

Trade-led Growth in Times of Crisis  
Asia-Pacific Trade Economists' Conference  
2-3 November 2009, Bangkok

## Session 2

Extending the TPP: The Political Economy of  
Multilateralization in Asia

**John Ravenhill**



Asia-Pacific Research and Training Network on Trade

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**Extending the TPP:  
The Political Economy of  
Multilateralism**

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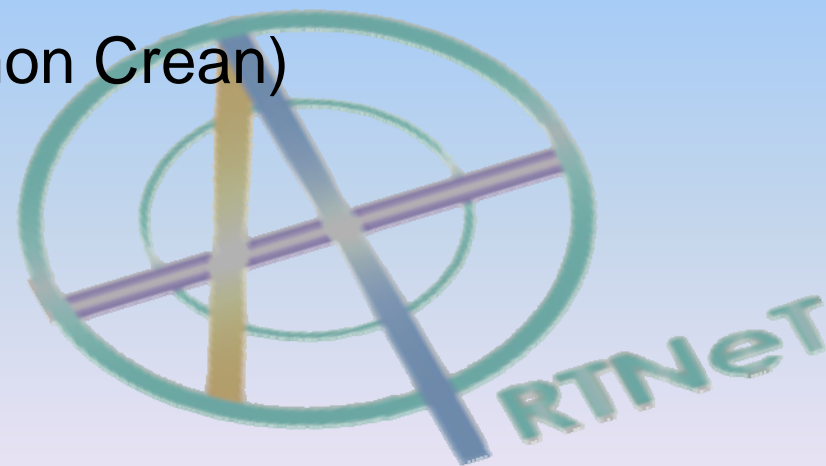


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We are in favour of high-quality and comprehensive FTAs ... We are in favour of initiatives that ensure that bilateral and regional trade arrangements are more consistent with the multilateral trading system. Our announcement to join negotiations on the Trans Pacific Partnership is perhaps the most important initiative the Rudd Government has taken to fulfil that aim.

(Australian Minister for Trade, Simon Crean)



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# What Might Drive Multilateralization?

- Baldwin's "Domino" Theory

Discriminatory Arrangements Generate Costs for Business that Leads Them to Demand Change:

(1) Equivalent Agreements for Original Non-Participants;

(2) Harmonization of Rules of Origin that Impede Rational Supply Chain Management

# Underlying Political Economy Logic

- “Juggernaut” Effect:

Liberalization Strengthens Exporting Interests giving them both desire & resources to push for further liberalization.

[clear assumptions about political economy of trade policy-making]

# But is there a “Domino Effect” at work in the Asia-Pacific?

1. PTAs must create significant advantages/disadvantages for business
2. Business has been motivated to lobby for trade policy change
3. Effective Transmission Belts Exist for Transforming Business Demands into Policy.

# Effects of PTAs Limited

- (1) Ineffective Regulatory Framework
  - Capacity for Governments to Exclude Sensitive Sectors—weakness of Art. XXIV
  - Enabling Clause
    - >> Incomplete “Framework” Agreements, Vague Provisions; Few WTO Plus;

# Effects of PTAs Limited

## (2) Do not Create Significant Advantages:

- Tariffs Low
- Information Technology Agreement
- Duty Drawback Arrangements
- Offset by other factors



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# Effects of PTAs Limited

(3) Signed with Insignificant Trading Partners



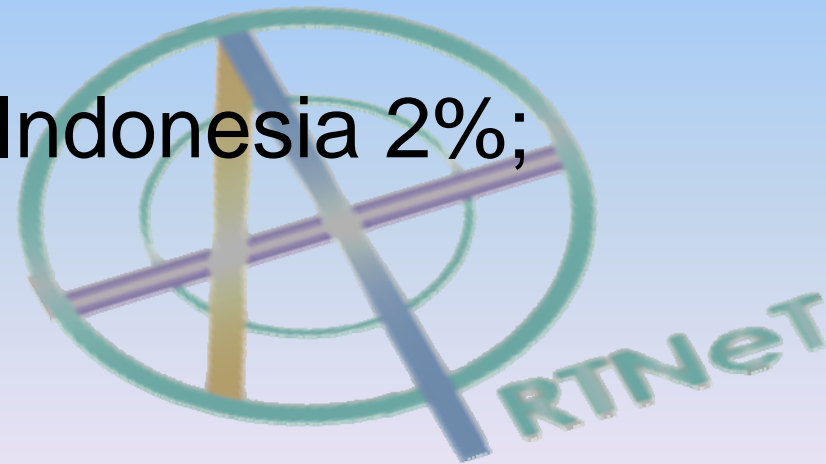
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<b>Country</b>	<b>Share of Total Exports Covered by PTAs<sup>†</sup></b>	<b>PTA Partners (Figure in parenthesis is partner's share in total exports)</b>
<b>ASEAN</b>	<b>53.5</b>	<b>AFTA (25.2), Australia-New Zealand (2.9), China (8.7), India (2.5), Japan (10.8) Korea (3.4)</b>
<b>Brunei</b>	<b>62.8</b>	<b>AFTA (24.8), Chile (0)-New Zealand (1.2)-Singapore (2.4)*, Japan (36.8)</b>
<b>Cambodia</b>	<b>6.7</b>	<b>AFTA (6.7)</b>
<b>China</b>	<b>25.3</b>	<b>ASEAN (7.3), Chile (0.3), Hong Kong (16.3), Macau (0.2), New Zealand (0.2), Pakistan (0.5), SACU (0.5), Singapore (2.2), Thailand (1.0)</b>
<b>Hong Kong</b>	<b>45</b>	<b>China (45.0)</b>
<b>India</b>	<b>13.1</b>	<b>Afghanistan (0.15), Bhutan (0.10), Chile (0.14), MERCOSUR (1.24), Singapore (5.29), Sri Lanka (1.90), Thailand (1.04), Nepal (0.84), South Asia FTA [Bhutan, Maldives (0.06), Nepal, Pakistan (0.65), Sri Lanka, Bangladesh (1.67), Afghanistan]</b>
<b>Indonesia</b>	<b>39.4</b>	<b>AFTA (18.3), Japan (21.1)</b>
<b>Japan</b>	<b>14.0</b>	<b>ASEAN (12.8), Indonesia (1.6), Malaysia (2.1), Mexico (1.2), Philippines (1.5), Singapore (3.1), Thailand (3.8), Vietnam (0.6)</b>
<b>Korea</b>	<b>13.0**</b>	<b>ASEAN (9.6), Chile (0.4), EFTA (0.4), Singapore (2.6), US (14.6)</b>
<b>Lao PDR</b>	<b>72</b>	<b>AFTA (72.0), Thailand (29.4)</b>
<b>Malaysia</b>	<b>36.0</b>	<b>AFTA (26.1), Japan (9.4), Pakistan (0.5)</b>
<b>Myanmar</b>	<b>61.2</b>	<b>AFTA (61.2)</b>
<b>Philippines</b>	<b>34.8</b>	<b>AFTA (17.3), Japan (17.5)</b>
<b>Singapore</b>	<b>70.6</b>	<b>AFTA (30.9), Australia (4.0), China (9.5), EFTA (0.4), India (2.8), Japan (6.0), Jordan (0.02), Korea (3.9), New Zealand (0.6), Panama (0.9), Peru (0.01), US (11.5), Brunei-Chile (0.02)-New Zealand*</b>
<b>Taiwan</b>	<b>0.1</b>	<b>El Salvador-Honduras (0.03), Guatemala (0.03), Nicaragua (0.01), Panama (0.07)</b>
<b>Thailand</b>	<b>35.3</b>	<b>AFTA (22.2), Australia (2.9), China (8.3), India (1.4), Lao PDR (0.7), New Zealand (0.5)</b>
<b>Vietnam</b>	<b>30.4</b>	<b>AFTA (16.8), Japan (13.6)</b>

# Business Fails to Take Advantage of Existing PTAs

- AFTA usage: Philippines 15%; Malaysia 19%; Thailand 31%; Lao PDR 0.1%; Indonesia 4%; Vietnam 8%
- CAFTA: Thailand 11%; Indonesia 2%; China 0.33%

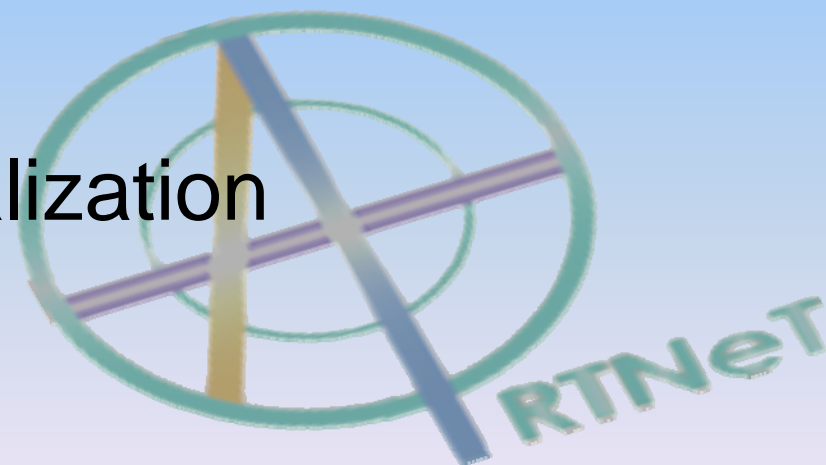


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# Business has had little involvement in negotiation of PTAs

...except in blocking liberalization

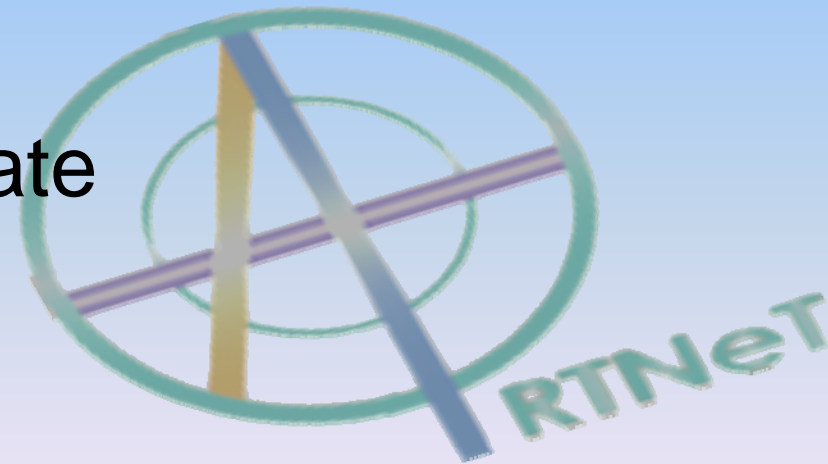


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# TPP

- Agreement among Small Countries that are relatively insignificant trading partners
- Not a High Quality Agreement
- Few Benefits in Aggregate

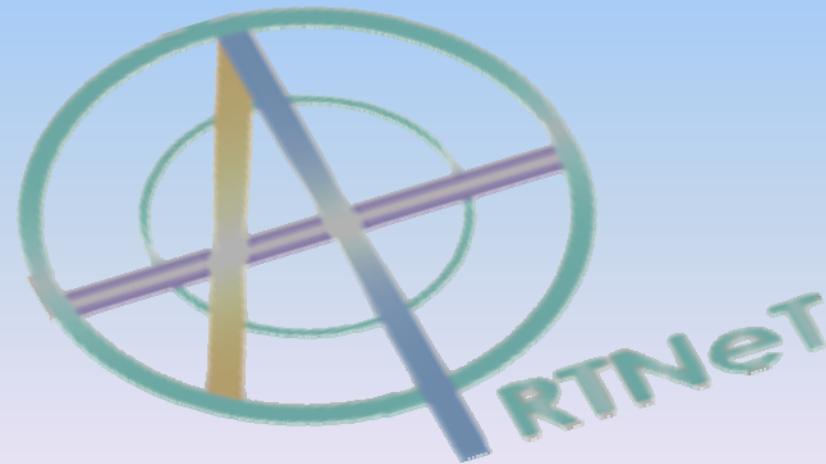


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# A TPP Extension

- ...only creates 8 new preferential agreements among 28 bilateral arrangements:
- Australia-Peru
- Brunei-United States
- Brunei-Peru
- Chile-Vietnam
- New Zealand-Peru
- New Zealand-US
- Peru-Vietnam
- Vietnam-US



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# Will the US come to the Party?



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