

Policy Analysis Focus 24-8
Economic Impact of Expansion of EPAs in the Asia-Pacific¹

December 2024

Kenichi Kawasaki

Professor, GRIPS Alliance, National Graduate Institute for Policy Studies (GRIPS)

I. Introduction

Former United States (US) president Trump was elected a second time in November 2024, and the impact of proposed further US tariff hikes has been a concern. On the other hand, the treaty under which the United Kingdom (UK), who left the European Union (EU), joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force in December 2024, and several other economies have also applied for accession. Meanwhile, several economies have applied to join the Regional Comprehensive Economic Partnership (RCEP) Agreement.

This article quantitatively investigates the economic impact of tariff removals under the expansion of the membership of the two mega economic partnership agreements (EPAs) above, by means of simulation studies using a computable general equilibrium (CGE) model of global trade,² and considers the relative significance of the economic impact of alternative trade liberalization scenarios in the Asia-Pacific.

II. Impact of expansion of CPTPP

China (CHN), Chinese Taipei (TWN), Indonesia (IDN), Costa Rica³ (CRI),

¹ The views expressed in this article are the author's own and do not represent those of GRIPS Alliance or other organizations to which the author belongs.

² The Global Trade Analysis Project (GTAP) 7 model (based on GTAP 11c Data Base released in April 2024), solved using GEMPACK software referred to in Horridge, Jerie, Mustakinov & Schiffmann (2018), GEMPACK Manual, ISBN 978-1-921654-34-3, incorporating dynamic effects of capital accumulation, endogenous labor supply and productivity improvement. The baseline data for GDP and that for population are updated from those for 2017 in the GTAP 11c Data Base to those for 2025 based on the World Economic Outlook (WEO) Database, October 2024, International Monetary Fund (IMF). Tariff data is updated based on the tariff reduction data under existing EPAs in the Market Access Map, International Trade Centre (ITC), which include tariff reductions under major EPAs entered into force by 2022, including CPTPP and RCEP.

³ The process for Costa Rican accession to CPTPP began in November 2024.

Ecuador (ECU), Uruguay (URY) and Ukraine (UKR) have applied to join CPTPP. Real GDP impact of those economies individually joining CPRPP is compared with the impact of those economies joining CPTPP as a group (NEW), as is shown in Table 1. The impact of the removal of remaining tariffs among CPTPP members (RTD)⁴ and the impact of the US joining CPTPP (USA) are also studied here as reference cases.

The total real GDP of 12 CPTPP members including the UK is estimated to increase by 0.84% if all of the above seven economies joined CPTPP. By economy, the contribution of China joining (0.71%) would largely account for that impact, followed by Chinese Taipei (0.10%) and Indonesia (0.03%). That said, the contribution of accession by other economies who are not members of the Asia-Pacific Economic Cooperation (APEC) would be small. The impact of the removal of remaining tariffs among CPTPP members (0.15%) would exceed the impact of members other than China joining CPTPP. Meanwhile, the impact of the US joining CPTPP (0.34%) would be around half of that of China joining CPTPP, but would still be larger than the other cases.

Table 1 Real GDP impact of expansion of CPTPP membership

	(%)									
	RTD	NEW	CHN	TWN	IDN	CRI	ECU	URY	UKR	USA
Australia	0.14	0.20	0.09	0.06	0.01	0.00	0.00	0.00	0.00	-0.05
New Zealand	0.22	-0.08	-0.04	-0.02	-0.00	0.00	-0.00	0.00	-0.00	0.32
Japan	0.21	1.09	0.77	0.28	0.04	0.00	0.01	0.00	0.01	0.79
Brunei	0.01	0.24	0.13	0.04	0.01	0.00	0.00	-0.00	0.00	0.01
Malaysia	0.27	0.61	0.20	0.45	-0.00	0.00	0.01	0.00	0.01	0.54
Singapore	0.00	-0.14	-0.11	0.00	0.02	0.00	0.00	0.00	-0.00	-0.03
Viet Nam	0.01	0.67	0.53	0.08	-0.01	0.01	0.11	0.02	0.01	3.09
Canada	0.09	0.46	0.45	0.01	0.02	0.00	0.00	0.00	-0.00	0.06
Mexico	0.11	1.64	1.58	-0.00	0.08	-0.00	0.03	0.01	0.00	-0.32
Chile	-0.02	0.12	0.09	0.02	0.01	0.01	-0.00	-0.00	0.00	-0.14
Peru	0.00	0.20	0.19	0.02	0.03	0.00	-0.01	0.00	0.00	-0.09
UK	0.20	1.11	1.05	0.03	0.02	0.00	-0.00	0.01	0.00	0.27
Above total	0.15	0.84	0.71	0.10	0.03	0.00	0.01	0.00	0.00	0.34
China	-0.00	1.25	0.99	-0.01	-0.01	-0.00	-0.00	-0.00	-0.00	-0.12
Chinese Taipei	-0.00	3.53	-0.17	1.60	-0.01	0.00	-0.00	0.00	-0.00	-0.01
Indonesia	-0.02	0.63	-0.21	-0.02	0.57	-0.00	-0.00	-0.00	-0.00	-0.24
Costa Rica	-0.01	0.69	-0.01	0.00	0.00	0.27	-0.00	-0.00	-0.00	-0.10
Ecuador	-0.01	3.57	0.05	0.01	0.00	-0.00	1.62	-0.00	-0.00	-0.06
Uruguay	-0.01	5.69	-0.06	0.00	-0.00	-0.00	-0.00	0.84	-0.00	-0.09
Ukraine	-0.02	1.03	-0.13	-0.01	-0.00	-0.00	-0.00	-0.00	0.20	-0.10
US	-0.02	-0.12	-0.09	-0.01	-0.00	-0.00	-0.00	-0.00	-0.00	0.34

Source: Author's simulations.

⁴ The impact of the UK joining CPTPP, which would appear in 2025 and later, is included here.

The relative significance of the economic impact under the several scenarios above would vary among existing CPTPP members. The impact of China joining CPTPP would be large, and would exceed the impact of the US joining CPTPP, in Australia, Brunei, Canada, Mexico, Chile, Peru and the UK. On the other hand, the impact of the US joining CPTPP would be larger than the impact of China joining CPTPP in New Zealand, Malaysia and Viet Nam. Meanwhile, Japan would benefit equally from China and the US joining CPTPP, but Singapore would not necessarily benefit from either. The above variety of effects would reflect the differences in the progress of existing EPAs alongside trade relations among those economies.

It is indicated that new members would benefit from accession to CPTPP. Real GDP impact would be large in Chinese Taipei (1.60%) and Ecuador (1.62%), though not so large in Costa Rica (0.27%) and Ukraine (0.20%). That said, if all seven economies joined CPTPP, the impact would be expanded, ranging from 0.63% to 5.69%, due to a large extent to China's accession to CPTPP. Meanwhile, China (0.99%) is indicated to benefit not less than China's contribution to the benefits of CPTPP members discussed above. That said, the relative significance of those impacts among economies would be considered in comparison with the impact of other trade policy scenarios alongside joining CPTPP.

III. Impact of expansion of RCEP

Hong Kong, China (HKG); Chile (CHL); Sri Lanka (LKA) have applied to join RCEP, and Bangladesh has taken a step towards joining RCEP as well. Real GDP impact of those economies individually joining RCEP is compared with that of those economies joining RCEP as a group (NEW), as is shown in Table 2. The impact of the removals of remaining tariffs among RCEP members (RTD) and the impact of India joining RCEP (IND) are also studied here as reference cases.

It is indicated that real GDP impact on current RCEP members resulting from the accessions of new members studied here (0.05%) would be limited compared with that of remaining tariff removals among RCEP members (0.56%), and smaller than the impact of India joining RCEP (0.16%). On the other hand, large real GDP impact is estimated for new RCEP members such as Bangladesh (12.93%) and Sri Lanka (11.76%) as a result of own accessions to RCEP, and for India (3.10%) as well. Higher tariffs remain in South Asia compared with those in APEC members in general. It is indicated that larger benefits would be expected for those high-tariff economies joining mega EPAs.

The current members of both CPTPP and RCEP would be concerned regarding

Table 2 Real GDP impact of expansion of RCEP membership

	RTD	NEW	HKG	BGD	LKA	CHL	IND
	(%)						
Australia	0.15	0.03	-0.00	0.03	0.01	0.00	0.30
New Zealand	0.03	0.32	-0.01	0.07	0.27	-0.00	0.06
China	0.50	0.07	0.00	0.06	0.01	0.00	0.26
Japan	1.34	0.02	0.00	0.02	0.00	-0.00	-0.10
Korea	0.85	0.01	-0.00	0.01	0.00	0.00	-0.06
Brunei	0.16	0.01	0.00	0.01	0.00	0.00	0.09
Cambodia	0.86	-0.74	0.01	-0.73	-0.03	0.00	-0.20
Indonesia	0.23	-0.03	-0.00	-0.03	0.00	0.00	-0.01
Laos	0.58	-0.01	0.00	-0.01	0.00	0.00	0.02
Malaysia	0.40	0.08	0.05	0.02	0.01	-0.00	-0.02
Myanmar*	2.39	0.08	0.00	0.04	0.05	0.00	-0.05
Philippines	0.41	0.01	0.00	-0.03	-0.00	0.04	0.03
Singapore	-0.02	0.14	-0.00	0.10	0.04	0.00	-0.06
Thailand	1.50	0.06	0.01	0.03	0.01	0.00	-0.01
Viet Nam	0.74	-0.03	0.00	-0.03	0.00	-0.00	0.14
Above total	0.56	0.05	0.00	0.04	0.01	0.00	0.16
Hong Kong, China	0.13	0.19	0.16	0.01	0.00	0.00	0.05
Bangladesh	-0.09	12.95	-0.00	12.93	-0.01	-0.00	-0.09
Sri Lanka	-0.04	11.81	-0.00	-0.26	11.76	-0.00	0.13
India	-0.10	-0.16	0.00	-0.13	-0.02	-0.00	3.10

Note: Proxied by composite region with Timor-Leste.

Source: Author's simulations.

the relative significance of the impact of the above two groups of scenarios. It is generally indicated that the impact of the new members joining CPTPP and the impact of the removals of remaining tariff removals among RCEP members would be large and almost equivalent to that in Australia, Japan, Brunei, Malaysia and Viet Nam. What would be essential here is the progress of EPA initiatives with China in both cases.

IV. Concluding remarks

The impact of the removal of remaining tariffs among RCEP members including China would be large alongside the impact of China and the US joining CPTPP in the expansion of the membership of CPTPP and RCEP. On the other hand, the impact for existing members of accession of new members to CPTPP and RCEP would often be limited, though some degree of impact would be expected for those economies who are applying for accession to CPTPP and RCEP. That said, the expansion of EPAs in the Asia-Pacific would be expected to play an important role under the emergent uncertainties arising from the current movement towards protectionism. The relative significance of economic impact among alternative trade policy scenarios would be worthy of quantitative investigation and broad-perspective consideration.