

English Summary drafted by CIEM.

# **ADVANCING TRADE AND INVESTMENT LIBERALIZATION IN THE ASIA-PACIFIC**

On 24 and 25 November, the Asia-Pacific Forum 2016 (APF 2016) was co-hosted by the Japan Economic Foundation and the Central Institute for Economic Management (CIEM) in Hanoi.

## **DAY 1: Public Forum (Venue: Pullman Hanoi Hotel)**

The Public Forum was held on 24th November and there were about 100 participants, including invited speakers, experts from various economies of the Asia-Pacific region - Australia, China, ERIA, India, Indonesia, Japan, Korea, Malaysia, Myanmar, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam, and Vietnamese representatives from ministries, institutions, research institutes and universities. It also attracted the media, with 20 journalists of leading newspapers and magazines. In general, The Forum experienced fruitful discussions and insights and information-sharing by all participants throughout the three panel sessions on the Public Forum.

The Forum started with Welcome Remarks by Dr. Nguyen Dinh Cung, President of Central Institute for Economic Management (CIEM) and Mr. Kazumasa Kusaka, Chairman of Japan Economic Foundation (JEF).

(\*The full texts of speech are compiled in Appendices.)

## **Session 1**

### **“Roadmap for Asia Pacific Economic Integration: Issues for consideration”**

Moderated: Mr. Naoyuki Haraoka, Executive Managing Director of Japan Economic Foundation (JEF)

- Participants:
- ▶ Dr. Thanh Tri Vo  
Senior Researcher, Central Institute for Economic Management (CIEM), Vietnam
  - ▶ Ambassador Murray McLean AO  
Chairman, Dunmore McLean Pty Ltd., Australia
  - ▶ Professor Yunling Zhang  
Academy Member, Director of International Studies, Chinese Academy of Social Sciences (CASS)
  - ▶ Professor Yukiko Fukagawa  
Department of Political Science and Economics, Waseda University, Japan
  - ▶ Professor Gary Hawke  
Emeritus Professor, Victoria University of Wellington, New Zealand

Key discussion points:

- What do you think about the global economic outlook against the background of surging protectionism and inward looking nationalism such as Brexit?
- What do you think would be Asia's responsibility for achieving global economic growth?
- What is the current state of major FTAs in the Asia Pacific? Is there significant room for new (even more comprehensive) FTAs?
- New justifications for pro-development nature of new-generation FTAs?
- Prospect of currently pending FTAs (such as TPP, RCEP)
- What are the key factors for effectively harmonizing current FTAs into a more effective integration roadmap for Asia Pacific?

All discussants and participants, in this session, shared a strong agreement on the significant progress in the process of economic integration in the Asia Pacific on aspects such as trade, investment and services liberalization, facilitation and connectivity and cooperation. These efforts have led to greater prosperity for all the people in the region, sustainable growth and narrowing of the development gap. The global value chain (GVC) has been developed in contemporary trade and has offered new prospects for growth, competitiveness and job creation in the region. The speakers contended that developing countries should be given a greater, even leading, role in regional economic integration.

However, regional trade and investment liberalization has been exposed to new issues and challenges, which are emerging in the context of the fast and unexpected changes in both the regional and global landscape, including political will and leadership, regional geopolitical problems, the 4<sup>th</sup> technological revolution, "low cost labour trap" and "middle income trap", etc.

In considering ways forward to strengthen Asia-Pacific economic integration and cooperation, an emergent consensus building has been raised as something highly needed for initiating a new multilateral agenda based on a new understanding of global change and challenges. APEC and its institutional mechanisms should be strengthened and more effectively utilized. The Free Trade Area of Asia-Pacific (FTAAP) was identified as another potential option to be emphasized. RCEP negotiation should be reached in a meaningful timeframe. Provisions of TPP which make progress on familiar issues or deal with new issues in sensible ways, as in the emphasis on domestic institutions for behind the border issues should be utilised in continuing efforts towards regional economic integration. Domestically, each country should, on one hand, prioritise critical structural and micro-economic reforms, promote private sector and facilitate productivity, competition, trading and investment opportunities. On the other hand, disadvantaged groups in the process of industrialization-modernization, regionalization and globalization should be appropriately taken into consideration.

## **Session 2**

### **"New issues of regional trade and investment liberalization"**

Moderated: Dr. Josef T. Yap, University of the Philippines School of Economics

Participants:   ▶ Dr. Choong-yong Ahn  
                          Chairman, Korea Commission for Corporate Partnership (KCCP)  
                          ▶ Dr. Lurong Chen

- Economist, Economic Research Institute of ASEAN and East Asia (ERIA)
- ▶ Mr. P. Ravidran Palanippan  
Senior Director, ASEAN Economic Integration, Ministry of International Trade and Industry (MITI), Malaysia
  - ▶ Professor Simon SC Tay  
Chairman, Singapore Institute of International Affairs (SIIA)
  - ▶ Dr. Chedtha Intaravitak  
Research Fellow, Thailand Development Research Institute (TDRI)

Key discussion points:

- Connectivity enhancement: framework, steps, and contemporary challenges
- Participation in GVCs (global value chain): any risks from the web of FTAs in Asia Pacific
- Phasing out TBT (technical barriers to trade) and SPS (sanitary and phytosanitary measures): room for meaningful progress
- Dispute settlement in FTAs: too formalistic, or too asymmetrically restrictive?

Discussion in this session focused on new issues emerging in recent regional trade and investment liberalization, including connectivity enhancement, participation in Global Value Chains, phasing out of non-tariff measures, and dispute settlement in FTAs. On the connectivity side, significant regional cooperation schemes have been developed such as the Great Mekong River Development Area or the formulation of Pan-Yellow Sea economic sphere. Dr. Choong-yong Ahn emphasized that concept of the East Asian Community had regained its momentum to recover from global “new normal” phenomenon. Therefore, to this goal of East Asian Community building, it was very important that both the bottom-up and top-down developments should be discussed because of their inherent complementary nature and subsequent mutual reinforcement. On the participation in GVCs, discussants realized both participation in GVCs and joint ventures have been an important driving force to increase FDI across countries, especially in East Asia and out of the complex web of regional FTA networks.

TPP should be viewed as the most significant means to accelerate GVCs and cross-border FDI flows in the Asia-Pacific region. However, the ratification of TPP was a concern and all the speakers raised their concern at the sudden rise of anti-globalization and potential return to a protectionist trade regime under the regime of Mr. Donald Trump as the President of the United States or BREXIT; the extent to which these developments would affect on-going functional and formal integration efforts in East Asia remained an open question.

In his speech, Dr. Chen pointed out that disciplining and enforcing IPRs in a coherent manner internationally has become a critical issue in the 21<sup>st</sup> century trade system. Asian countries should follow the progress in setting new standards on international IPR enforcement. Asian countries are suggested to (1) enforce IPR protection at the domestic level to facilitate technology adoption and stimulate incremental innovations; (2) set IP laws and regulations that must at least meet the requirements of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) and always aim for higher level standards; (3) make sure IPR disciplines are binding and practically enforceable; (4) actively participate in global IPR rule-making. But above all, it is crucial to increase public awareness of intellectual property (IP) in general and its associated rights. The abundance and quality of human capital will affect not only the level of invention and other innovative activities but also the efficiency of IPR enforcement. On the phasing out of NTMs, in order to maximize

benefits and minimize costs of NTMs, the speakers discussed moving from a “notify-negotiate-eliminate” mode to a national regulatory-reform agenda. Dr. Chedtha Intaravitak, Research Fellow of Thailand development Research Institute argued that at a multilateral level, it was difficult to implement because each country has national standards, which do not necessarily conform with international standards. Regional attempts suffer from an incentive problem and country level regulatory reform would be most effective.

In the context of the emerging uncertainty and challenges raised in this session, some efforts should be made by Asian countries, including (i) at the national-level for reform in line with each government’s effort to attract more and higher quality investments; (ii) reforms towards a more liberal and open economy must be tied with efforts towards more inclusive and growth strategies at the domestic level; and (iii) regional efforts to consider how economic integration can and should proceed.

### **Session 3**

#### **“Linking trade with domestic policy reforms: Building consensus for coherent moves toward economic growth”**

Moderated: Dr. Vo Tri Thanh, Senior Researcher, Central Institute for Economic Management (CIEM), Vietnam

- Participants:
- ▶ Dr. Sachin Chaturvedi  
Director General, Research and Information System for Developing Countries (RIS), India
  - ▶ Dr. Yose Rizal Damuri  
Head of Department of Economics, Center for Strategic and International Studies (CSIS), Indonesia
  - ▶ U Soe Win  
Executive Director, Renaissance Institute, Myanmar
  - ▶ Dr. Josef T. Yap  
Professorial Lecturer, School of Economics, University of the Philippines
  - ▶ Dr. Man-Jung Mignonne Chan  
Founder and CEO, Out-of-the-Box Consultancy, Taiwan

Key discussion points:

- What are the required domestic reforms for effective participation in new-generation FTAs in the Asia Pacific to achieve growth strategy?
- Improvement of business environment to leverage the benefits from integration;
- Building consensus: from talks to actions;
- Measures to establish and/or improve G2B and B2B linkages.

It was pointed out by all speakers that trade agreements have been used to push for economic reforms in many countries and many behind-border initiatives have been raised in East Asia. However, there is a big gap between approaches to commitments and domestic reforms. Dr. Josef Yap raised a question as to whether regionalism promoted domestic reform with a specific example of the Philippines Competition Act. He argued that international commitments were not a major factor in its passing. Meanwhile, the initiatives for a National Single Window, which is deemed important by ASEAN, has been stalled since

2010 due to political reasons. He then also raised an open question as to whether TPP made the difference.

U Soe Win shared the experiences of Myanmar's economic policy with focus on strengthening public financial management; revitalizing, reforming and/or privatizing state enterprises and supporting SMEs; fostering human resources and capital; prioritizing infrastructure development; creating employment opportunities; achieving inclusive development, food security and increased exports; promoting a vibrant private sector; ensuring a stable financial and monetary environment; building environmentally sustainable cities; formulating a fair and efficient tax system that protect intellectual property rights; and improving the business climate.

### **DAY 2: Private Roundtable Discussion (Venue: CIEM)**

The private roundtable discussion on 25 November discussed issues of regional economic integration in two rounds. The first round identified some discussion about challenges on RCEP, Asian dynamism and the TPP option. To some participants, the scope of RCEP showed various levels of ambition amongst members. There has been an issue of building on existing ASEAN+1 FTAs versus a comprehensive, modern and high quality RCEP agreement.

Asian dynamism was mentioned under inclusive trade, especially for the SME community and the business environment for SMEs to participate productively. The design of GVCs should be focused on SMEs' efforts to strengthen their participation. It then raised a question as to whether the MRAs work or not? Asian dynamism has also being affected by the upcoming industrial revolution, and in this context, economies should take up Asia initiatives and choose which diversion to move on.

TPP option has been an open question. However, to some economies in the region, WTO commitments have been covered and to some extent, higher than TPP commitments, therefore it could be seen as a step-back for those economies. To others, TPP will go well beyond the WTO in terms of coverage, addressing such matters as tariff reductions, services liberalization, foreign direct investment policies, protection of intellectual property, trade in services, behavior of state-owned enterprises, labor and environment, opening up of government procurement, and reducing the trade-impeding effects of different product standards. Therefore, there is uncertainty as to whether TPP would make any difference to these economies.

The second round of private roundtable discussion identified some economic challenges in the short-term for Vietnam, including macro stability and institutional reforms, improvement of business environment, public reforms, administrative procedures, and restructuring of the economy. Recently, two more pillar of economic restructuring had been added namely education and agriculture, showing the need for human resource development and enhancement of the agricultural sector as having comparative advantage for the economy. Other speakers contributed some ideas on measures to engage more effectively in the global economy through providing priorities for development.

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The one-and-half day Asia-Pacific Forum was quite successful with fruitful and insightful discussion both from academic community and governmental agencies. APF2016 was seen as an important opportunity for Vietnam to take advantage of dialogue, exchange, information-sharing among experts-with scholars from all over the Asia-Pacific region on

the process of international economic integration, especially when Vietnam recognized international economic integration as one key pillar in restructuring the economy and actively preparing to host the 2017 APEC next year.

*URL:*

<http://ciem.org.vn/tintuc/tabid/63/articleType/ArticleView/articleId/2165/Default.aspx>

Appendices: The full texts of Welcome Remarks

**Dr. Nguyen Dinh Cung, President, Central Institute for Economic Management (CIEM)**

Good morning Ladies and gentlemen,

On behalf of the leaders of The Ministry of Planning and Investment, I would like to welcome all of you to the Asia Pacific Forum 2016 entitled “Advancing trade and investment liberalization in the Asia-Pacific”. I would like to express my deepest gratitude towards the coming of international experts and academia from the Asia-Pacific economies to this Forum in Hanoi. I am personally feeling honored to attend and speak at this significant forum.

In the last few decades, international economic integration has always played an important role to the socio-economic development and reform of Vietnam. Since Doi Moi (Renovation) in 1986, Vietnam has been emphasizing the need of opening the economy and proactively participating in international economic integration. Since 1990s, Vietnam has signed bilateral trade agreements with most of economies in the region. Vietnam, then, has been gradually integrating more widely and deeply. In 1995, Vietnam became a member of ASEAN. In 2007, Vietnam joined WTO as the 150th member. Since then, Vietnam has continued to negotiate, sign and implement many important FTAs.

In fact, we have gained a lot of achievements in socio-economic development during the periods that we strongly integrated. For instance, the average GDP growth rate in the period of 1989-1996 attained at 7.51% per year and 7.63% per year in 2000-2007. After more than 30 years of Doi Moi, Vietnam has escaped from a low-income to a middle-income developing nation. Vietnam is heading towards an active market economy with fast and strong integration into the global economy. The people also benefited from the integration and socio-economic development process. The poverty has dropped substantially and the living standard has been improved. GDP per capita of Vietnam increased from USD 140 in 1992 to USD 1,024 in 2008 and USD 2,109 USD in 2015. The position and contribution of Vietnam in international arena such as ASEAN, APEC, etc. are also improved remarkably.

Vietnam’s Central Committee of the Communist Party and Government have re-affirmed the enhancement of efficiency during international economic integration and considered it as an important momentum for domestic reform of growth model and economic restructuring. At the 10th Party Congress, the Communist Party of Vietnam assured to be “proactive in international economic integration and simultaneously expand international partnership to others”. In the early of November 2016, the Central Committee of the Communist Party issued Resolution No.06, emphasizing the diversification and multilateralization of international relations and the proactive approach towards international economic integration. The international economic integration is the mission of all people in the nation, in which business and professional community are the leading forces. In that process, the Vietnamese Government and State will focus on facilitating the development and

competitiveness of domestic businesses and products, thereby enhancing the development level of the economy.

However, the current context and developments in the regions appeared lots of disadvantages and challenges to international economic integration process. The global economy recovered slowly. Even in the Asia-Pacific region, the major leading economies are yet to recover steadily. Protectionism tends to increase. The important FTAs in the world and the region have not been realized as quickly as expected. Many FTAs have been implemented, however, encountered with several issues including the low rate of utilization or the harmonization of integration channels.

In that context, efforts on creating momentum for the liberalization of trade and investment in the Asia-Pacific remains significantly. For Vietnam, it is even more meaningful since it boosts the effective implementation of international economic integration in accordance with the Resolution of the Party Central Committee. We recognized the existent difficulties and risks related with the global and regional economic integration. However, we expect more effective and centralized effort to build an integration roadmap with specific and feasible initiatives as well as associating integration with domestic consensus and reforms.

Therefore, it is a priority of Vietnam and the Ministry of Planning and Investment to promote dialogues and discussions on international economic integration among international and domestic experts and academia. Opportunities to contribute initiatives remain abundant, especially when Vietnam is still continuing to foster the international economic integration and preparing to host APEC 2017. The Asia-Pacific Forum is one of our efforts to utilize those opportunities.

Bearing that in my, I declare the opening of the Asia-Pacific Forum 2016 on “Advancing trade and investment liberalization in the Asia-Pacific”. I do hope that we will have straightforward and fruitful discussion and sharing at the Forum. I believe that the Forum will contribute valuable proposals for the economic development and international economic integration in the Asia-Pacific region in general and Vietnam in particular. The Central Institute for Economic Management and Japan Economic Foundation will summarize the content of the discussion and proposals at the Forum and submit it to the leaders of the Government and the Ministry of Planning and Investment for reviewing.

Finally, I wish APF 2016 great achievements and wish your health and success!

**Mr. Kazumasa Kusaka, Chairman and CEO, Japan Economic Foundation (JEF)**

Dr. Nguyen Dinh Cung, President of our co-host, Central Institute for Economic Management, to the experts gathered here from around the Asia Pacific region, to the distinguished guests, and ladies and gentlemen, I am deeply honored to be given the opportunity to greet you here today. My name is Kazumasa Kusaka, Chairman of Japan Economic Foundation.

The Japan Economic Foundation (JEF) has been hosting dialogues with the U.S., Europe, and Asia in order to achieve sustainable growth in the regions. We have identified the constraining factors that Japan, as well as these regions face for that matter, tried to identify its solutions and learned from each other on the policy successes and failures. These have been the core agenda of the dialogues.

In the Asian region, the first Asia Pacific Forum convened in Singapore in 2003 to promote FTAs in Asia Pacific to achieve sustainable economic growth. Discussions on how to proceed with FTAs in this region have since been ongoing, and this year's Forum will be its 15th annual meeting.

During this time, the discussions have expanded to include domestic systems and its practice of the so-called behind the border measures, and the discussions have also been focusing on further improvements to the regional business-and-investment environment with the aim to strengthen the growth potential of this region.

FTA ratifications have progressed very actively, and at the end of last year, the ASEAN Economic Community came to life. However, EU, which was thought to be the role-model of regional economic integration, saw the U.K. leaving after a referendum which voted in favor of exiting the EU. The U.S. ratification of TPP also looks uncertain at the moment.

These have reinforced and clearly tell of the fact that the most important and toughest task is not the negotiations with the partner country, but that it is winning domestic support. Domestic economic, social, and political challenges need to be overcome through dialogues with those stakeholders who are asymmetrically affected domestically. If this homework is not properly done, globalization will be singled out as the bad guy being at the root of disparities, and there will be citizens' revolts, for example through voting activities.

To aim for deeper integration means the process will be more complex. In other words, deepening of integration will affect the domestic economy, society and politics in each of the nation or region. The big challenge for each country in pursuing integration will be the improvement of the political and social stability by raising people's understanding and awareness towards the benefits of liberalization of trade and investment, by using this as leverage to support structural reforms, and also by correcting the expansion or fixation of income and asset disparities.

In Japan, the growth strategy of Abenomics has placed acceleration of structural reform as its core via TPP and RCEP negotiations. These mega FTAs will further expand direct investments which have led the growth of not only Japan but also this region as a whole, and will ensure the sustainable growth of the East Asian region represented here today.

Whether each country likes it or not, globalization is progressing, and this has demanded creation of a new social contract with which the government and the public tackle with the most challenging job of reducing disparity. I think that mutual cooperation in moving the mega FTA forward is needed to guide this region's growth strategy to success.

I would like to end my remarks by expressing my hope that today's forum will further strengthen this region's bond, and that it will contribute to promoting economic integration and sustainable economic development. Thank you very much for your attention.