

Case Analysis II

Transatlantic Trade and Investment Partnership (TTIP)

EE459

Semester 1/2016

***Transatlantic Trade and
Investment Partnership (TTIP)***

Transatlantic Trade and Investment Partnership (TTIP)

- The Transatlantic Trade and Investment Partnership (TTIP) is a proposed trade agreement between the **European Union** and the **United States**, with the aim of promoting trade and multilateral economic growth.
- The American government considers the TTIP a companion agreement to the Trans-Pacific Partnership (TPP).
- The agreement is under **ongoing negotiations** and its main **three broad areas** are: **market access**; **specific regulation**; and broader **rules and principles** and **modes of co-operation**.
- The negotiations were planned to be finalized by the end of 2014, but will not be finished until 2019 or 2020, according to economist Hosuk Lee-Makiyama.

Office of the US Trade Representative

Transatlantic Trade and Investment Partnership (T-TIP)

- The Transatlantic Trade and Investment Partnership (T-TIP) is an **ambitious, comprehensive, and high-standard trade and investment agreement** being negotiated between the United States and the European Union (EU).
- T-TIP will help **unlock opportunity** for **American families, workers, businesses, farmers and ranchers** through **increased access** to European markets for Made-in-America goods and services.
- This will help to **promote U.S. international competitiveness, jobs and growth.**
- The U.S. and EU economies are two of the most modern, most developed, and most committed to high standards of consumer protection in the world.
- T-TIP aims to bolster that already strong relationship in a way that will help boost economic growth and **add to the more than 13 million American and EU jobs** already supported by transatlantic trade and investment.
- T-TIP will be a cutting edge agreement aimed at providing greater compatibility and transparency in trade and investment regulation, while maintaining high levels of **health, safety, and environmental protection.**
- T-TIP presents an extraordinary opportunity to strengthen the bond between vital strategic and economic partners.
- **Source:** <https://ustr.gov/ttip>

Transatlantic Trade and Investment Partnership (TTIP)

The European Commission says that the TTIP would boost the EU's economy by €120 billion, the US economy by €90 billion and the rest of the world by €100 billion.

- According to Anu Bradford, law professor at Columbia Law School, and Thomas J. Bollyky of the Council on Foreign Relations, TTIP aims to "**liberalise one-third of global trade**" and could create **millions of new jobs**.
- However, a Guardian article by Dean Baker of the US thinktank Center for Economic and Policy Research argued that the economic benefits per household would be relatively small.
- According to a **European Parliament report**, the **effects range from job gains to job losses, depending on the economic models** and assumptions used for predictions.

GTAP – Data Preparation and Simulation

Using GTAPAgg to **create the new global trade database**.
Specifically this database is composed of :

- **6 regions** (NAFTA, EU, China, ASEAN, Thailand, RoW)
- **10 groups of commodities**

Then, run this simulation:

- Imposing zero import tax for all commodities traded among TTIP members (NAFTA and EU)

Research Tasks

(3) Apply GTAP to run the simulation. Specifically, please examine impacts of zero import-tax policies on the following variables :

- **GDP** (“qgdp” on GTAP) of 6 regions
- **Inflation** (“pgdp” on GTAP) of 6 regions
- **Change on Trade Balance** (“DTBAL”) of 6 regions
- Also please rank sectors that will gain their export volumes according to the zero import-tax policy (ranked by % change in export as shown in **qxw [* ,Thailand])**
- Rank sectors that will increase their import volumes caused by the zero import-tax policies (ranked by % change in imports as indicated by **qim[* ,Thailand])**

Research Tasks

(4) Compare main findings obtained from the simulation

- Compare positive and negative impacts on 3 main macro indicators (Real GDP, CPI and Trade Balance) of Thailand and those of other countries.
- Compare positive and negative impacts on 10 groups of commodities of Thailand and those of other countries.
- Other data sources and methods of analyses are welcome.

(5) Propose policy recommendations that would lead to the highest benefit of Thailand

- Should EU and NAFTA countries join TTIP?
 - What should Thailand do with the export-declining sectors and the import-rising industries?
 - What should Thailand do with the export-gaining commodities?

Suggestions on the 2nd Assignment

- (1) Written report : the format typically used by consulting companies (PowerPoint with texts and graphs/diagrams)
- (2) Submit the hardcopy in the box attached to my office's door (October 11, 2016) and also email the PowerPoint file to nattapong@econ.tu.ac.th (by 5.00pm)
- (3) Presentation date : October 12 and 14 (time slot : 15 minutes for each group)
- (4) Sequence of presentation : from draw

Suggestions on the 2nd Assignment

(5) Length of report : 12-15 pages

(6) Structure of the report

- **Part 1 – Background of TTIP**
- **Part 2 - Analytical methodologies and results**
 - Results from GTAP simulations
- **Part 3 - Policy recommendations**
 - Other related info/data are welcome

Grading Criteria

Quality of report (60%)

- appropriate methodologies (20%)
- critical reasoning in result analysis and policy recommendation (20%)
- format of report (comprehensive graphical communication and concise text explanation) (10%)
- on-time submission (10%)

Quality of presentation (40%)

- convincing verbal explanation (30%)
- comprehensive Q&A (10%)