

Updating NAFTA: Implications of the Trans-Pacific and Trans-Atlantic Partnerships

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Mexico and the United States: Building on the Benefits of NAFTA

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Overview: TPP, TTIP and NAFTA

- The slow pace of the Doha Round has led key trading nations to pursue “mega-regional” free trade initiatives.
 - Trans-Pacific Partnership (TPP);
 - Transatlantic Trade and Investment Partnership (TTIP).
- US, Canada, and Mexico negotiating TPP; each has separate initiatives with Europe.
- TPP and TTIP aim to (1) deepen trade/investment ties with partner countries; (2) create new trade rules in areas not yet covered by WTO obligations; and (3) set precedents for broader multilateral negotiations.
- Both have important implications for NAFTA and North American economic integration.

Why TPP is important for NAFTA countries

- TPP-12 countries represent almost 40% of global output and 25% of global exports.
- NAFTA is core of TPP: 68% of combined output and almost 60% of population.
- Developing comprehensive new 21st century rulebook for trade and investment.
- Adds new FTA partners, plus updates existing pacts with other TPP countries.
- Reinforces economic and political ties among Asia-Pacific countries; stepping stone to broader Asia-Pacific and multilateral trade accords.
- TPP would generate significant income/trade gains for each country.

NAFTA and TPP, 2025

Country	Income gains				Export gains			
	TPP-12		TPP-16		TPP-12		TPP-16	
	US\$	%	US\$	%	US%	%	US\$	%
United States	76.6	0.4	108.2	0.5	123.5	4.4	190.5	6.8
Canada	8.7	0.4	12.4	0.6	13.8	2.3	17.7	3.0
Mexico	9.9	0.5	31.2	1.6	19.1	3.8	40.1	7.9
NAFTA total	95.3	0.4	151.9	0.6	156.4	4.0	248.3	6.3
TPP-12 total	285.0	0.9	395.6	1.2	440.5	6.6	633.1	9.5
NAFTA gains as a % of TPP total	33.4	n.a.	38.4	n.a.	35.5	n.a.	39.2	n.a.

US\$ = billions of 2007 US dollars; % = percent change from 2025 baseline; n.a. = not applicable

Note: TPP-16 scenario based on membership of Indonesia, Korea, the Philippines, and Thailand.

Source: Petri, Plummer and Zhai (2014), asiapacifictrade.org.

How TPP will affect the NAFTA provisions

- TPP will update and augment NAFTA without renegotiating NAFTA.
- Regional rules of origin will help integrate North American firms in global supply chains and increase import competition in the North American market.
- Expansion of environment and labor provisions and integration into core agreement.
- Added coverage of government procurement; new disciplines on state-owned enterprises and e-commerce.
- No new disciplines on contingent protection policies.

NAFTA: Implications of TTIP

- NAFTA trading partners have separate bilateral efforts with the EU: TTIP, Canada-EU CETA (signed in 2013), and EU-Mexico FTA (entry into force in 2000).
- TTIP's novel contribution will be regulatory convergence; higher TTIP standards/regulations could affect access to US/EU markets for Canada and Mexico.
- CETA includes some enhanced provisions on agriculture (e.g., market access through TRQ and GI protection) and procurement (e.g., sub-federal level), but less advanced agenda on regulatory issues compared to TTIP agenda.
- EU-Mexico pact relatively less comprehensive; concerns that advantages gained through EU FTA could easily be eroded by US and Canadian deeper liberalization.
- TTIP membership procedures will limit third country accession until after deal is concluded, despite interest of Mexico and Turkey.

Conclusions

- TPP will update and augment NAFTA without renegotiating NAFTA, and thus contribute to a deepening of North American economic integration.
- TPP should strengthen North American competitiveness and significantly boost output and exports of each country.
- TTIP could produce additional advantages for the NAFTA countries; however, US officials need to take care not to create new frictions in the NAFTA region as a result of the TTIP regulatory reforms.
- NAFTA countries would also benefit if TPP and TTIP inspire new plurilateral and multilateral trade initiatives that strengthen the world trading system.