

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

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# **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 “21<sup>st</sup> 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 21<sup>st</sup> 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!**