

NEW AGE REGIONALISM: AN EVOLVING TRADE ARCHITECTURE

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Where does Asian-Pacific regionalism stand now?

- **Becoming more regionalized through surging regional trading arrangements (RTAs), particularly bilateral trade agreements (BTAs)**
 - ✿ Over 50 RTAs involving ESCAP members and associate members
 - ✿ Considerable variation in terms of membership, style, breadth of coverage, design and effectiveness
- **Other forms of regional economic cooperation**
 - ✿ Subregional (within or outside FTAs)
 - ✿ Across subregions
- **With imminent expected accession of Russian Federation and Viet Nam to WTO, almost 100 per cent of regional trade will be covered by WTO rules**
 - ✿ Nevertheless, only 24 of 46 ESCAP developing members are WTO members
 - ✿ Some small economies and LDCs remain isolated and outside mainstream trade and investment dynamism

NEW AGE REGIONALISM: *Where are we going?*

No clear direction or conclusive answers

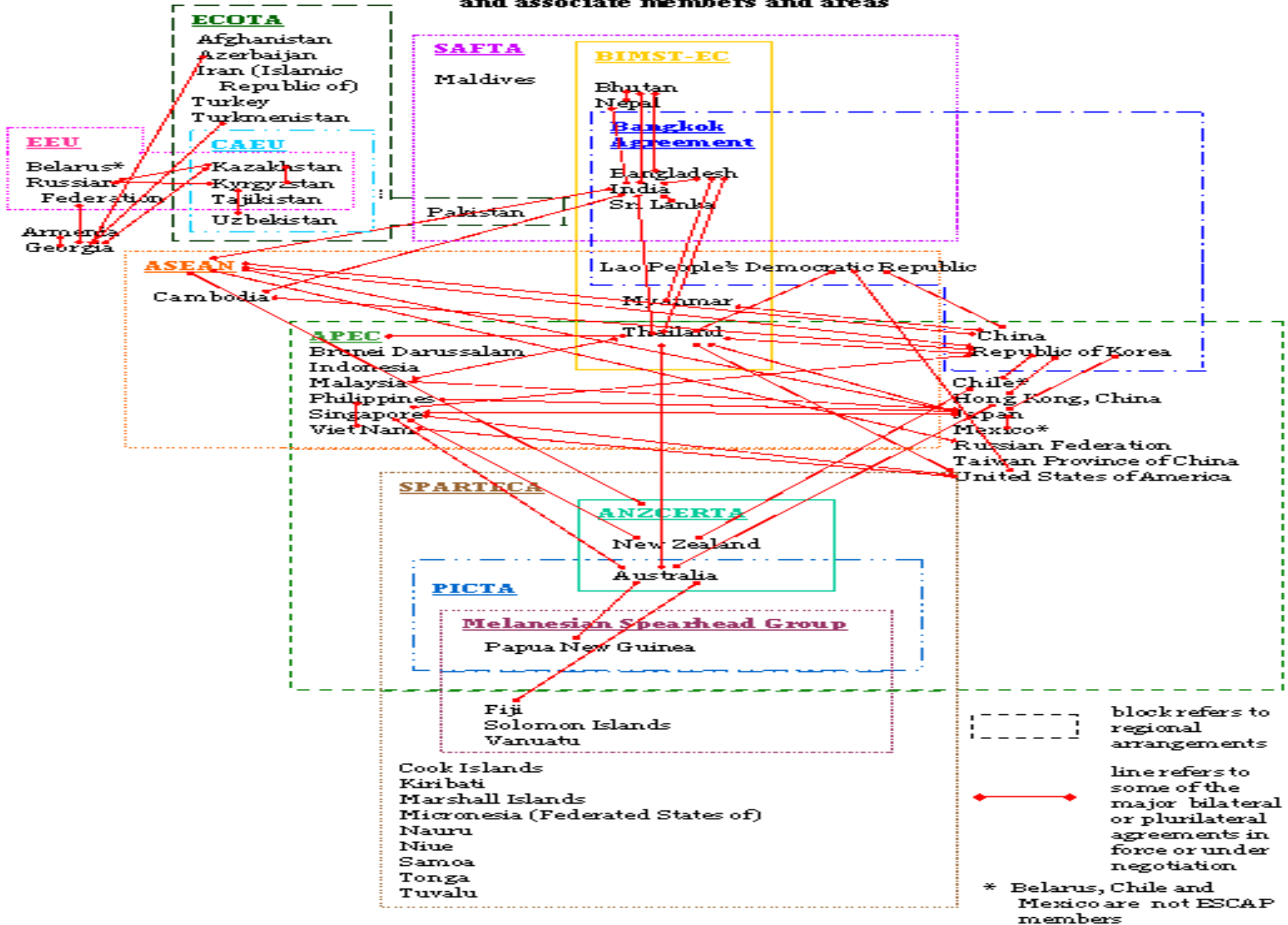
- Great number of agreements being negotiated
- Disparate membership and varying coverage
- Unclear if bilateralism is short-term or part of a greater vision

Two major opposing trends mark the new age:

- ***GLOBALIZING REGIONALISM:*** linking subregions and continents
- ***FRAGMENTING REGIONALISM:*** bilateral FTAs

Creates a kaleidoscope in the ESCAP region

Main regional integration arrangements of ESCAP members and associate members and areas



ISSUES FOR CONSIDERATION

1. Has the ESCAP region found a new approach?

- A combination of proactive and defensive trade strategies seem to drive the process
- Multilayered strata of hubs and spokes emerging

2. Can the primacy of the multilateral trading system be re-established?

- The pace, depth and scope of WTO negotiations will be a determining factor
- A focus on development-oriented objectives and outcomes must be kept in the short term as well as long term

POTENTIAL ROLE FOR ESCAP

- ❖ Use its position to forge linkages and promote coalescence in a manner that supports WTO principles
- ❖ Develop a comprehensive framework for trade and investment cooperation (see slide 7)
- ❖ Incorporate several tracks aimed at expanding trade and investment in Asia and the Pacific
 - Bilateral
 - Regional
 - Multilateral

Comprehensive Trade and Investment Cooperation Framework for Asia and the Pacific

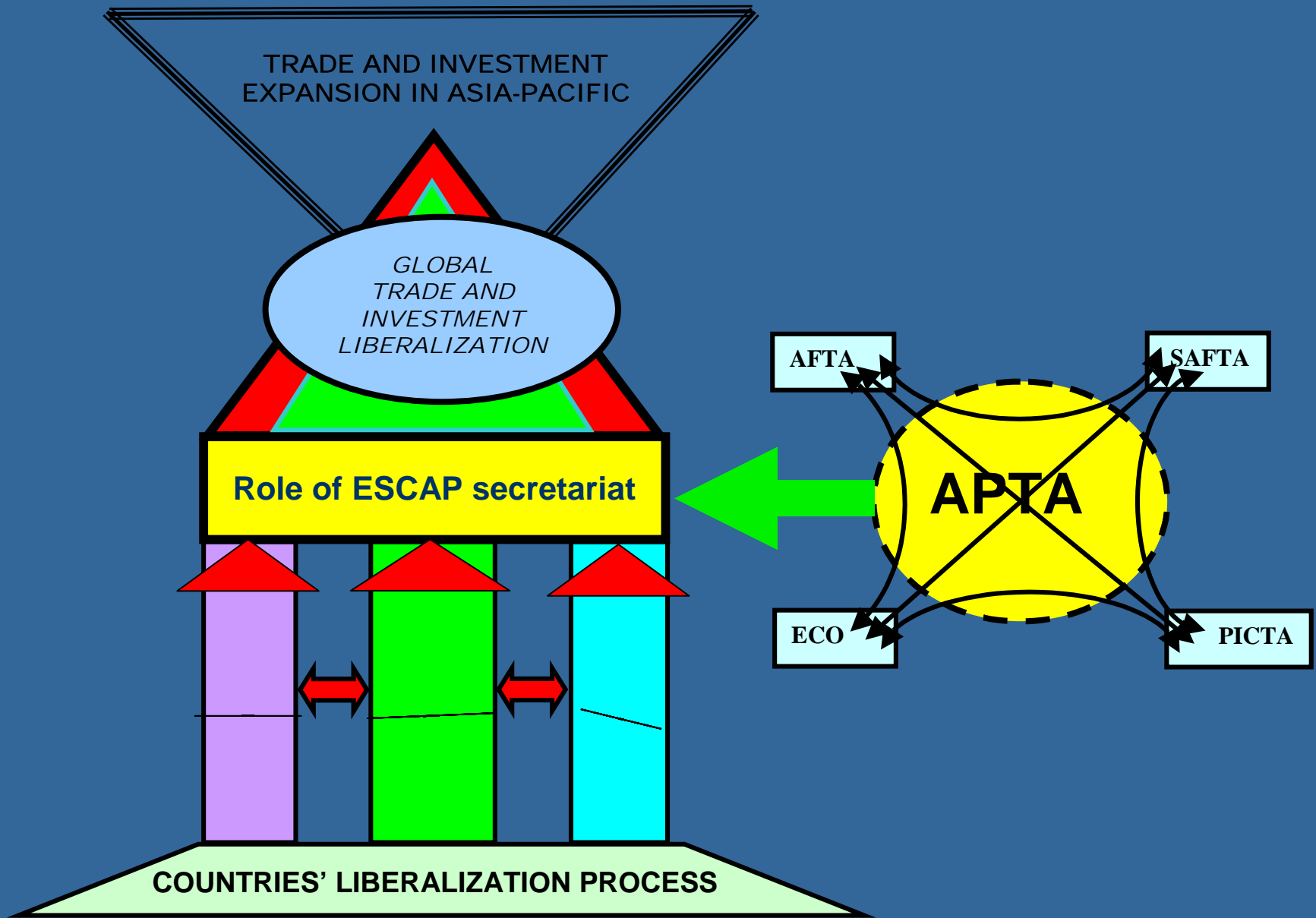
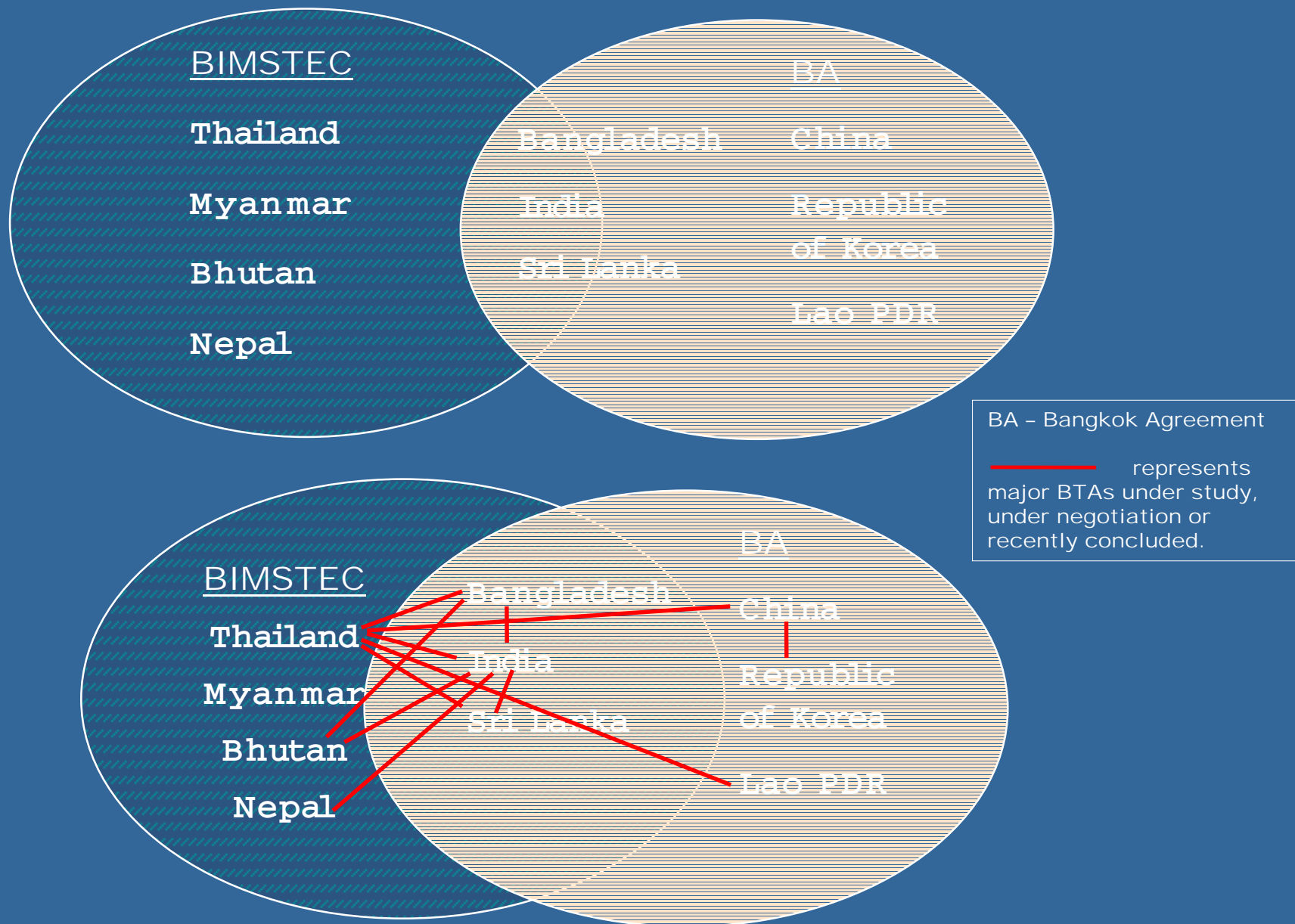


Figure 3. Consolidating RTAs: An example of a geography-based consolidation



ESCAP Role: Issue-based Consolidation







- 1. Rules of Origin (RoO): need more critical attention
- BTAs deeper tariff liberalization and may provide fast track to regional liberalization
- But RoO highly stylized, inverse relationship between tariff reduction and stringency of RoO
- Further entrench industry-specific vested interests
- Irreconcilable rules complicate rationalization: most restrictive RoO to prevent trade deflection. Anything less may make BTAs redundant.
- Margin of tariff preference of BTA
- Asian evolving patchwork vs EU experience
- Regional Harmonization programme building on WTO Common Declaration on Preferential RoO and Kyoto Convention

ESCAP Role: Issue-based Consolidation

- 2. Financial Packages as part of trade liberalization initiatives
- Flanking packages uncommon in ESCAP region
- Common in EU agreements and more recently in US trade agreements (soft loans, grants, technical/financial assistance to facilitate structural adjustment)
- SAFTA: revenue compensation scheme, how should be made to work raises many issues such as who will fund, who will be compensated, how to monitor, percentage calculations for compensation
- Regional financing facility encompassing wider set of countries clear advantages in terms of pooling, enhanced credibility etc

ESCAP Role: Reconciling Vision and Reality

3. Political will

-  More coordinated process of regionalism will require political leadership from one or from group of like-minded countries
-  Is region ready for stronger South-South solidarity to emerge?
-  Can region-wide solidarity between developed and developing countries emerge?
-  In absence of region-wide supranational structure of governance in region, or of region-wide institutions, ESCAP as the unique region-wide intergovernmental structure, well positioned, to catalyze commitment and political leadership among like-minded countries.
-  Cooperation among regional institutions notably, RIS, ADB, subregional organizations essential so that current initiatives evolve in a coordinated and rational approach
-  FTAA tripartite cooperation between UN ECLAC, Interamerican Development Bank and Organization of American States worthy of further analytical scrutiny