. TTIP
  - iv. Doha

- 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

# Baseline



# Baseline in steps





- 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

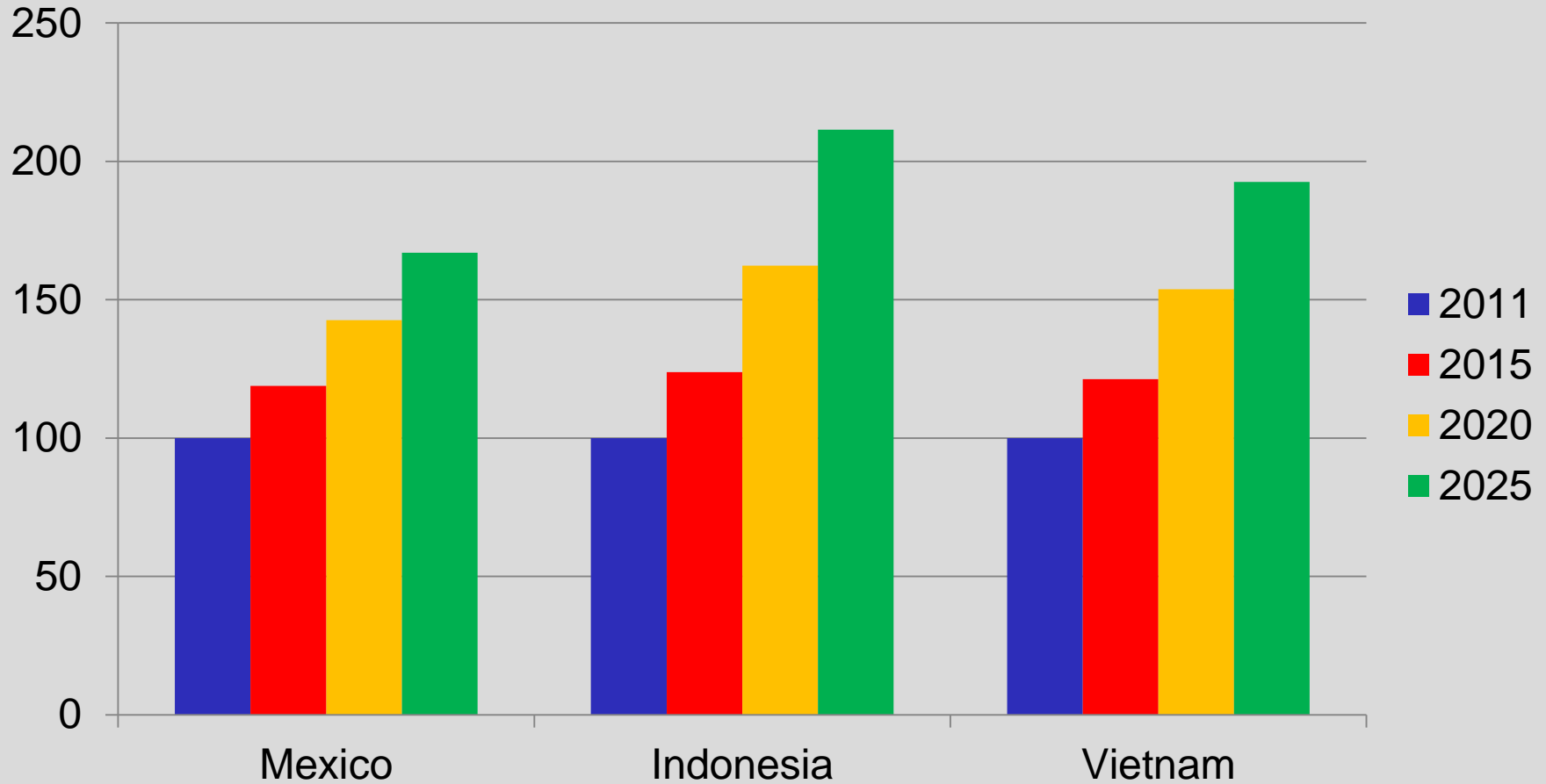
- Aggregates tariffs weighted by bilateral trade
- Contains bilateral bound and applied tariffs and trade
- 5052 HS6 commodities x 236 regions
- 186,835,304 records
- Aggregate to 30 sectors x 32 regions
- Generate tariff cuts for GTAP

# Sectoral coverage

Agriculture	Industrial	Services
Rice	Beverages & tobacco	Transport and comm.
Other cereals	Textiles	Utilities
Oilseeds	Wearing apparel	Business services
Vegetable oils	Electronics	Other services
Sugar	Petroleum, coal products	Transport and comm.
Vegetables, fruit, nuts	Motor vehicle & trans equip	Utilities
Plant fibres	Wood & paper products	
Other crops	Chemical, rubber & plastics	
Livestock	Machinery and equipment nec	
Beef and veal	Mineral products nec	
Pork and poultry	Manufactures	
Dairy products		
Food products nec		

Label	Description
Clerks	Clerks
Service_shop	Retail services
Tech_aspros	Technical and professional
Off_mgr_pros	Office managerial
Ag_othlowsk	Agriculture and other low skilled

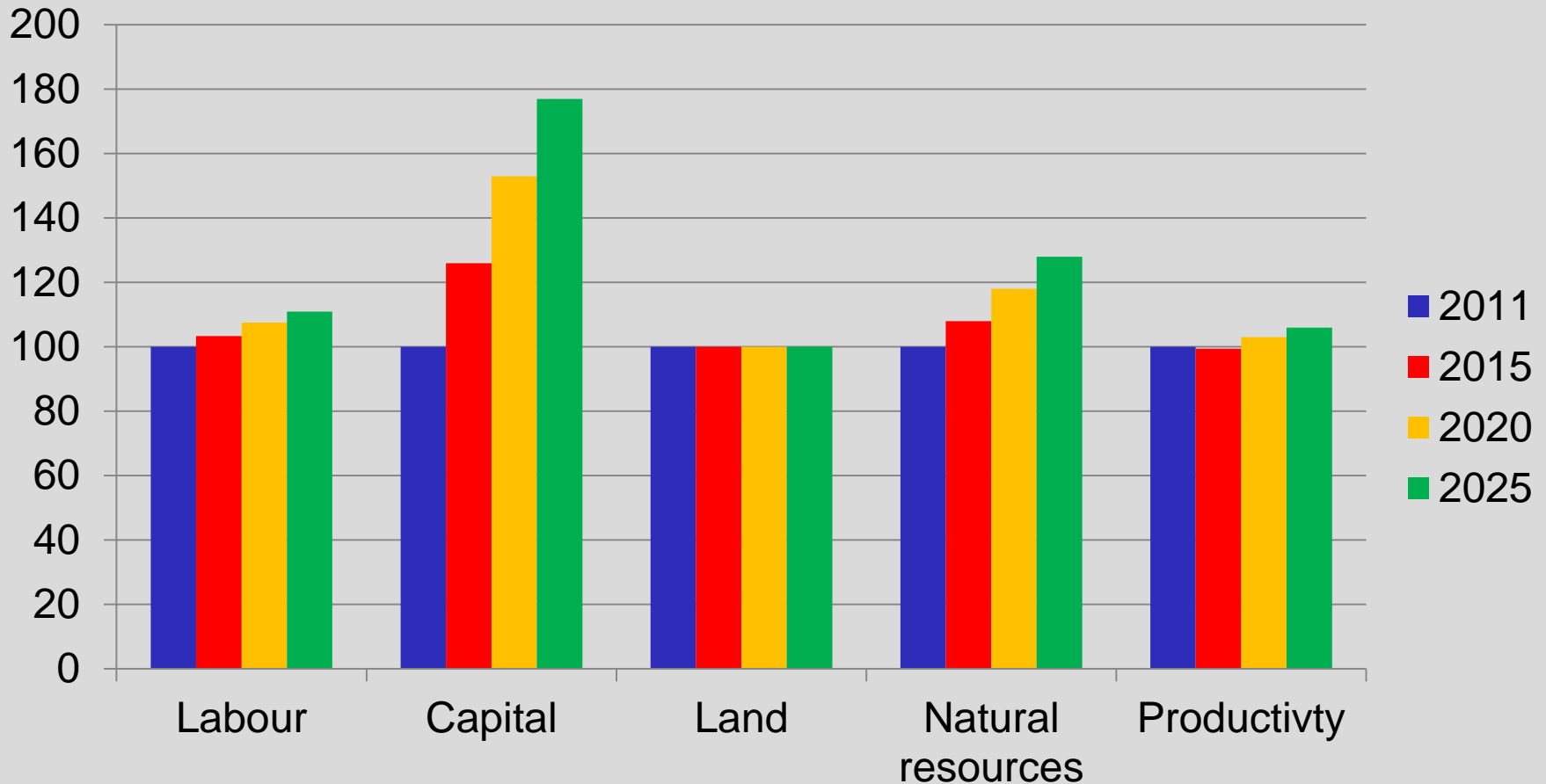
2011=100.



Source: IMF

# Mexico, growth in factors 2011 to 2025

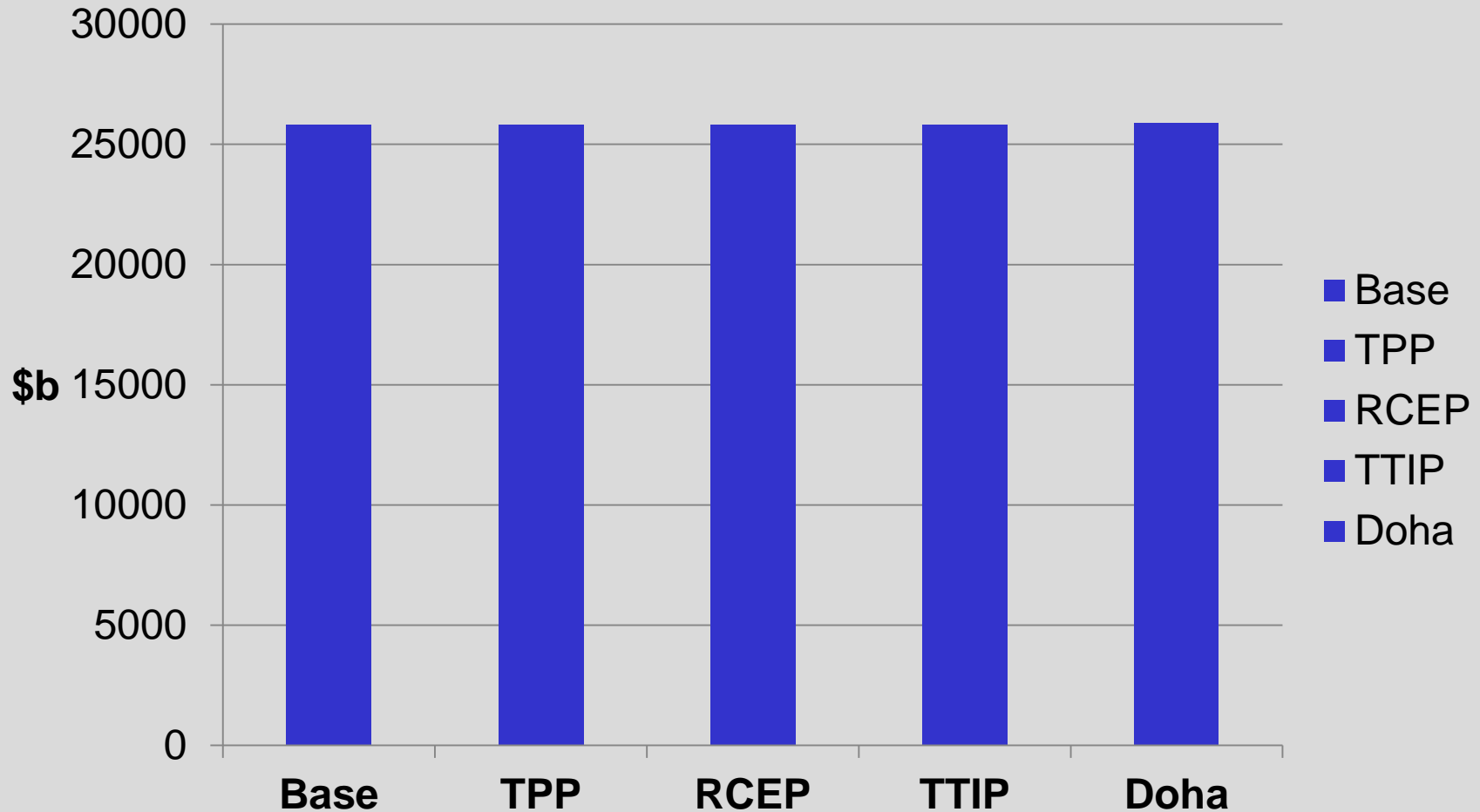
2011=100.



Source: IMF

- Macro
  - Welfare
  - Exports
  - Imports
  - Real wages
- Sector
  - Output
  - Employment

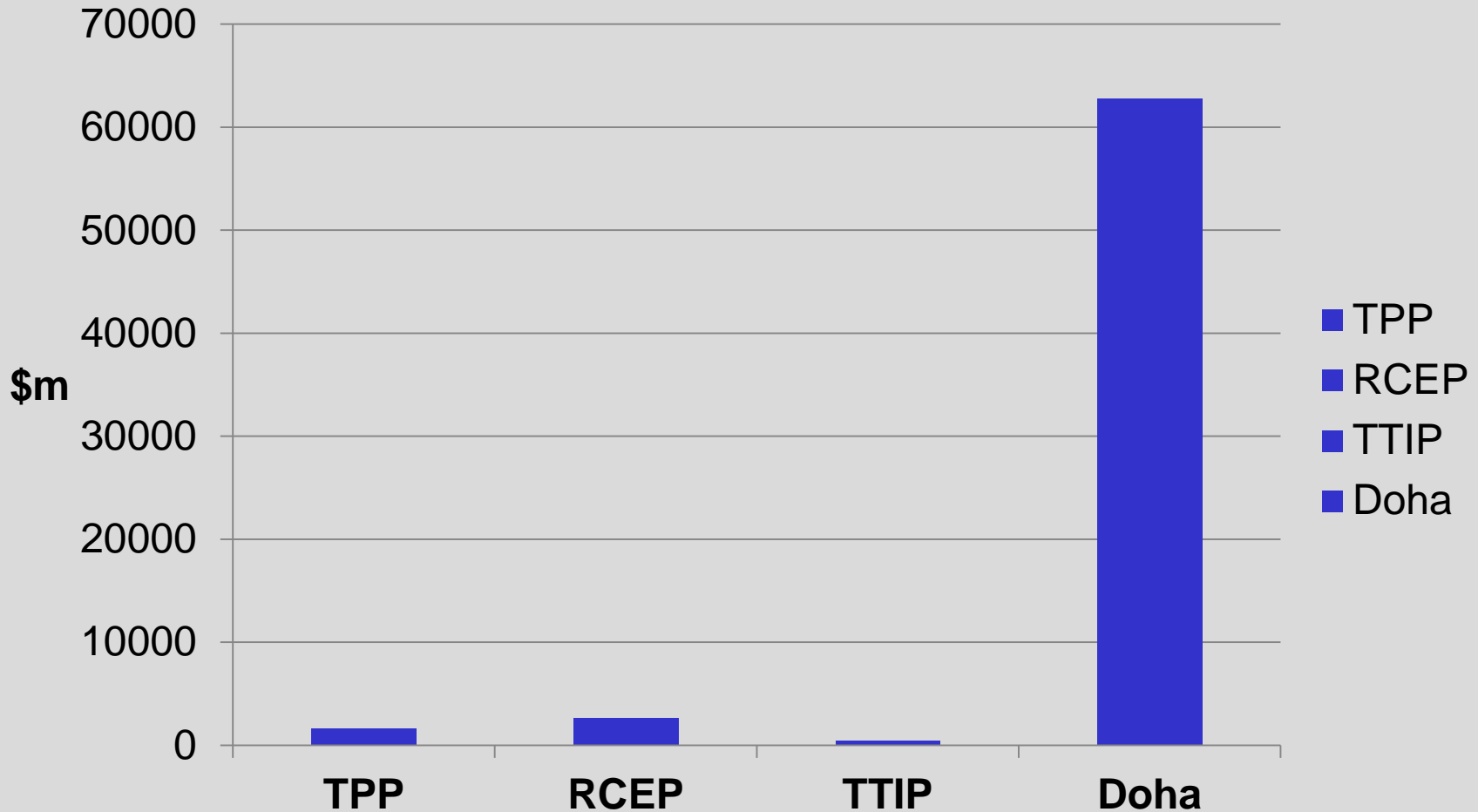
# Global welfare in 2020 relative to 2011



Little change from baseline



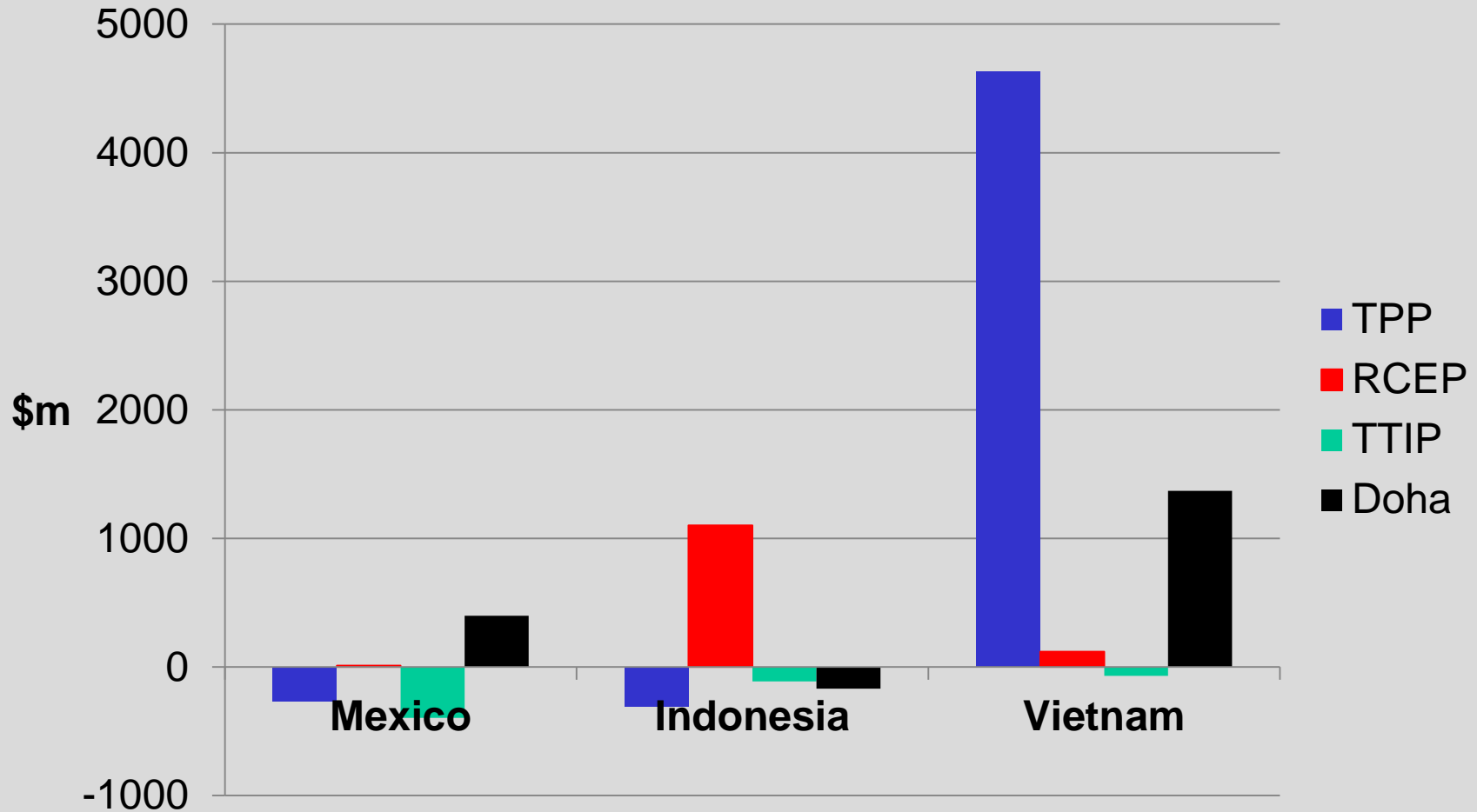
# Global welfare in 2020 relative to baseline in 2020



Doha Round dominates

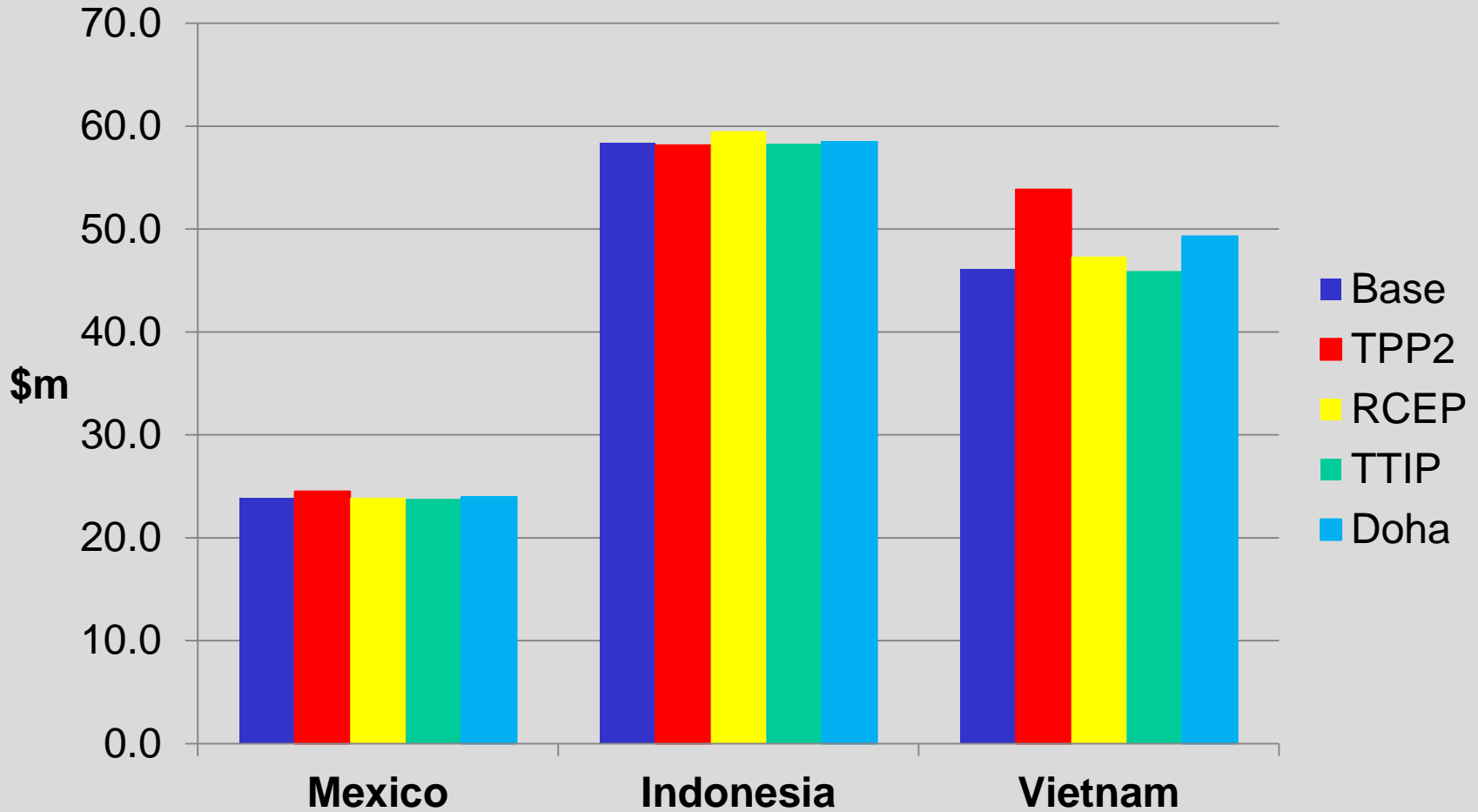
# Winners and losers

## Welfare in 2020 relative to baseline in 2020



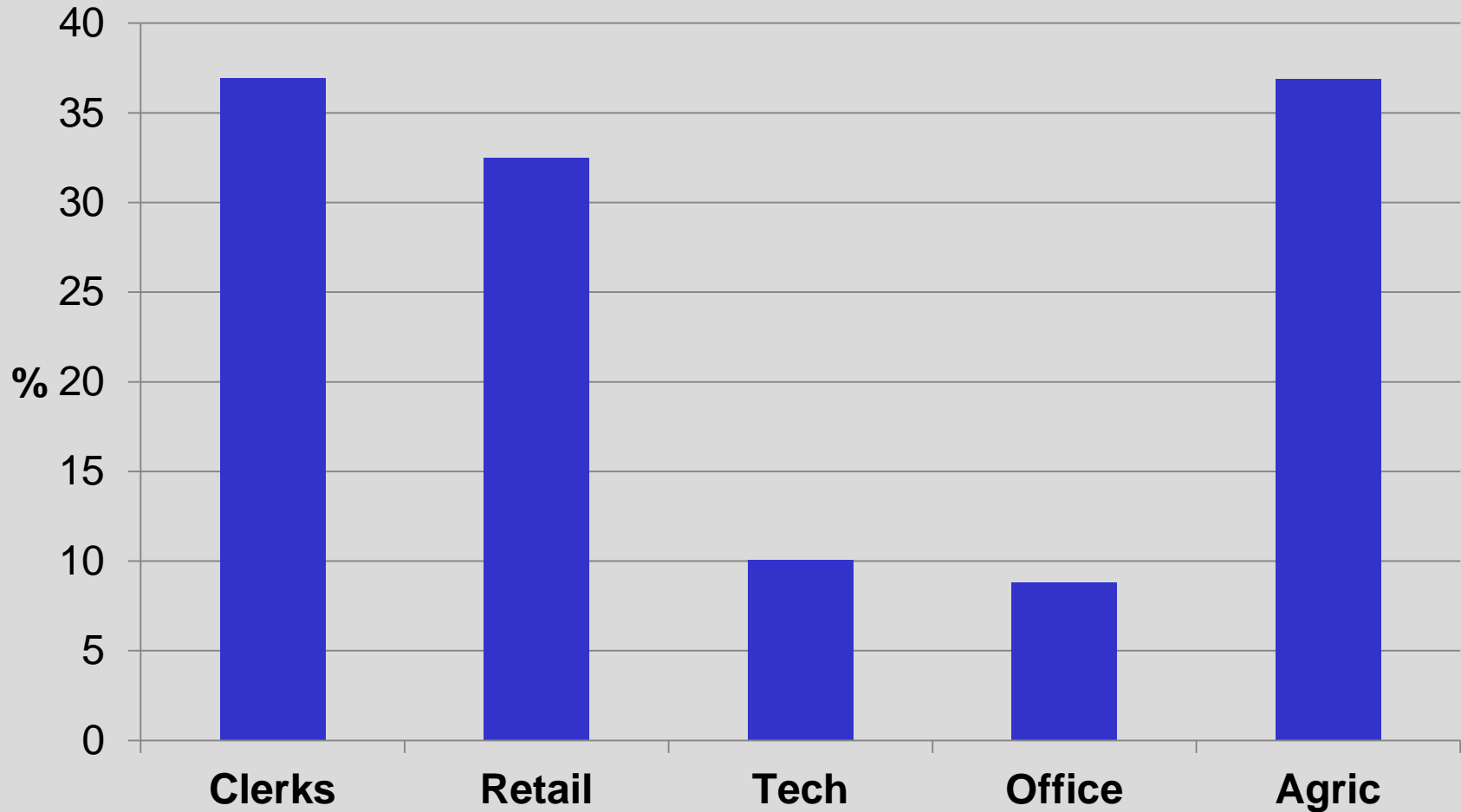
Vietnam gains from TPP

# Exports in 2020 relative to 2011



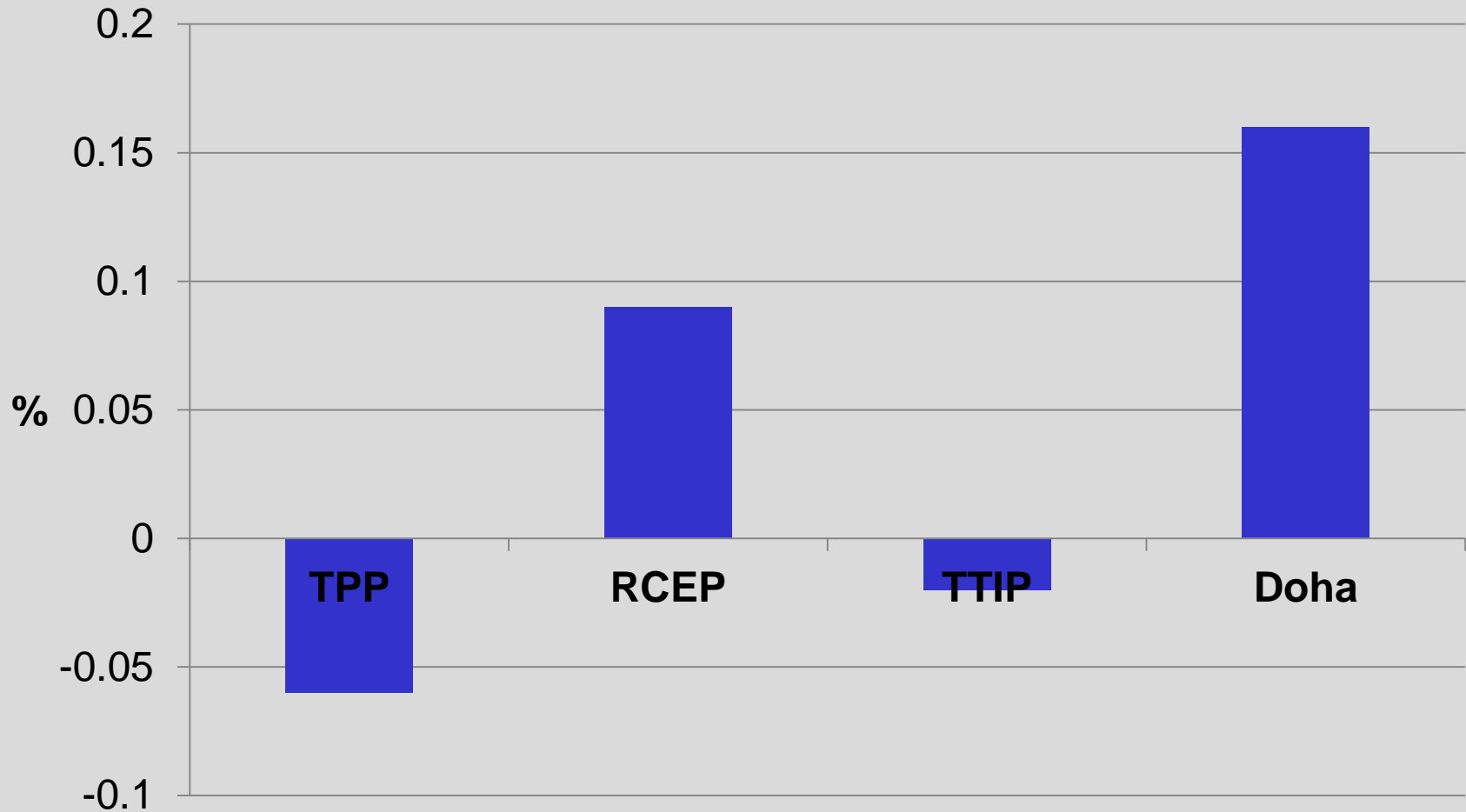
Modest gains

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



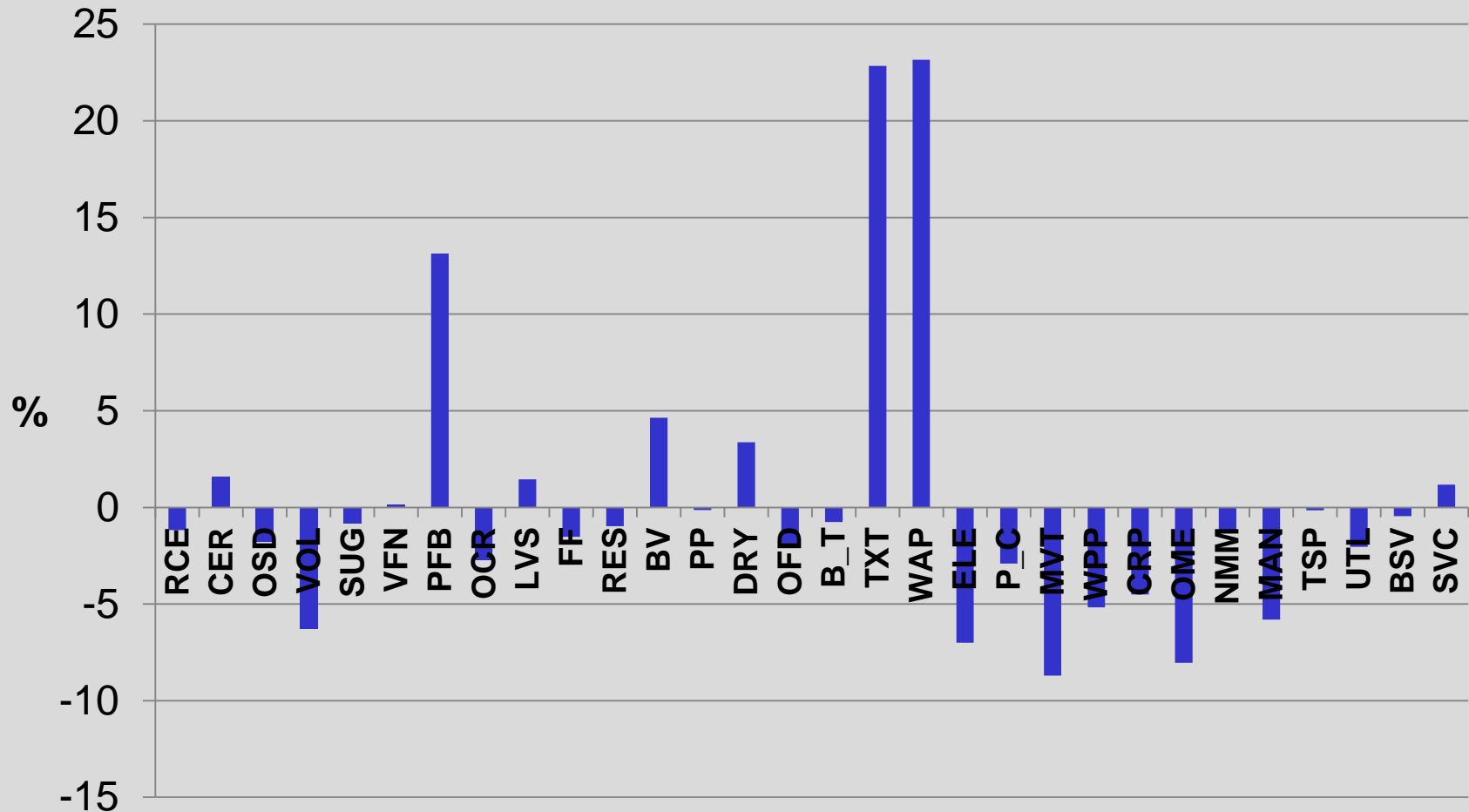
Oversupply of skilled labour

# 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

- 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

- 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