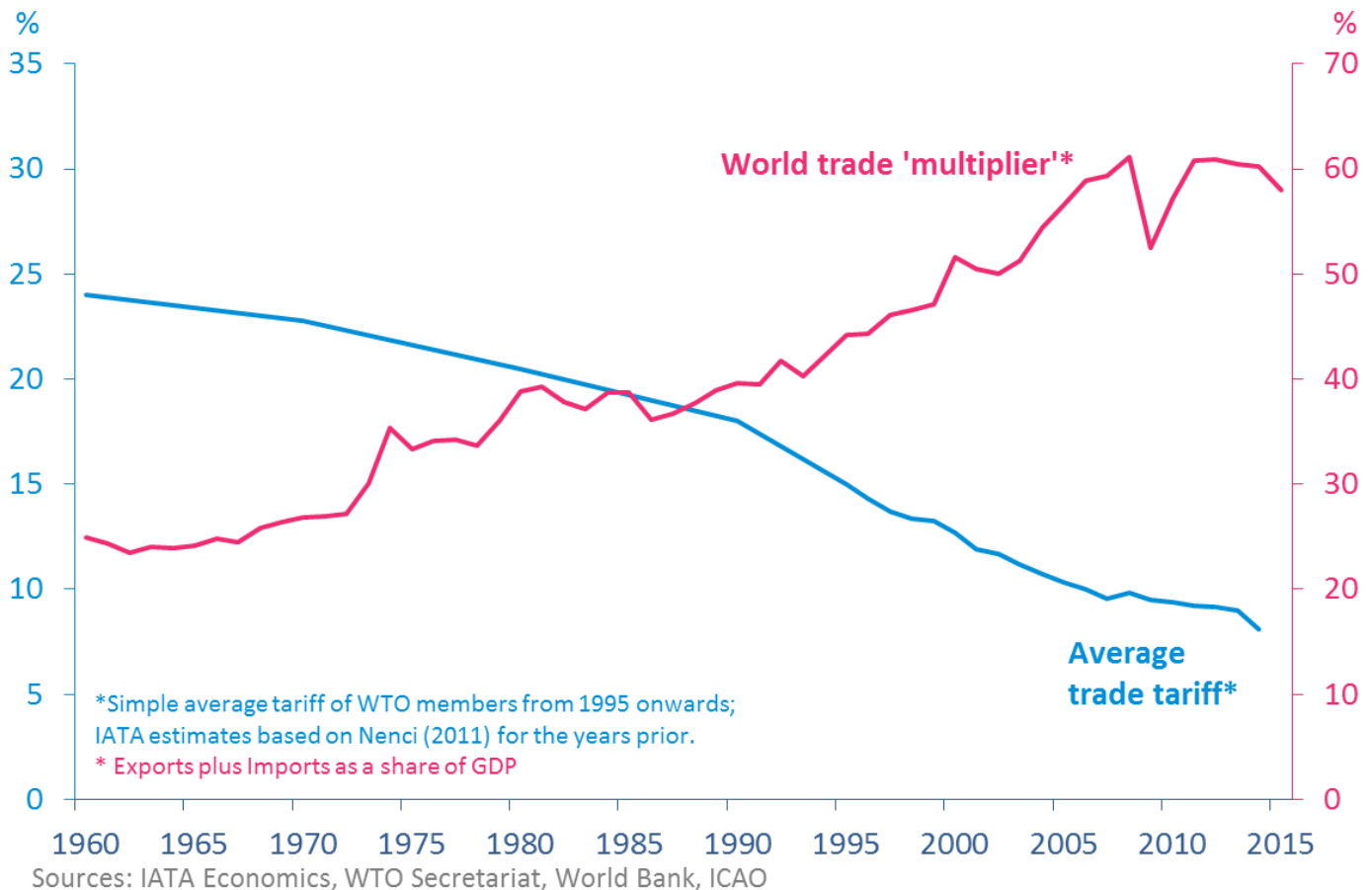




IATA ECONOMICS' CHART OF THE WEEK

9 SEPTEMBER 2016

TTIP POSTPONED – ANOTHER DRAG ON THE OUTLOOK FOR AIR CARGO



- Successive rounds of trade liberalization have helped to reduce the barriers to trade significantly over recent decades. Average trade tariffs have fallen by a factor of three over the period and this, in turn, helped to propel world trade growth at a multiple of global output.
- But all is not well in the world of trade openness and liberalization. The 'low hanging fruit' of tariff reform has already been picked, leaving fewer and only the most complex and contentious measures remaining. World trade needs a new impetus to re-invigorate the stagnation in the world trade multiplier observed over recent years.
- However, as the pace of tariff reduction has slowed, the prevalence of non-tariff barriers to trade has risen and there is increasing opposition to further trade agreements and policy measures to open market access. Political rhetoric on both sides of the Atlantic means that the Transatlantic Trade and Investment Partnership (TTIP) – an agreement aimed at reducing trade barriers and red tape between the EU and the US – may now have to wait until 2018 (indeed some are increasingly questioning whether such an agreement is even possible in the current environment). Likewise, the future of the Trans-Pacific Partnership – a similar agreement across Pacific Rim countries – is also uncertain. Even existing arrangements, such as the North American Free Trade Agreement, are being challenged.
- In the best case, the biggest stimulus to global trade flows from tariff reductions and broader liberalization looks to be behind us. In the worst case, we may now have passed 'peak trade openness' as global supply chains contract, on-shoring practices gather momentum and populist pressures become a driving influence of global trade policy. Either way, the tailwinds that used to propel global trade and air cargo volumes are likely to be much weaker in the future than they were in the past.

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