

Asia-Pacific Forum 2024

Session 2: Regional FTA Promotion in the Asia Pacific Region

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Talking points - Murray McLean

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Following the end of World War 2, the US in conjunction with other major economies led the establishment of rules-based multilateral organisations and other global and regional arrangements promoting open and fair trade. GATT/WTO and other later plurilateral trading arrangements have ensured that global and regional markets are open, and that trading is fair and appropriately regulated.

The WTO unquestionably facilitated global economic growth and prosperity. And just think where the global and regional economies would be if China had not been admitted to the WTO, something which stimulated China's economic growth enormously together with its regional and global economic partners.

As already discussed in the first session, the second Trump Administration will further intensify its self-interested mercantilist approach to global trade negatively impacting on world trade and specifically Asia Pacific trade. There seems no possibility that the new US Administration might resume any sort of constructive leadership role in the promotion of global and regional free trade and economic governance over the next four years.

So, after many years of regulated fair trade, the global economic and trading system and its institutions looks certain to face deeper challenges. Over the past seven years the resort to imposition of punitive tariffs and other protectionist measures by the US, and also by China, looks set to continue since it directly stems from the intense strategic competition between the two countries. This competition will dominate global economic prosperity but especially so, our own regional economy.

At the same time as the WTO has been a positive factor, the security provided by the US forward presence in the Asia Pacific region, as well as its longstanding economic engagement has been and remains vital in enabling the region's ongoing prosperity. On the other hand, while from a security perspective there are sharply diverging views about China's place in the region,

China will increasingly be the most important trading partner for the Asia Pacific.

This mix of economic and security elements means that the strategic competition between the US and China will directly impact upon the interests of Asia Pacific countries for years to come. Globalisation, including open trade has served the Asia Pacific very well for several decades, so the continued challenges to globalisation such as the threats by Trump to impose general tariffs and even higher tariffs on Chinese imports will negatively affect the Asia Pacific regional economy.

As others have already commented, the upshot of this highly uncertain situation is that the Asia Pacific economies must be unified in committing even more firmly to upholding and implementing the FTAs they already have in place. This is the best guarantee of ensuring that the prosperity brought about by globalisation enjoyed over the past decades can continue. The recent APEC Leaders' summit in Peru reinforced this very point.

Apart from APEC's broad facilitative role, the RCEP and the CPTPP, as modern, up-to-date free trade agreements which respectively bring together most countries in the Asia Pacific, provide an essential framework for stimulating and governing ongoing open trade and investment in the region and beyond. These FTAs and earlier bilateral arrangements as well as arrangements between ASEAN and its other regional partners have already been important to the dynamic economic growth of the region by opening new markets, facilitating and rationalising new forms of trade and investment, and eliminating or reducing non-tariff barriers. It is crucially important that this strong work is continued.

ASEAN through its position at the centre of these free trade arrangements is very well placed to take a leading role, supported by partners such as Australia, Japan, South Korea and New Zealand, in demonstrating the utility and benefits of free trade for the ongoing prosperity of the region, despite the great power competition and the resort to protectionism and mercantilism.

So, in conclusion I would make three points:

Firstly, if ASEAN and its partner economies act together in solidarity in this space, as distinct from allowing themselves to be tempted by divide and rule tactics or individual seduction by major powers, then the adverse impacts of

great power competition and protectionist policies targeting specific countries can be limited.

Secondly, it will be important to maintain “openness”. Open regionalism means that frameworks need to be kept in place to ring-fence multilateral engagement.

Thirdly, there needs to be ongoing activism to defend multilateral trade institutions, notably the WTO. As has been already mentioned one area where this is particularly important would be to strengthen the Multi Party Interim Appeal Arbitration Arrangement, such that if, and when, the US political situation shifts away from mercantilism there is a framework to re-engage with it.

Put very simply, it is essential for all countries, especially those heavily reliant on trading for their prosperity to keep alive the concept of multilateral trade.