

Asia-Pacific Forum 2021

“Process of Asia Pacific Cooperation in the post-pandemic era: Opportunities and prospects”

Session 2: Economic Integration and Trade System of the Asia Pacific

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First of all, I would like to express my appreciation to the Japan Economic Foundation and the China Institute for Reform and Development for arranging to hold this online conference under the difficult circumstances caused by the ongoing Covid pandemic. May I also welcome and congratulate my old friend Mr Masakazu Toyoda on his assuming the role of Chairman and CEO of JEF.

As we all know very well the Asia Pacific region has been and continues to be a major wellspring of global economic growth and prosperity throughout much of the past sixty years. This has also led to enhanced economic integration within the broad Indo-Pacific region and lifted billions of people out of poverty.

When we think of how the region may fare in a post-pandemic era, it is essential to have at the top of mind the key factors that have enabled and driven this prolonged period of consistent economic growth and deepening economic integration.

1. The region has enjoyed relative peace and stability, underpinned by the US forward strategic posture in the Asia-Pacific, for almost all the years since the Korean war (notwithstanding other regional conflicts such as the Indo-China war and other simmering security issues)
2. This relative peace and stability has enabled, indeed encouraged massive flows of investment and technology transfers (both from external sources (notably the United States and Europe) and from within the region (notably Japan followed by the Asian tigers and later China) have taken place. Preferential attraction policies encouraging greater reliance on market forces and the opening up of hitherto closed or heavily protected economies, have further stimulated this growth.
3. The WTO has played a vital role in liberalising and regulating global (and regional) trade and investment and providing an essential framework for rules-based trade and investment

4. In line with global investments and technology transfers, many Asia Pacific countries became crucial parts of in Global Value Chains GVCs and Regional VCs
5. The formation of intra-regional groupings of countries and their associated dialogue partnerships – of which ASEAN is central - followed later by the establishment of APEC as a more geographically far-reaching collaboration have bred and sustained regular habits of consultation and multilateral engagement within the Asia Pacific region for decades. Regular engagement in consultative, consensus-based groupings has become vital in guaranteeing that the interests and concerns of smaller or medium-sized countries are heard and facilitated.
6. Multiple bilateral and plurilateral trade and investment agreements between countries within the region and with countries outside the region supplement the WTO framework and include updated rules and frameworks for new areas of trade and investment.
7. CPTPP as a “gold standard” agreement and the RCEP, separately, embody more ambitious and up-to-date commitments adding to those covered by the WTO and its processes. This all enables further liberalisation and regulation of traditional trade and service trade including digital commerce

Currently the world, including the Asia Pacific region, is facing major challenges to its economic growth. These include:

- the ongoing impact of the Covid pandemic which has contracted global demand, reduced trade and investment and hampered people movement to cite several examples
- at the same time global and regional security and trade tensions exist in parallel with growing competition and assertiveness between China and the United States - a trend that started before the pandemic, but which has deepened further over the past two years
- a disturbing trend by some countries to undermine, ignore or misuse the WTO processes governing fair trade
- we are also seeing the resort to self-interested, unilateral protectionist moves and coercive trade measures in direct violation of established free trade agreements and WTO rules. In so doing these steps have distorted market-based trade in goods and services and in some cases impacted adversely on established GVCs and RVCs.

So where does this all leave us?

In the first part of these very brief remarks, I outlined seven factors (and there are probably more) that have facilitated and underpinned the economic growth and prosperity of the Asia Pacific while leading to greater integration in the region.

All those seven key factors must remain central to our thinking as it recovers from setbacks due to the pandemic.

So, first of all, adhering to the multilaterally-agreed rules of the road will be a crucial element enabling the market to operate as freely and as fairly as possible, so that trade and investment and people flows can be restored and continue to grow and GVCs are not interrupted by protectionism.

Secondly, the use of long-standing consultative and cooperative mechanisms such as ASEAN and APEC, will be more important than ever so that smaller and medium sized countries have an ability to raise concerns in a multilateral context.

Thirdly, adherence by signatories to the high standards set down under CPTPP and RCEP will also be important. This is especially so also, if additional signatories to these agreements are accepted.

Fourthly, while the CPTPP and RCEP include new rules not covered by the WTO, much more needs to be done to develop rules to reflect and manage the rapid changes occurring in the digital economy, to give one example. At the same time parallel policy support to improve digital infrastructure and connectivity is needed so that all countries can take the many new opportunities offered by digital technology.

Fifth, continued peace and stability in the Asia Pacific remains paramount to ensure ongoing economic prosperity

In conclusion, there is good reason why Asia Pacific Economic integration can continue to be nurtured and there is some room to be optimistic if the rules of the road are followed by all countries and partners in the region.