

## Multilateralizing Asian Regionalism

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*Remarks by Video from*

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It is a pleasure for me to offer a few words on the occasion of your Conference on Multilateralizing Asian Regionalism. I am aware that this is a follow-on conference from the one the WTO hosted last September on this same subject. That was an interesting conference that offered some new ideas on how to manage what is becoming an increasingly problematic aspect of international trade relations – namely, the rapid multiplication of criss-crossing regional agreements that run the risk of adding costs and confusion to trade.

By now it is commonplace to acknowledge that regionalism is here to stay. It will not disappear even if we were to wish it would, which I believe we should not wish! The proliferation of regionalism is a reflection of a number of factors. These include political or geo-strategic interests, a desire to create a "first mover advantage," or the use of an instrument for domestic reform to name a few. The fact is that there is an increasing number of countries that see regional agreements as a necessary part of their trade policy. Many of these countries would not have thought so thirty years ago.

Asia is a case at hand. Many countries have been active in pursuing free trade agreements in the last decade. Japan took the lead. In addition to the existing agreements it has with Singapore, Mexico, Malaysia, Philippines, and Thailand, Japan is actively pursuing future ones with Switzerland, Australia, or India to name a few. After the Korea-US free trade agreement, Korea is currently negotiating agreements with ASEAN, the EU, Canada, Mexico, and India. Joint feasibility studies, at the private level, have also been completed for agreements with Mercosur, New Zealand, and Australia. The People's Republic of China is negotiating free trade agreements with Australia, the GCC, and Iceland, with the PRC-New Zealand FTA signed recently.

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India has recently inked a free trade agreement with ASEAN and is negotiating agreements with Korea, the EU, and Japan, while joint feasibility studies have been set up for comprehensive economic cooperation agreements with the PRC, Indonesia, Australia, Malaysia, and other countries.

I have argued elsewhere that regional agreements have a political comparative advantage – that is, the political advantage of being seen signing a regional arrangement with one or more neighbouring countries far outweighs the family photograph of 153 ministers that would signal the completion of a multilateral negotiation. In economic terms, regional arrangements are also convenient at times.

But I think it would be fair to say that proliferation is breeding concerns—concerns about incoherence, confusion, exponential increase of costs for business, unpredictability, and even unfairness in trade relations. I am not saying that regionalism is all bad. On the contrary, many regional initiatives have made important contributions to economic welfare. But we do need to examine where the proliferation of regional agreements is leading us in terms of trade and international economic relations more generally. We do need to rethink our approach to trade cooperation.

We are confronted with a systemic challenge as a result of exploding regionalism and the Asian region is well placed to know that. In fact the Asian Development Bank has underlined this several times. I have heard no government suggest that we can articulate efficient and coherent trading arrangements internationally by just relying on regional relationships. A multilateral focus remains essential, and here I refer both to the politics and the economics of this reality. Your work so far on multilateralizing regionalism has the virtue of moving beyond the old beauty contest between multilateral and regional approaches to trade relations. Instead, you focus on the “nitty gritty” of coherence, and on ways and means of multilateralizing our fragmented trading system. I welcome and encourage this approach.

We made some valuable progress at the end of July in moving the Doha Round forward, even if, at the end, agreement on a package eluded us. We need to persevere with these efforts. There is far too much of value on the table simply to walk away from, not to mention the systemic implications of a vibrant multilateral regime. I consider the completion of the Round a priority for validating the multilateral trading system and defining a practical basis for systemic cohabitation as we move towards greater coherence in trade relations.

And while I see the contribution that regional deals can make on the path toward a more joined up trading system that benefits the international trading community at large, it is obvious that we need

to do more work to seek out that path. We rely in part on the efforts of the academic community to contribute to this quest. The solution will come from both sides. Regional initiatives need to resolve some of the contrasts among such agreements that do not support moves towards multilateralization. The WTO system needs to find ways of responding to its own shortcomings in relation to decision-taking and the WTO's ability to offer a framework for underwriting multilateralization.

I want to leave you with three thoughts.

First, let us recognise that the trade preferences created by regional trade agreements have started to slow the appetite for multilateral tariff reductions. This fact is still not acknowledged in the open; most likely, it is still politically incorrect. But it is clear that this situation adds to an already strong number of domestic constituencies resisting further trade opening because it damages their perceived competitive position on foreign markets. What is true for long standing or unilateral preferences granted to some developing countries – as evidenced by the difficult negotiation on this point in the Doha Round – is also true for bilateral preferences.

Second, while we have to work on the institutional and rules-related details of attaining coherence and securing efficiency gains in the trading system, let us remember one fundamental reality – that is, the challenge we face is not primarily technical in nature. It is about politics. Indeed, to ask what the WTO is doing about regionalism is in many ways a strange question. The real question is not what the WTO is doing, but rather what the WTO Members are doing. The problem is not one of the WTO versus something else – the actors are the same and the issues are in-built in each and every one of our Members.

This brings me to my third point, which is closely related to the one I have just made. The debate needs to be brought back home. The problem of coexistence must be debated at home. We will only secure clarity and meaningful progress when the actors and stakeholders – be they academics, officials, or NGOs – take on the issue in the domestic context from which it emanates. Coherence, like charity, begins at home. In this connection, I am pleased to see that the focus of this particular conference has been narrowed to an Asian setting. Asian countries have a strong interest in multilateralizing regionalism, given the intensity of regional bloc formation in Asia and the fact that the EU and the United States are an important part of the action; the resulting configurations risk being inward-looking and self-defeating in the absence of an inclusive, multilateralized approach to integration.

I wish you well with your conference and encourage you to continue this work.

Thank you.