
Trade Trends and Institutional Design in the Asia-Pacific

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Agenda

- 1) **TRADE TRENDS IN ASIA AND THE ASIA PACIFIC**
- 2) **EVOLUTION OF TRADE AGREEMENTS IN THE ASIA PACIFIC**
- 3) **INSTITUTIONAL CHARACTERISTICS**
- 4) **ASEAN, RCEP, APEC, AND TPP CHARACTERISTICS**
- 5) **EVOLUTION OF RCEP AND TPP**
- 6) **CONCLUSION**

1) Trade trends in Asia and the Asia Pacific

- Asia's portion of global trade has increased from 15% of the world's total trade to 30% in 2010
- Intra-regional trade has soared from 30% of Asia's total trade in 1980 to 48% in 1997, but has fallen recently to 35%
- Asian countries share of trade with the US has declined from 20% to 11% from 1980 to 2010

2) Evolution of Trade Agreements in the Asia Pacific

Pre- and 1970s	1980s	1990s	2000s
GATT (1947) (ASEAN)* (1967)	GATT ASEAN APEC (1989) ANZCERTA (1983) SAARC (1985)	WTO (1994) ASEAN APEC ANZCERTA ASEAN/AFTA (1991) ASEM (1996) ASEAN plus 3 (1998) SAPTA (1995)	WTO ASEAN APEC ANZCERTA ASEAN/AFTA ASEM Shanghai Cooperation Organization (2001) ASEAN plus 3 SAFTA (2006) Japan-Singapore FTA (2001) Other bilateral FTAs (2001-) ASEAN plus 6 (2005)--RCEP P4 (2006) and TPP (2008) EAC (2009) ASEAN plus 8 (2010)

3) Institutional Characteristics

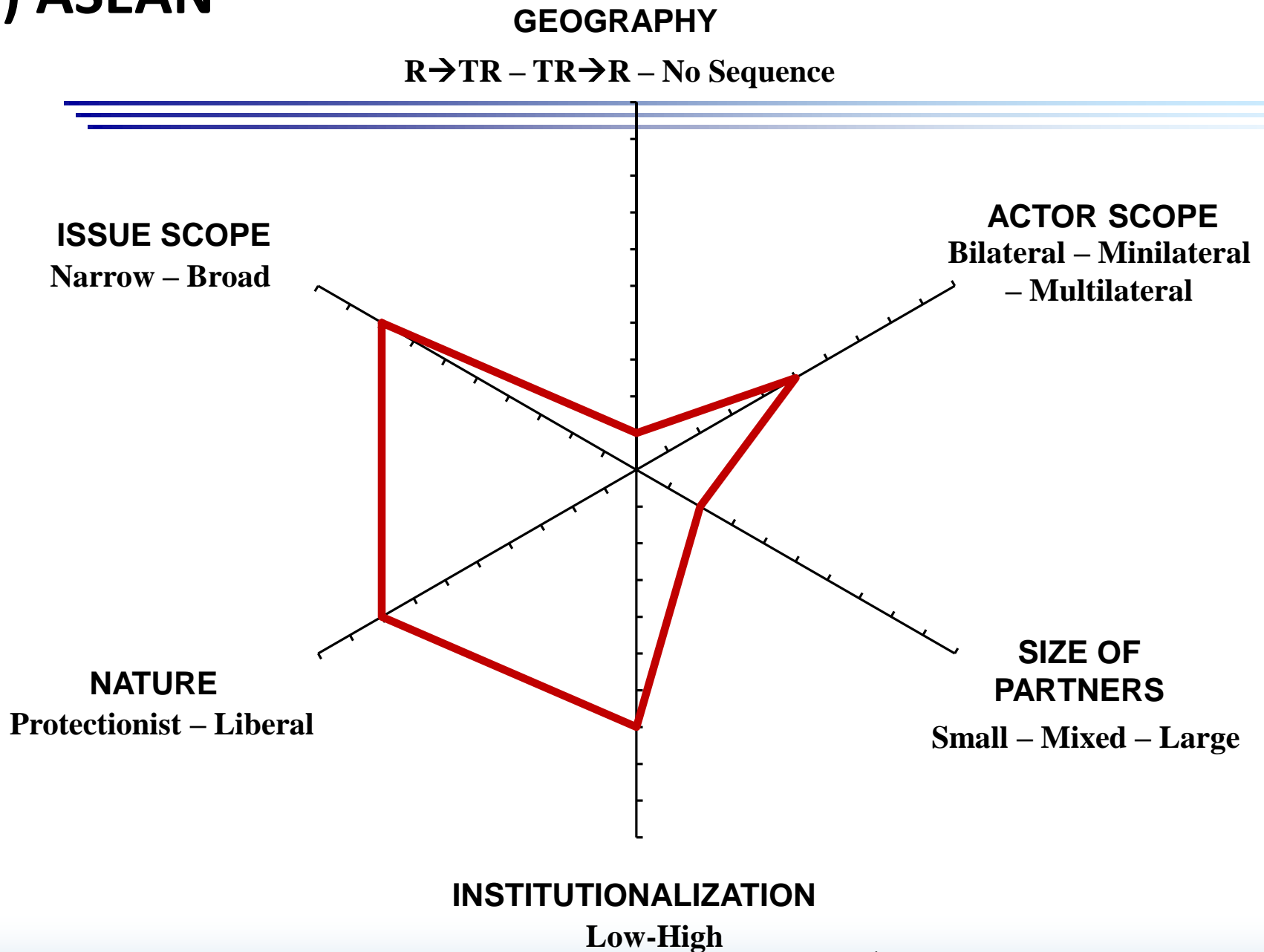
Country Perspective:

- Number of accords
- Regional sequencing

Institutional Perspective:

- Scope
- Geography
- Partner size
- Issue scope
- Nature
- Institutional strength

4a) ASEAN

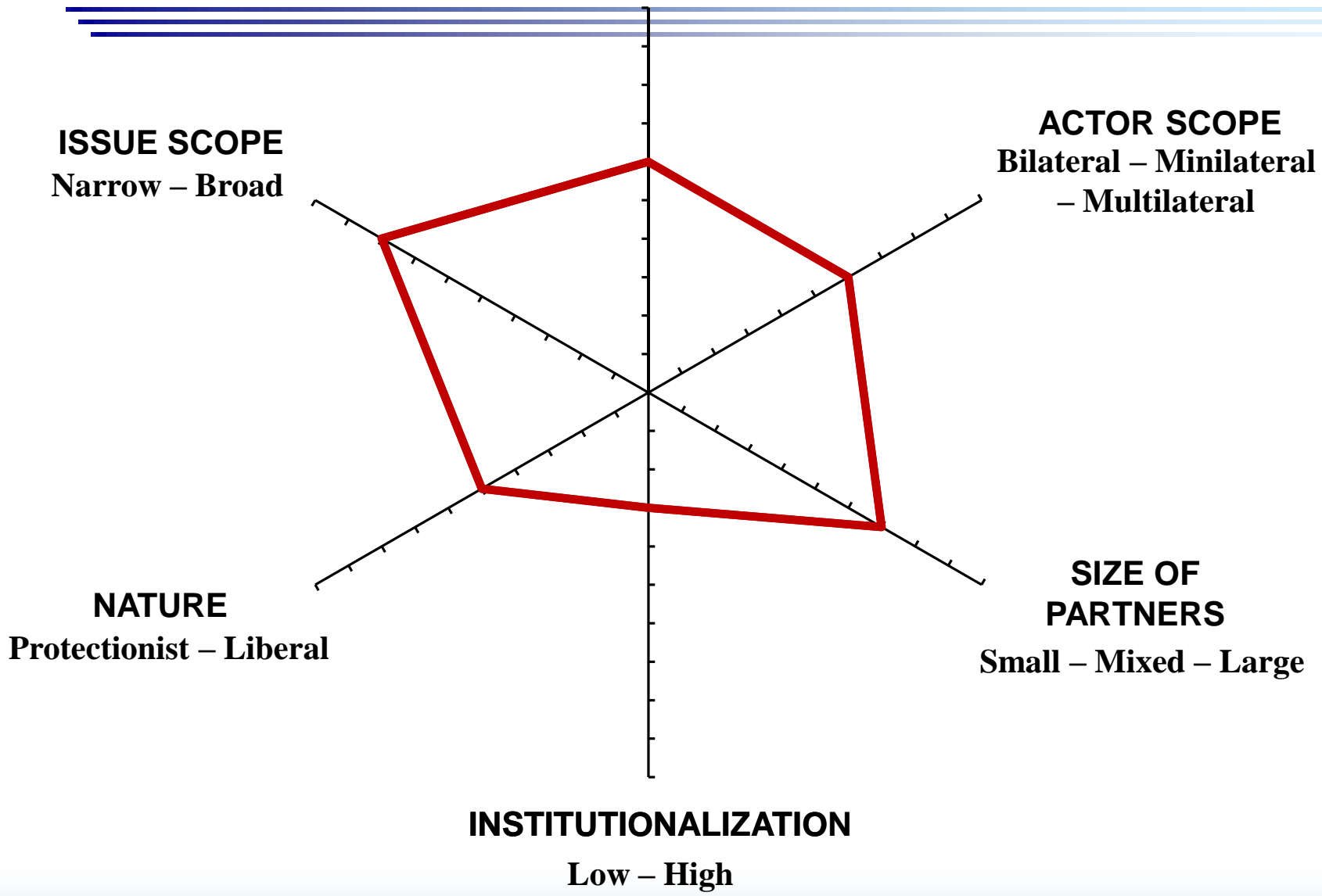


ⁱ Origin corresponds to zero, but all scales will begin at the first tick mark for presentational purposes.

4b) ASEAN + 6 or RCEP (proposed)

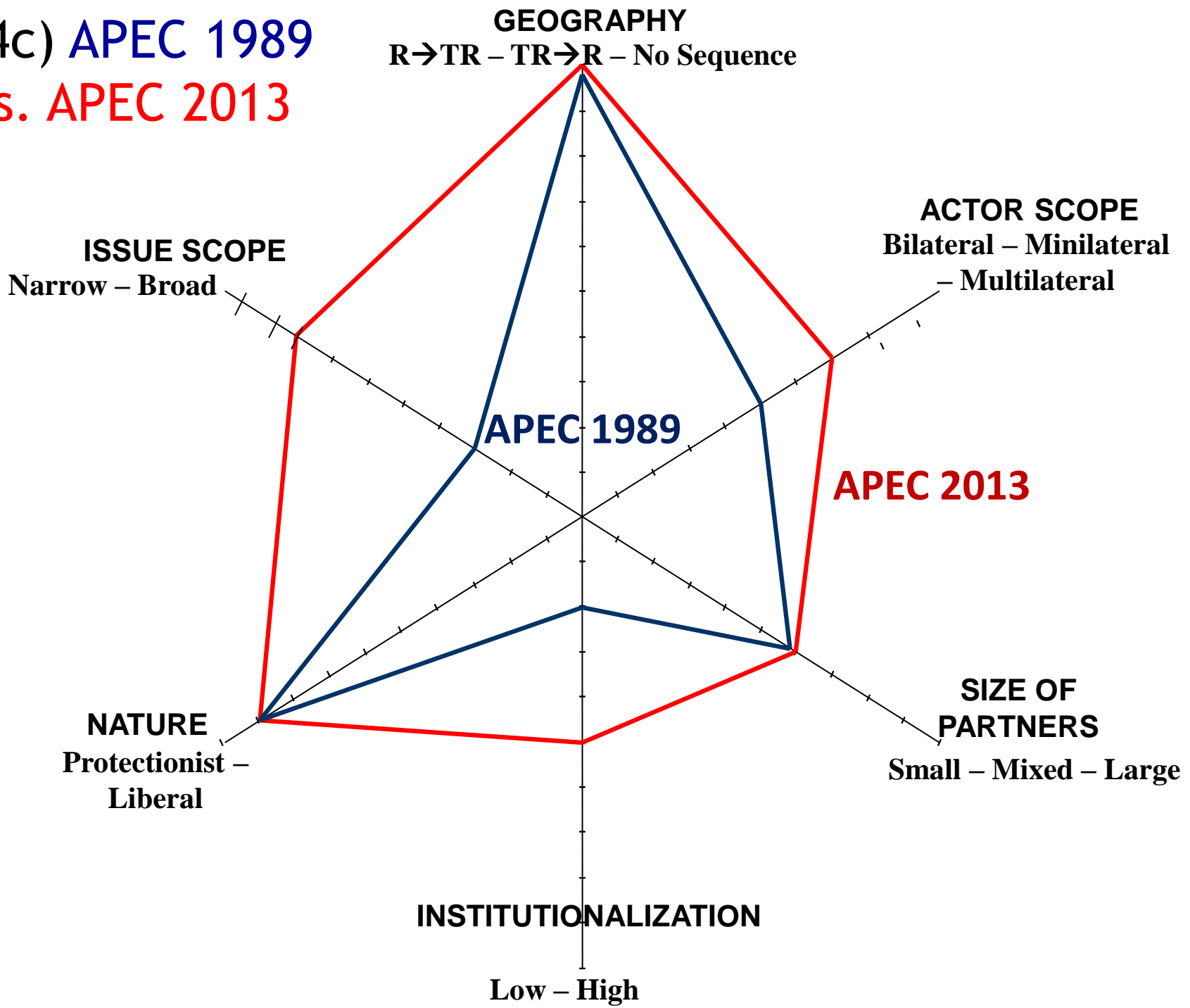
GEOGRAPHY

R→TR – TR→R – No Sequence

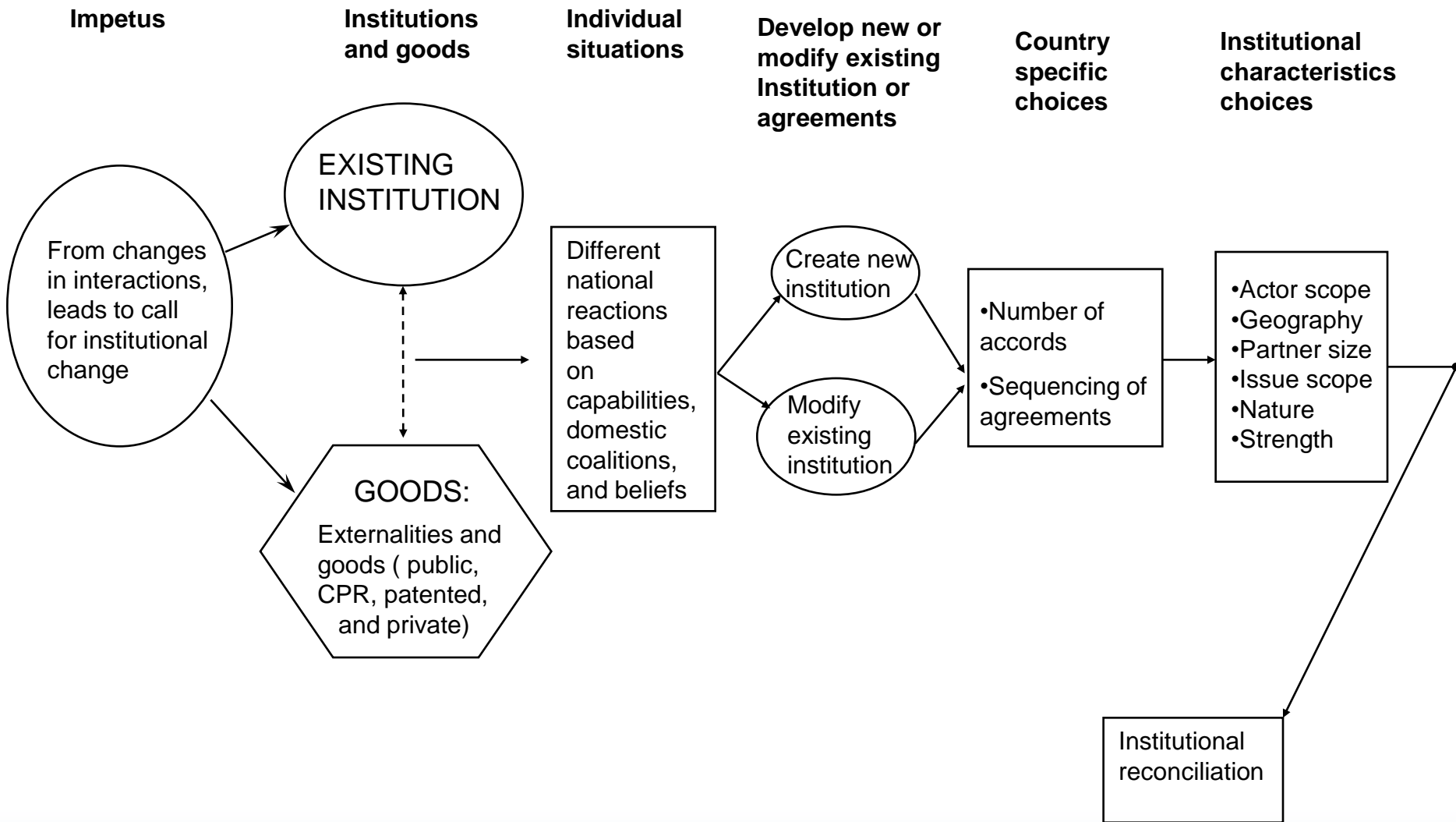


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4c) APEC 1989 vs. APEC 2013



5) The Institutional Bargaining Game



6a) From ASEAN+3 to RCEP

- Initially little institutionalization outside ASEAN members in Asia
- Successes of FTAs with China, Japan, Korea, India, and AU/NZ
- Contending visions on scope and membership
 - Japan preferred ASEAN+ 6
 - China preferred ASEAN+ 3 to maintain influence
- Regional Comprehensive Economic Partnership (RCEP) launched November 2012
- Negotiations under way with target of 2015: Meetings in Brunei, Australia and Malaysia (January 2014)

6b) A Free Trade Area of the Asia-Pacific (FTAAP)?

➤ Bergsten's arguments

- Will control PTAs
- Prevent development of East Asian exclusive agreements
- Mitigate U.S.-China conflict
- Bolster APEC
- Enhance prospects for DDA

➤ Aggarwal counterarguments:

- Competitive liberalization generated PTAs; few incentives to stop proliferation
- East Asians see through this and are skeptical
- Domestic political non-starter to have free trade with China
- APEC is institutionally weak
- Undermine remaining hope for a DDA

6c) The Trans Pacific Partnership

- In October 2002 Singapore, New Zealand, and Chile announced their intention to create a free trade agreement
 - Brunei joins 2005
 - 2006: P4 agreement goes into effect
- Goal: removal of tariffs, and framework to address rules of origin, trade remedies, sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), trade in services, government procurement, customs procedures, intellectual property, temporary entry of persons, competition policy
- Bush Administration signals intent to join TPP in September 2008; Obama Administration notifies Congress in December 2009
- 12 current members; 19th Round took place in Brunei in August 2013

6d) A TRANS-PACIFIC PARTNERSHIP (TPP): REIGNING IN THE NOODLE BOWL?

➤ Pros

- Voluntary membership increases likelihood of strong agreements
- Bolster free trade among APEC members
- Serve as a comprehensive “blueprint” for an Asia-Pacific FTA
- Strong US government support
- Drafting of core agreement continues

➤ Cons

- Potential exclusion of non-negotiating members
- Undermine ASEAN and APEC’s leadership role in the Asia-Pacific and add to the spaghetti bowl effect
- Not certain if other major economies (China, Korea) will join
- Domestic political interests pose barriers
- Difficulties in reconciling TPP with existing FTAs

7) Conclusions

- The WTO increasingly faces challenges from multilateralism and bilateralism
- As the Asia-Pacific has gone from under to over-institutionalization, institutional reconciliation has become a key challenge
- RCEP (Regional Comprehensive Econ. Partnership or ASEAN plus 6) and TPP (Trans Pacific Partnership) are the key foci of integration in the Asia Pacific, which some see a competition between the US and China