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Pacific Trade Pact Set to Give Big Boost to Japan, Vietnam, Malaysia

Trans-Pacific Partnership would benefit other countries to a lesser extent

By William Mauldin

Japan, Vietnam and Malaysia are set to get a big economic boost from a sweeping Pacific trade agreement concluded in October, while the U.S. and other North American countries would see much smaller gains from the Trans-Pacific Partnership, according to the first detailed study of the pact.

Officials from 12 countries agreed to eliminate most tariffs over time and also to remove other barriers to trade, as well as to set unified commercial rules for everything from drug patents to labor and environmental standards. The countries finished the TPP negotiations last year, but the trade agreement can't take effect without approval from a deeply divided U.S. Congress and other parliaments in the bloc.

If the Pacific agreement is enacted, Vietnam would get the biggest percentage boost to its economy—about 10% by 2030—as its textiles and apparel industry gets new preferential access to the U.S. and other major markets. Japan would see extra economic growth of 2.7% by 2030 while the U.S. could expect additional economic growth of 0.4% by 2030, according to the study, released by the World Bank.

Malaysia's economy would swell by 8% as its exporters acquire an advantage over regional competitors that aren't part of the bloc, including Thailand, the Philippines and Indonesia.

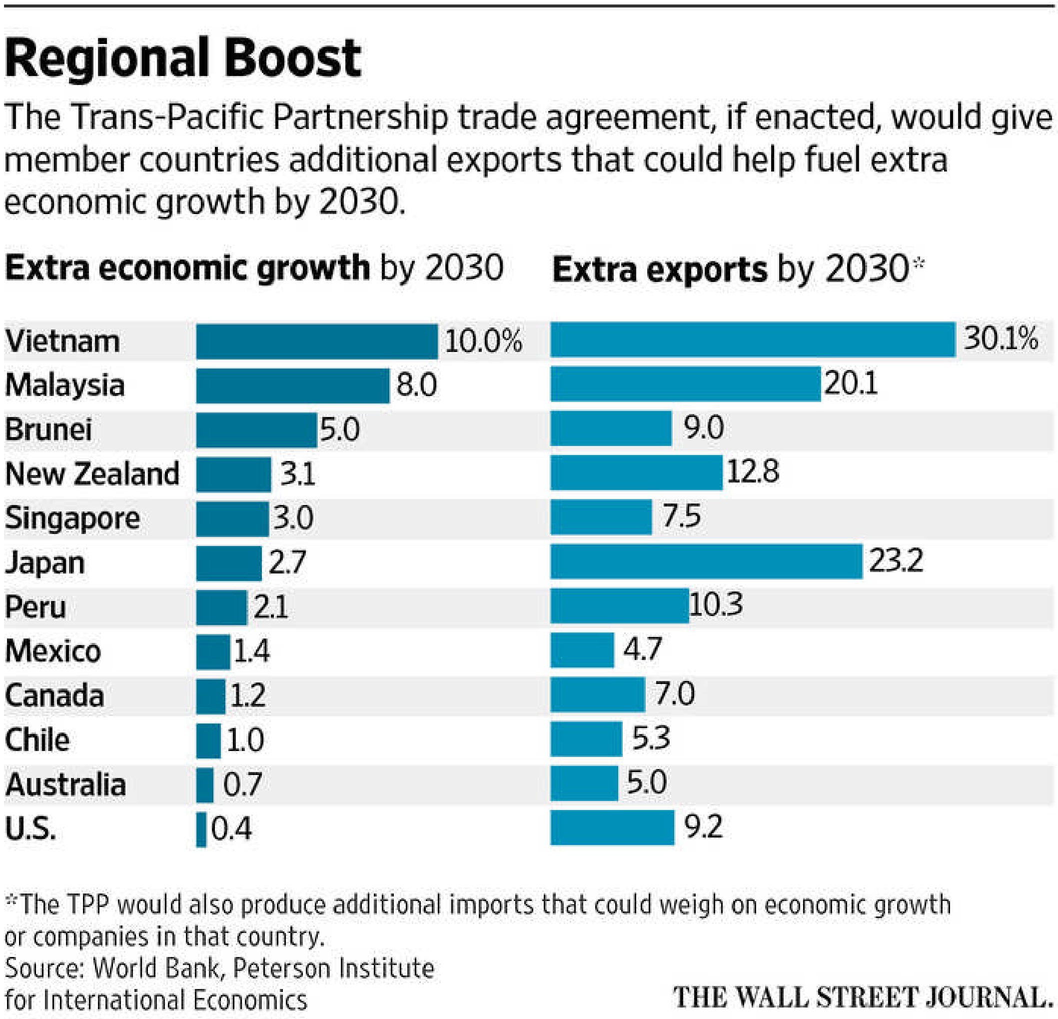
The U.S., Canada and Mexico would see relatively smaller economic benefits coming from the TPP because they already opened their borders two decades ago to huge volumes of trade through the North American Free Trade Agreement, or Nafta.

The U.S. stands to benefit from the lifting of barriers to services and electronic commerce exports to Japan and other countries, according to the study, which builds on a simulation published by the Peterson Institute for International Economics. Overall, TPP countries would get an economic increase of up to 1.1%.

"The tariff reductions that we are seeing from the actual agreement are bigger than people, including us, had anticipated," said Peter Petri, professor of international finance at Brandeis University and a co-author of the study.

The economic study released Wednesday—and another expected in May from the U.S. International Trade Commission—will likely serve as ammunition for business groups and the farm lobby in the U.S. as they press Congress to vote on the trade agreement as early as this spring. The U.S. Chamber of Commerce on Wednesday became the third major business group to endorse the TPP.

The Business Roundtable, which includes chief executives of some of the biggest U.S. companies, on Tuesday endorsed the TPP, saying its provisions to lower trade barriers and set rules of the road will help U.S. companies that already have to compete globally. “There aren’t walls tall enough and moats deep enough to keep the competition away,” said John Engler, the former Michigan governor who leads the Business Roundtable.



Labor groups and some economists who oppose the TPP say any benefits the U.S. gained through additional exports would be offset by increased imports that would eliminate some American manufacturing jobs.

Countries that don’t join the bloc could suffer, the report says. Thailand could see a 0.9% hit to its gross domestic product by 2030 if it doesn’t join the bloc. South Korea, which already has a free-trade agreement with the U.S. that is the model for the TPP, would also see a small economic hit, since it would lose the advantages its firms have enjoyed in the U.S. relative to Japan’s. Seoul has also expressed interest in joining the TPP.

The Pacific deal would also provide a slight boost to exports from China—not a member of the bloc—as Southeast Asian countries take steps to improve the flow of trade within the region, but Beijing would also see a small, “really negligible” hit to the country’s GDP due to its exclusion from the group, said Franziska Ohnsorge, an economist at the World Bank who helped prepare the study.

“The bulk of China’s exports to the U.S. don’t compete directly with Vietnam,” she said, which means Vietnam’s gains in textiles and other shipments to the U.S. won’t come at the expense of Beijing.

China has expressed interest in the TPP, but economists say it probably won’t join soon because Beijing appears unwilling to open its borders to competition in many sensitive industries.