



How can Asian regionalism be a stepping stone toward preserving the multilateral trading system (WTO)?

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1. Background and Introduction

Background and Introduction

- Asia: Many FTAs and high concerns over regionalism
- DDA: Slow and moving forward
 - G20 Summit (November, Washington DC)
- Regionalism vs multilateralism: Pros and cons



Background and Introduction

- Basically, regionalism can be a stepping stone for the multilateralism
- How can Asian regionalism be a stepping stone toward preserving the multilateral trading system (WTO)?
- How can regionalism be more effective in enhancing RTAs' contribution to the development of the WTO system?



2.

Current Conditions of Asian Regionalism

Current Conditions of Asian Regionalism

- The full-scale participation of Asian countries in regionalism began only recently
- The Bangkok Agreement (Now APTA): The first regionalism in Asia (1975)
- Members: India, Sri Lanka, Bangladesh, Laos, Korea and China (2002)



Figure 1. The Trans-Pacific Spaghetti Bowl.



Source: Peter A. Petri(2008), "Multi-track Integration in East Asian Trade", East-West Center. Oct.

Current Conditions of Asian Regionalism

- Many overlapping FTAs and growing worries about the losses coming from Asian Noodle Bowls.
- Competitive regionalism and low quality of FTAs
- East Asia has triggered bilateralism prior to regional integration notwithstanding the growing economic interdependencies





3.

Channel of Regionalism Developing into Multilateralism

Channel of Regionalism Developing into Multilateralism

- The WTO is the only international organization that deals with the global rules of trade between nations.
- Its main function: to ensure that trade flows as smoothly, predictably, and freely as possible.
- It is a forum for governments to negotiate trade agreements.
- It is a place for governments to settle trade disputes. It operates a system of trade rules.

Channel of Regionalism Developing into Multilateralism

- Basically RTAs do the same functions with the WTO, except preferential treatment and the Noodle Bowl losses.
- In some sense, RTAs do better than the WTO in liberalizing trade and advancing trade system.
- Here, a key issue is the coverage and the quality of RTAs.
- Coverage can include the contents of RTAs and the regional membership.

Channel of Regionalism Developing into Multilateralism

- Two arguments regarding the RTAs' contribution to the multilateralism
- Worldbank(2005), “Global Economic Prospects, 2005: Trade, Regionalism and Development”
- IAB(2005) by Estevadeordal, Freund, and Ornelas
Does regionalism help or hinder multilateralism? – An empirical evaluation”.

Channel of Regionalism Developing into Multilateralism

- Worldbank(2005): RTAs can create trade and bring other benefits for members ...but results are not automatic and depend critically on design. Actual contribution to the multilateralism remains unclear. One of the key factors behind this performance is slow and incomplete implementation of the agreements

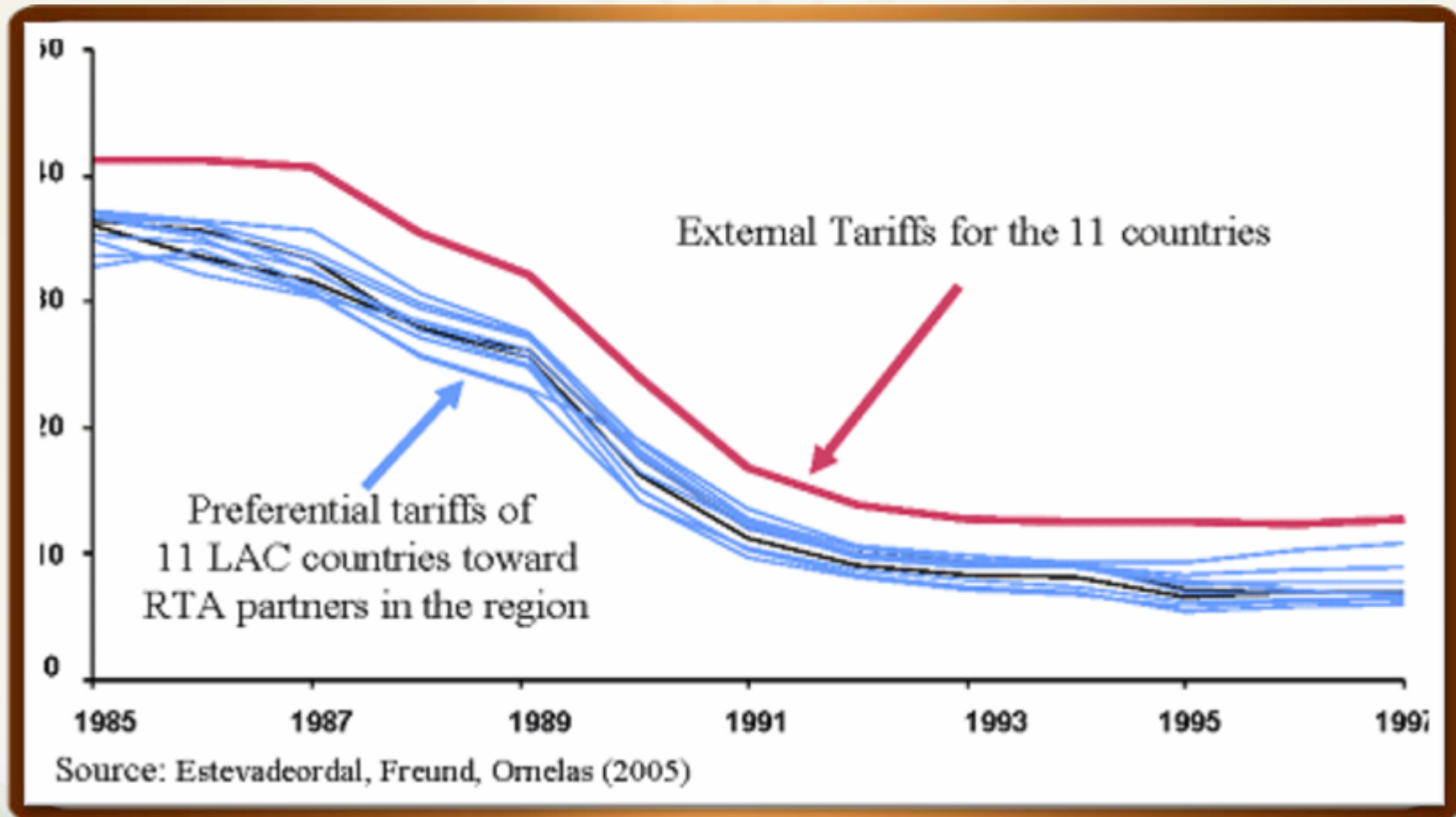


Channel of Regionalism Developing into Multilateralism

- IAB(2005): “Preferential tariff reduction in a given sector leads to a reduction in the external (most-favored nation) tariff in that sector…… Overall, the results suggest that concerns about a negative effect of preferential liberalization on external trade liberalization are unfounded.”



Figure 2. RTA liberalization drove MFN liberalization.



Channel of Regionalism Developing into Multilateralism

- The conclusion of FTAs can help strengthen the implementation of the WTO commitments that are made by member-countries.
- Most FTAs that were recently concluded encompass many aspects such as market access, services and investment, trade rules, the protection of intellectual property rights, government procurement, etc., which are parts of the WTO system.



Channel of Regionalism Developing into Multilateralism

- More recent FTAs tend to have a similar structure and to become more closely related with the WTO rules.
- Trade in goods spans market liberalization, rules of origin, trade remedy rules, such as safeguards and anti-dumping and countervailing duties, customs procedures, sanitary and phytosanitary measures (SPS); technical barriers to trade (TBT), and mutual recognition.
- Trade in services defines market liberalization, related rules on national treatment, market access, local presence and domestic regulations, and specific sectoral coverage (finance, telecommunications, etc) and sector-specific rules.

Channel of Regionalism Developing into Multilateralism

- Chapters on investment, e-commerce, government procurement, intellectual property rights, competition, transparency, dispute settlement, etc., are included in many FTAs.
- Also, Asian countries have improved the contents of FTAs over time. An analysis of the FTAs that China has concluded distinctly shows this pattern.



Table 1. Coverage of China's FTA.

	ASEAN (2005)	(2006)	Pakistan (2006)	(2008)
Goods	○	○	○	○
National treatment	○	○	○	○
Tariffs	○	○	○	○
ROO	○	○	○	○
Custom valuation	×	×	×	○
Customs clearance	×	○	×	○
Mutual recognition	×	×	×	○
SPS	○	○	○	○
Safeguard measures	○	○	○	○
AD and CVD	○	○	○	○
Services	×	○	×	○

Table 1. Coverage of China's FTA.

	Rules on services	×	○	×	○
	Human mobility	×	×	×	○
Investment		×	×	○	○
Intellectual Property Rights		×	×	×	○
Government Procurement		×	×	×	×
Others					
	Competition	×	×	×	×
	Environment	×	○	×	○
	Labor	×	○	×	○
	E-commerce	×	×	×	×
	Transparency	×	○	○	○
Administration					
	FTA committee	○	○	○	○
	DSU	○	○	○	○



4.

Schemes of Asian Regionalism that Contribute to the Multilateral System

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Schemes of Asian Regionalism that Contribute to the Multilateral System

Side-by-side Development of Multilateralism and Regionalism

- Although the development of a multilateral system has been delayed and regionalism is being pursued to meet interests that can hardly be secured with a multilateral system, this should not impair the principle of according top priority to multilateralism.

Compliance with Multilateral Standards for Regionalism

- In general, the latitude in Asian FTAs for opening markets is not wide.
- An FTA that can hardly meet even the market-opening conditions stipulated in Article XXIV of the GATT has been concluded.
- For example, the AFTA targets 0-5% tariff rates, and the South Asia Free Trade Agreement (SAFTA), which came into effect in 2006, has similar clauses.

Schemes of Asian Regionalism that Contribute to the Multilateral System

Promotion of a Pan-regional FTA

- ◆ For greater economic effects, high-level FTAs should be concluded, and pan-regional, multilateral FTAs must be promoted.
 - The China-Japan-Korea FTA, the ASEAN+ 3 (Korea, China, and Japan) FTA, the ASEAN+ 6 (3+ India, Australia, and New Zealand) FTA, and the Free Trade Area for the Asia-Pacific (FTAAP)

- ◆ The proposal of an organization, tentatively named “Organization for East Asia Economic Integration Promotion”
 - Apart from the existing discussion channels among the concerned governments, a permanent organization must be established among China, Japan, and Korea, wherein the discussions on economic integration in the region can continue without interruption even if there are diplomatic confrontations among the countries concerned.

Schemes of Asian Regionalism that Contribute to the Multilateral System

Harmonization of the Rules of Origin

- ◆ One scheme is to lay down model rules of origin and have each RTA accommodate them.
- ◆ The other scheme is to form an organization that covers a broad range of issues on East Asian economic integration and to adopt a rational form of the rules of origin.
- ◆ In the preparation of model rules of origin that can be applied to Asian RTAs, objective and transparent rules should be established with regard to consistently controversial matters.

Schemes of Asian Regionalism that Contribute to the Multilateral System

Removal of Non-tariff Barriers

- ◆ Tariff levels have been considerably lowered. In particular, tariffs on industrial goods have been distinctly lowered.
- ◆ Unlike tariff barriers, non-tariff barriers are difficult to quantify, and an international comparison of non-tariff barriers is likewise not easy, which implies that it is not easy to handle non-tariff barriers in multilateral trade negotiations.
- ◆ Such barriers can be more effectively handled through FTAs than through a multilateral system, and this is one way by which regionalism can contribute to the development of multilateralism.

FTA 원산지기준(ROO) 개괄

Support for the WTO Implementation System

- ✓ Many Asian countries have joined the WTO over the last several years, but Laos has yet to do so.
- ✓ The most basic trade infrastructure can be the compliance with, and the implementation of, WTO regulations. Reinforcement of the protocol for implementing the WTO system is one of the prerequisites for the conclusion of a high-level FTA.

FTA 원산지기준(ROO) 개괄

Reinforcement of the Public's Recognition of a Market Economy

- ✓ It has been seen in many countries that the contentions of anti-liberalization advocates are more convincing for the general public.
- ✓ The US is no exception. In the recent US presidential elections, President-elect Barrack Obama adopted a protectionist trade policy platform to protect jobs.
- ✓ To win the public's support, the help of media organizations should be sought, and lectures given to the public on the market economy.



5. Conclusion

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Conclusion

- Regionalism can be complementary to multilateralism
- Comprehensive, high-quality and region-wide RTAs are likely to more contribute to the development of multilateralism
- Asian countries are late comers to regionalism and there is a large room for improving RTAs in the region.
- Although the qualities of Asian RTAs are improving over time, Asian countries need more efforts for better RTAs.

Conclusion

- The growth prospects of the Asian economy depends on how to actualize these growth potentials and the expansion of domestic demand.
- For this purpose, intraregional cooperation for the expansion of demand within the Asian region must be initiated.
- A system for financial cooperation within Asia, such as the Asian Monetary Fund (AMF), must be discussed.

Conclusion

- So far, the ASEAN+ 3 and East Asia Summit Meeting has recorded many results. However, from now on, practical discussions on regional integration should be initiated, including the contribution of RTAs to the development of the multilateralism and the conclusion of the DDA.



A close-up photograph of two hands shaking in a firm grip, symbolizing agreement or partnership. The hands are positioned over a blue, grid-patterned globe. The background is a deep blue with faint, glowing white lines that suggest a global or digital network. The lighting is soft, highlighting the texture of the skin and the fabric of the sleeves.

Thank you for listening