



The Rise and Rise of Asia-Pacific Preferential Trade Agreements: Regionalism, Multilateralism and the Implications for Trade Policy

Vangelis Vitalis

Please Note: The views expressed in this presentation do not necessarily represent the views of New Zealand's Ministry of Foreign Affairs and Trade

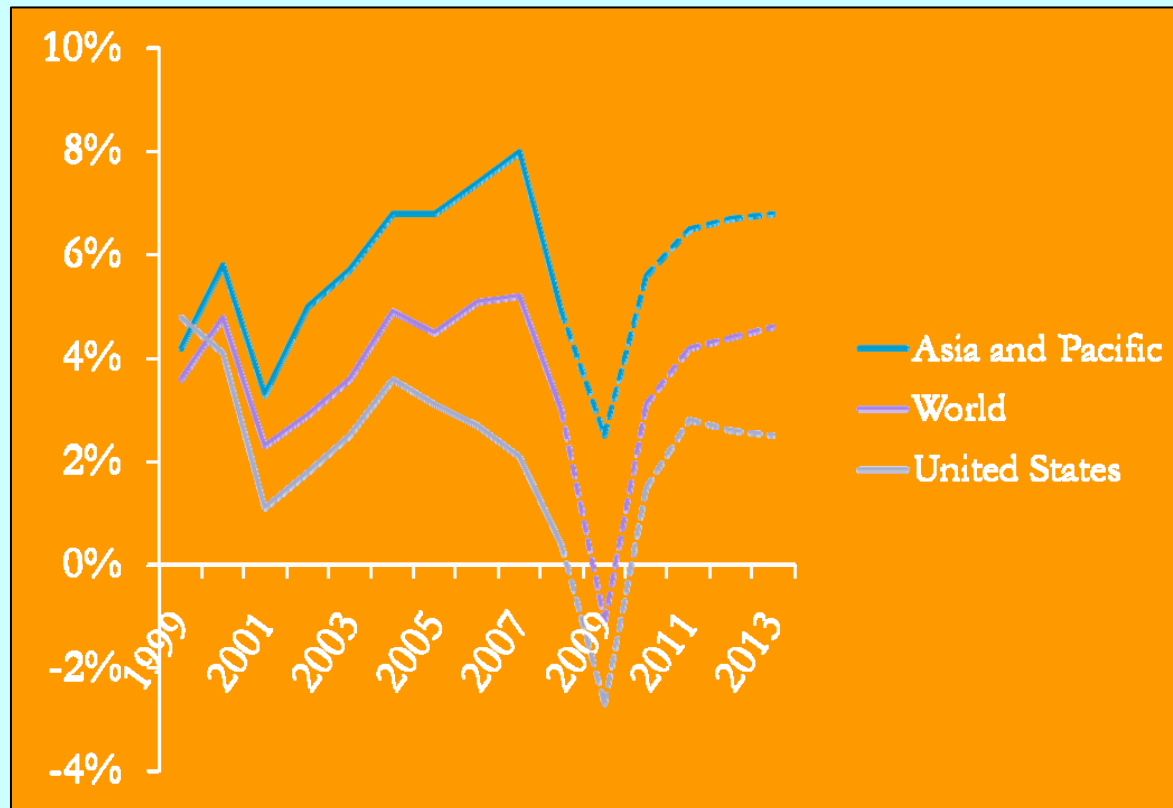


Key Themes

- **Regionalism/PTAs on the rise;**
- **WTO/Doha matters, but...**
- **New models of liberalisation in the region;**
- **PTAs evolving and improving in quality; and**
- **Implications for multilateralism and trade policy**

Regional Economic Dynamism

Graph 1: Projected growth rates (Real GDP)






PTAs on the Rise in the Asia-Pacific Region

- ***1980:* 14 PTAs in Asia-Pacific;**
- ***2010:* 137 PTAs in force; 13 awaiting implementation; 54 under negotiation;**
- **The regional architecture is evolving fast.**



WTO/Doha Still Matters...

- **Biggest ‘bang’ in global welfare gains;**
- **Solutions to some issues can only be developed multilaterally; and**
- **Better for business (ceteris paribus) and consumers.**

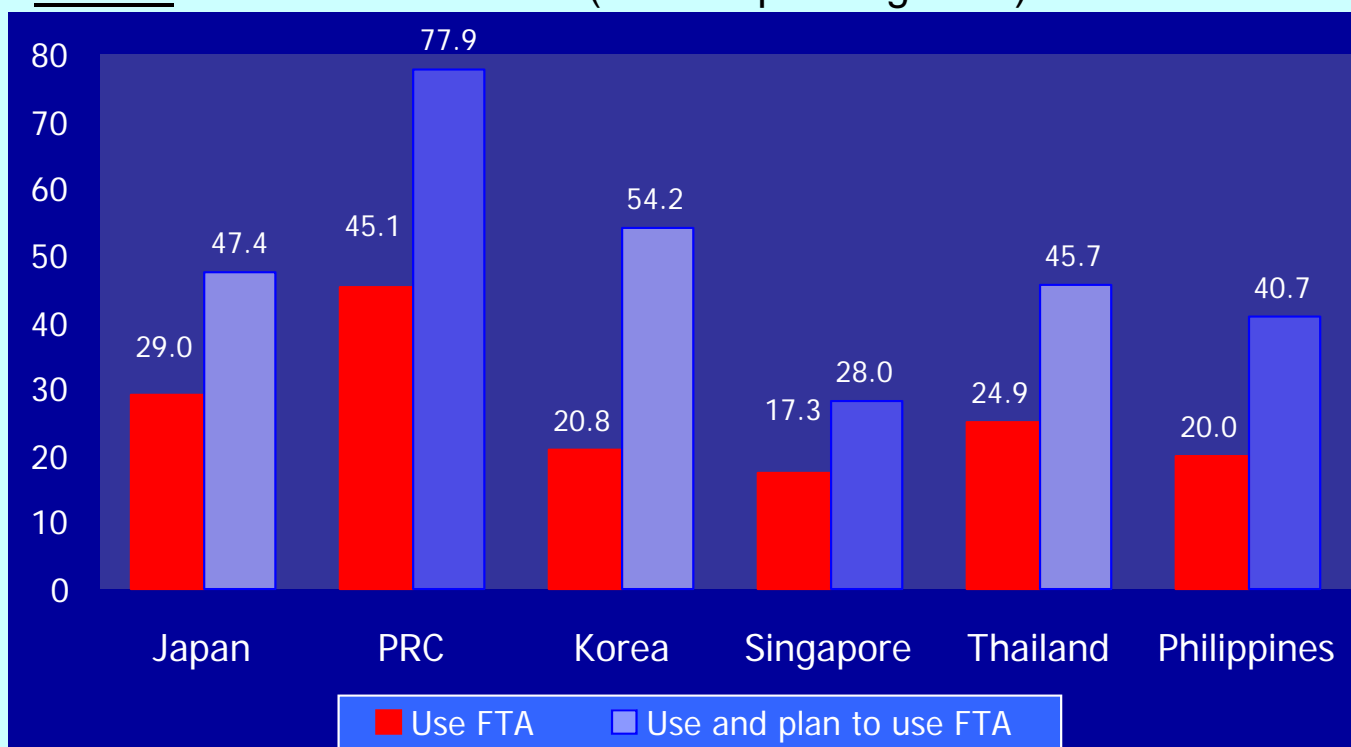


**...especially given the ‘noodle bowl of low quality non-comprehensive’ PTAs,
BUT...**

- **... ‘the times they are a changin’**;
- **Doha Round remains stubbornly ‘low ambition’ compared with recent PTAs;**
- **The ‘stumbling blocks’ thesis is tedious and irrelevant.**

...and by the way, business take-up of PTAs is greater than we assumed.

Chart 1: FTA utilisation rates (% of responding firms)



Source: Kawai, M. and G. Wignaraja (forthcoming eds), *Asia's Free Trade Agreements: How is Business Responding?*, Cheltenham (UK): Edward Elgar



**The ‘facts on the ground’ are
hard to ignore.**

- **PTAs have growing appeal**
 - **Political economy;**
 - **Risk of ‘missing out’ (economic and political); and**
 - **Significance of WTO+ elements to regional integration.**



...and the type of PTA is evolving in form...

- **Bilateral PTAs (Japan, Malaysia, New Zealand, Australia, Thailand, Korea, US, EU, China etc); and**
- **Plurilateral PTAs (eg ASEAN +1s; TPP; CEPEA; FTAAP etc).**



..creating competing models of regional liberalisation...

- **ASEAN +**
- **US (Korea, Australia)**
- **China (China-NZ et al)**
- **Korea/Japan (Japan-Malaysia/Philippines; ASEAN-Korea)**
- **ANZ (Singapore; Thailand; AANZFTA; Malaysia (-NZ); Chile (Australia); P4/TPP)**
- **EU (Korea)**



**...and the substance of PTAs is changing
as well.**

■ AANZFTA – a new regional model?

- Single undertaking**
- Comprehensive**
- WTO and Doha-Plus outcomes**
- Built-in agenda**



AANZFTA (2009)

- ***Goods:*** Comprehensive, eg 99% of New Zealand's trade to ASEAN tariff free within 12 years;
- ***ROO:*** 'cumulation' and 'co-equal rules'
- **Customs facilitation and procedures**

AANZFTA: Services

	WTO + commitments	Doha + commitments
Indonesia	67	50
Malaysia	50	29
Philippines	39	27
Thailand	21	2
Vietnam	3	3



AANZFTA: Movement of Business People

- **Establishes streamlined and transparent procedures**
- **Opportunity to question decisions and obligation for partners to respond**



AANZFTA: Investment

- AANZFTA provides *new and improved* protections and greater security for investors and investments in AANZFTA markets.



AANZFTA: Economic Cooperation

- **Framework for trade and investment economic cooperation designed to directly support implementation of the Agreement.**



AANZFTA: A 'Living Agreement'

- **'Built-in agenda' for implementation and integration**



Malaysia-NZ FTA (2010): The AANZFTA model evolves?

- **AANZFTA Plus:**
 - **Tariffs eliminated within seven years;**
 - **ROO (self declaration);**
 - **48 hr customs clearance;**
 - **Services (new bindings; commitment to –
ve list)**
 - **Movement of business people**
 - **MFN in services and investment**
 - **Labour and environment**




P4/TPP – A 21st Century Agreement?

- ***TPP*: (the evolved P4) expected to break new ground in many key areas**



Implications for the Region

- **Rethink ‘stumbling blocks’ thesis – evidence-based assessments needed**
- **Consider how PTAs can drive regional integration, economic reform and growth**
- **Focus on WTO+ elements of PTAs**



Implications for Multilateralism

- PTAs can drive WTO+ agenda in ways relevant to business;
- PTAs may make it easier to launch a new round that encompasses previously 'untouchable' issues; but
- PTAs may also make it harder to launch a new round that encompasses previously 'untouchable' issues.



Implications for Trade Policy

- Life just got more interesting;
- WTO/PTA interface complex;
- Stakeholder engagement critical;
- More and better data/information needed;
- PTA implementation is key; and
- Trade and development linkages are opportunities in PTAs.