Introduction – Uncharted Waters

- Every year new surprises and challenges arise, but in recent years the strategic and economic landscape, both globally and regionally, has been relatively stable and predictable – and as a result it has been relatively straightforward to identify and pursue a roadmap for economic integration in the Asia Pacific.

- However, worldwide, 2016 has been a year of unexpected shocks, startling new challenges and radical change. Unquestionably, this has created greater uncertainty about the prospects for ongoing progress in reaching broad global and regional agreement on measures to liberalise trade and investment, such as reducing and eliminating tariffs and behind-the-border barriers to trade in goods and services and investment.

- 2016 started well with the formal signing, in February, by the 12 parties, of the completed TPP and, despite ongoing difficulties there has been steady if slow progress in the RCEP negotiations. Individual bilateral negotiations amongst several Asia-Pacific countries have also been making progress, at different levels – e.g. the Australia and Indonesia CEP.

- The shock of Brexit highlighted a huge growth in support for non-mainstream, populist, protectionist and nationalistic individuals and groups. This was also evident in other elections in Europe and in a number of regional countries, including in the Philippines and Australia. These outcomes alerted governments to the importance of effectively communicating how innovation and liberalising barriers do benefit their nations as a whole
  - However, as we now all know very well, these were only a small foretaste of the shock of Trump’s victory in the United States presidential election

- Potential impact of the Trump election on the regional economy and free trade/investment
  - Trump’s strident anti-free trade rhetoric during the election campaign, such as his focus on tearing up NAFTA, refusing to ratify TPP and threatening to impose 45% tariffs on Chinese imports have not surprisingly aroused widespread angst and uncertainty.
  - Perhaps Trump’s strong language and appeal to protectionism was deliberately overstated because it was simply part of a campaign pitch to voters who have felt forgotten, left behind or have not been the beneficiaries of globalisation and trade and investment liberalization – but we don’t know. So, until Trump is in office it will not be clear what or how much he will actually implement
given the widespread and decidedly negative impact his taking such measures would have on the US’s trading and investment relations with its partners as well as the US domestic economy. The two month period before Trump takes office provides opportunities to strongly endorse the benefits of liberalization of trade and investment. For example: PM Abe meeting with Trump

- **What should we, as countries in the Asia Pacific, do?**
  - Given the importance of sustained trade and investment liberalization in maximizing domestic economic growth, as well as regional economic growth, and moreover in underpinning global economic health, it is **essential we do not diminish our support** for these policies.
  - Most certainly, it is important not simply to lie down and do nothing, tacitly accepting at face value that the Trump presidency will automatically implement his campaign rhetoric on trade and investment issues. All regional countries should seriously consider reiterating publicly, and directly to the Trump administration both before and after it takes up office, and at every possible opportunity, that the best environment for the region is one which promotes strategic stability, open societies and economies, trade and investment liberalization and ultimately economic integration.
  - The just-concluded APEC leaders’ summit and AMM made these points very clearly, while also making the Lima declaration on the FTAAP as an ultimate ideal. As next year’s APEC host, Vietnam is uniquely placed to promote an ambitious agenda reflecting the views of regional countries.
  - It is important that countries which have signed on to the TPP and, in some cases, have already ratified it, work energetically both domestically and multilaterally to keep it alive, sustaining their commitment and at the same time making this clear to the Trump administration. Such a high quality agreement should not be discarded.
  - Similarly, RCEP negotiating countries should work energetically so deep and comprehensive agreement can be reached in a meaningful timeframe. Ongoing regional trade liberalisation can drive further significant growth within SE Asia especially in the services sector, in hitherto relatively untapped areas such as transport, infrastructure, education and investment.

**Domestically each country needs to consider actions such as the following examples**

- Committing to and implementing structural and micro-economic reforms, streamlining procedures, eliminating and generally avoiding unnecessary (and often protectionist) regulations will help assist productivity, facilitate competition, trading and investment opportunities and business activity
- Finding practical ways to communicate much more effectively and convincingly with social groups and industrial sectors in their countries which may feel left out, or disadvantaged by globalization and liberalization.