

JEF-JETRO International Symposium

**“FTAs as a Growth Strategy for Asia”**

Tokyo, 3-5 February 2013

## **Status of Bilateral and Regional FTAs in the Asia-Pacific Region**

**Gary Hawke**

Emeritus Professor, VUW and Senior Fellow, NZIER

**Continuity and change**

**Changes in the international economy**

**Implications for Economic Diplomacy**

**Asian and Asia Pacific Economic Integration**

**Conclusion**

# Continuity and change

- *Natura non facit saltum* - "nature does not make jumps"
- 
- FTAs have always been conceived as an instrument for economic growth
- 
- “Regional economic integration” points towards minimizing the impact of national boundaries whether by tariffs or other barriers while preserving rules and institutions which make private interests compatible with social ambitions.

# Changes in the international economy

- **real and monetary interdependence have become less segregated,**
- 
- **global trade has changed from trade in goods to trade in tasks, and**
- 
- **international production networks have become vastly more important.**

# Implications for Economic Diplomacy

- appropriate limits to integration?
- 
- the process of maximization generates the greatest aggregate when the number of constraints on the process is minimized. National borders are constraints on the use of resources to generate consumer welfare.
- 
- highlighting of *inclusive* growth. (“Balanced”, “sustainable” and “secure” are comparatively standard -“innovative” introduced some novelty.)
- 
- neither the WTO nor unilateral policy formation has been able to cope with recent changes in the international economy.
- 
- economic integration is much more likely between economies which can trust one another’s regulatory systems

# Asian and Asia Pacific Economic Integration

## Optimal institution

- wide mandate
- reconcile important social and cultural customs with removal of barriers to international commerce.
- promote competition
- reduce impediments to international production networks.
- intellectual property rights including accessibility and dissemination of standards.
- flows of services and therefore of investment

# **Asian and Asia Pacific Economic Integration**

## **Optimal institution (continued)**

- **movement of people, especially those with skills which are needed by international production networks and movement of people able to acquire new skills.**
- **implement well-understood rules and evolve new rules as issues not foreseen are encountered.**
- **It would be an institution suited to a world of networks rather than established organizations,**
- **a world of relational contracting rather than black-letter law.**

# Asia and Asia-Pacific Economic Integration

- **“Negotiations” and “trade negotiations” will remain common terminology but their meaning will change**
- 
- **TPP and RCEP are candidate clubs**
- 
- **The biggest difference between TPP and RCEP is likely to be in whether participants understand and support regional aspirations for inclusive growth, with the next most obvious difference being in the extent of participants' commitment to integration and liberalization as a means to sustainable, resilient and innovative growth in a world characterized by international production networks.**

# Conclusion

- **state of transition as we always will be. History is continuous rather than episodic.**
- 
- **from “trade agreements” to economic integration**
- 
- **economic integration will imply how inclusive growth is**
- 
- **plurilateral agreements key to economic governance, WTO with oversight role**
- 
- **RCEP is likely to be the leading edge of this development.**



Some way to go

