

A Post-2010 Asia-Pacific Trade Agenda: Report from a PECC Project

Robert Scollay
APEC Study Centre
University of Auckland

PECC Trade Project

Considered future trade policy challenges for the Asia Pacific region at two levels:

- **Multilateral**
 - **Completion of Doha Round**
 - **Future of WTO**
 - **Climate change and trade policy**
 - **Services**
 - **Labour Mobility**
 - **Food Trade**
- **Regional: evolution of “trade architecture”**
 - **East Asia**
 - **Trans-Pacific**

Multilateral: Completion of Doha Round

- **No “silver bullet”**
- **Well-known negotiating issues on agriculture, NAMA**
 - **Consensus view: await political opportunity for completion**
- **Underlying problems → systemic questions**
 - **changing balance of economic influence**
 - **no clear leadership framework emerging to replace the traditional framework**
 - **G20 has disappointed**
 - **mismatch of priorities between developed/developing countries**
 - **“offers on table” provide limited incentive for completion?**

Multilateral: Future of WTO post-Doha

- **does WTO have a future as agent of global trade liberalisation?**
 - **will there be another round?**
- **is rule maintenance (supported by effective dispute settlement and monitoring) a sufficient rationale?**
 - **will member support be maintained in absence of progress on liberalisation?**
- **can alternative modalities better facilitate liberalisation?**
 - **abandon “single undertaking”?**
 - **“critical mass” decision-making?**
 - **sectoral approaches?**

Multilateral:

Collision between policies on climate change and trade:

Can a “train wreck” be avoided?

Threats:

- **unilateral actions of doubtful WTO legality**
 - **potentially actionable subsidies**
 - **government procurement preferences**
 - **border tax adjustments (“carbon tariffs”)**
 - **technical as well as WTO-legality issues**
 - **technical standards (both government and private)**
- **WTO’s inadequate framework of rules and jurisprudence**
- **absence of global agreement on climate change policy**

Multilateral: Collision between policies on climate change and trade: Can a “train wreck” be avoided?

Possible responses

- **resolution by WTO dispute settlement (‘default outcome’)**
 - **confrontational, protracted**
 - **political legitimacy questions**
 - **may not be able to avert intense trade conflict**
- **voluntary codes or ‘peace clause’**
- **systemic threat will not be averted by possible agreements on environmental goods and services of eco-labelling**

Multilateral: Services Trade

- **widely agreed as critical to re-balancing and future growth**
- **zero progress in Doha**
 - **offers from less than a third of WTO members**
 - **‘not one iota of liberalisation’ in the offers**
- **WTO GATS framework not commercially meaningful (“gobbledygook”)**
- **need to find a new approach e.g.**
 - **break link with other WTO negotiations → stand alone negotiations**
 - **give up “request and offer” approach**
 - **replace positive list with negative list**
 - **try new paradigms**
 - **focus on building liberalisation into domestic regulatory reform and development plans**
 - **plurilateral negotiations (rely on competitive liberalisation)**
 - **look at what works in regional negotiations**

Labour Mobility

- **growing importance in international economic exchange**
 - **addressing labour market mismatches**
 - **remittances**
- **addressed by WTO in only a very limited way**
 - **GATS Mode 4**
- **approached more creatively in some FTAs**
 - **will increasingly be a standard negotiating issue**
 - **variability in approaches of participants**
 - **facilitative v. restrictive**
- **other forms of arrangement also important**

Food Trade Issues

Background

- **concerns over food security for rising world population (e.g. APEC agenda)**
- **recent experience of food price spikes and risk of repetition**
- **predictions of increasing price volatility due e.g. to**
 - **unpredictable climatic disturbances**
 - **fossil fuel price spikes (biofuels connection)**

Trade Policy Dimension

- **despite progress, strong anti-trade bias remains in agricultural policies**
 - **exporters penalised, import-competing production protected**
- **trade interventions (tariffs, export restrictions) increase price volatility**

Alternative Ways Forward (World Bank, IFPRI)

- **agriculture can deliver 70% of gains from global liberalisation (from 3% of GDP, 6% of global trade)**
- **cost of increased protectionism could be many times the potential gains from liberalisation**

Regional Economic Integration: East Asia

- **Existing “ASEAN-Plus” FTAs with China, Japan, Korea, Australia/NZ, India**
- **Two parallel tracks for region-wide integration**
 - **EAFTA (ASEAN +3)**
 - **CEPEA (ASEAN +6)**
- **Some elements of work programme well-established**
 - **parallel working groups with intention to merge**
 - **analysis of potential for convergence of existing “ASEAN-Plus” FTAs**
- **Economic and strategic implications well understood**
- **Different preferences on sequencing among participants**
- **Differences in emphasis e.g.**
 - **heavy focus in CEPEA on cooperation, facilitation, connectivity**
 - **ASEAN+3 also addresses monetary cooperation e.g. Chiang Mai Initiative, ABMI**
- **Missing ingredient: integration among China, Japan, Korea**

Regional Economic Integration: East Asia

CJK Integration

- **indispensable for EAFTA, CEPEA (even FTAAP)**
- **CJK account for**
 - **about 90% of East Asian GDP**
 - **largest East Asian trade flows**
- **Various initiatives/possibilities**
 - **Japan-Korea FTA negotiations currently suspended**
 - **Study of CJK FTA**
 - **Proposal for China-Korea FTA**
 - **Negotiate CJK integration within context of EAFTA or CEPEA**
- **Considerable de facto integration**
- **Political economy obstacles to formal trade liberalisation**
 - **Question on strength of incentive to overcome obstacles**
- **Historical sensitivities a further complication**

Regional Economic Integration: East Asia

- **Implications of CJK integration for East Asian integration as an ASEAN-led process**
 - **ASEAN unable to facilitate CJK integration**
 - **CJK integration shift the economic centre of gravity in East Asia**
- **Two views from ASEAN participants**
 - **ASEAN centrality must be maintained at all costs**
 - **ASEAN capacity for leadership in East Asian integration is questionable**
- **Both agree completion of ASEAN Economic Community (AEC) is essential to ASEAN's credibility as leader of future East Asian integration**

Regional Economic Integration: Trans-Pacific

- **Vision of prosperous Asia-Pacific community integrated by free flows of trade and investment**
- **Shift in thinking from voluntary, non-binding approach to binding approach from later 1990s**
- **FTAAP**
 - **2004: proposed by ABAC**
 - **2006: supported by USA and incorporated into APEC's Regional Economic Integration agenda as "long-term prospect"**
- **TPP**
 - **Expansion of original P4 group to include USA, Australia, Peru, Viet Nam (as observer)**
 - **Malaysia joined recently**
 - **Open to participation by additional economies**
 - **Viewed as a possible pathway to FTAAP**
- **Intensified interest in integration with East Asia by USA, also by Latin America**

Regional Economic Integration: Trans-Pacific

TPP

- **Strategic importance as an expression of US intentions toward economic engagement with East Asia**
 - **response from East Asia vital**
- **Economic importance derives from what it might become rather than what it is**
 - **most bilateral relationships among TPP members already covered by other FTAs**
 - **expansion of membership would dramatically increase economic benefits to USA and all participants**
 - **participation of CJK crucial for realisation of economic potential**
- **Ambition variously described as “high quality” or “21st century” FTA**
 - **will be designed to facilitate business (including modern supply chains)**
 - **No a priori exclusions (everything on the table)**
- **Uncertainties over navigation through the US political system**

Regional Economic Integration: Trans-Pacific

TPP: Some Key Issues

- **Expansion of membership**
 - timing and conditions
 - expansion v finishing agreement among initial participants
- **Design**
 - what does “high quality 21st century” FTA mean?
 - what role for US template?
 - tension between establishing quality benchmark and meeting ambitions of initial participants v. ensuring attractiveness to additional members
- **Coverage**
 - will include “standard” chapters of modern “WTO-Plus” FTA
 - aim to add additional “business-focused” elements
 - relevance to SMEs and modern supply chains
 - regulatory coherence
- **Structure and relation to existing bilaterals**
 - TPP replaces existing bilaterals?
 - existing bilateral continue to apply?
 - hybrid e.g. common rules with bilateral market access schedules
 - possible role of MFN provisions
(possible lessons/precedents from FTAA, US-DR-CAFTA)
- **Relationship to APEC process**

Thank-you!
Arigato gozaimasu!