The Contribution of FTAs to Regional Economic Integration

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Evolution of the Regional Trade Architecture

From APEC and Plurilateralism in the 1990s…

Source: Inter-American Development Bank
To today’s regional “noodle bowl”

Source: Inter-American Development Bank
Potential Building Blocs for Region-wide Integration

- ASEAN
- Japan
- Chinese Taipei
- Hong Kong
-Mexico
- Canada
- Peru
- Chile
- Korea
- China
- PNG
- India
- Australia
- New Zealand

- ASEAN-Japan FTA
- ASEAN-China FTA
- ASEAN-Korea FTA
- AANZFTA
- ASEAN Plus 3 FTA
- ASEAN Plus 6 FTA
- Expanded TPP
- FTAAP
Trade in Goods: What is Being Achieved
Implementation of tariff elimination in 30 Asia-Pacific RTAs

“Now-or-never”

Escalator

Stair-step/leaps

Source: InterAmerican Development Bank
What is being achieved:
> 90% lines freed by 2013; > 95% by 2017

% of Lines Liberalized in APEC RTAs, by Region

Source: InterAmerican Development Bank
Progress Toward Free Trade in Goods

What is being achieved in existing FTAs:
- Very substantial progress over 10 year period
- Elimination of applied tariffs
- Utilisation patchy but increasing

What is missing:
- Coverage of trade flows between major economies
  - Intra-Northeast Asia (CJK)WTO Doha Round (and after)
  - Trans-Pacific (except Korea-US, Japan-Mexico)
- Participation of Hong Kong, Chinese Taipei (except with China)

Major sources of future gains in economic welfare:
- For ASEAN: CEPEA (relatively minor), FTAAP
- For Northeast Asia: CJK FTA, then CEPEA, FTAAP
- For Australia and NZ: CEPEA, FTAAP (especially for NZ)
- For USA and Americas: FTAAP
Missing Dimensions of Regional Economic Integration

- Trade in goods
  - Regulatory convergence
    - Rules of origin, product standards
  - More complete trade facilitation

- Trade in services
  - Shift from modest to comprehensive liberalisation
  - Facilitating policy and regulatory environments

- Deeper commitments on competition policy, investment, government procurement

- Shift in emphasis to “behind the border” aspects of integration

- Shift to region-wide focus
  - EAFTA, CEPEA, FTAAP
Thank-you!!