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)

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

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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.