

- Discussion for Session III -

Mega Trade Agreement: Opportunity or Threat for Multilateralism

Shinichi Nakabayashi

**Director for Administration, Management, and Coordination (AMC)
Asian Development Bank Institute (ADBI)**

Trade and Development Regional Forum 2016
21-22 September 2016
Bangkok, Thailand

FTAs in Asia

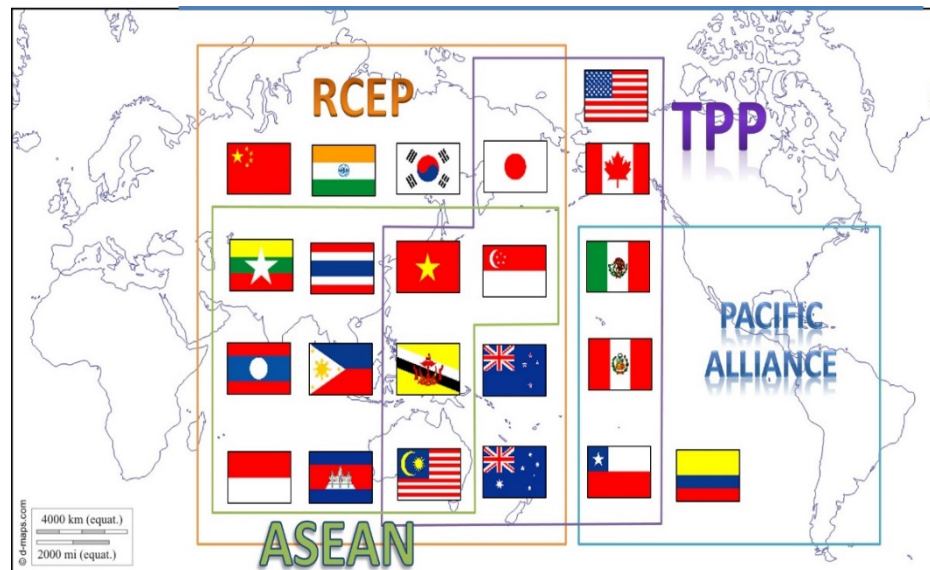
	FTAs by Status (cumulative)					FTAs by Type (cumulative)	
	Under Negotiation	Signed	In Effect	Total	Proposed	Bilateral	Plurilateral
1980	0	1	1	2	0	0	2
1991	0	2	5	7	1	5	2
2000	5	5	40	50	2	46	5
2010	57	9	112	178	53	137	42
2016	73	6	147	226	67	161	65

Source: Asian Regional Integration Center. <http://aric.adb.org/fta> (accessed 6 Sep 2016).

- ▶ A sharp increase in the number of bilateral and plurilateral FTAs in Asia since the early 1990s

RCEP & TPP

- ▶ A recent move towards region-wide FTAs in Asia, i.e. RCEP and TPP
- ▶ Exclusion of LDCs and small states in RTAs (cf. Lao PDR, Myanmar, and Cambodia in RCEP)



	Trade with world		Trade among members		GDP	
	Trade	Trade	Trade	Trade	GDP	GDP
	Bil. USD	Share	Bil. USD	Share	Bil. USD	Share
RCEP	5,009.39	28.3%	2,249.68	12.7%	22,390.39	28.8%
TPP	5,127.64	29.0%	1,979.40	11.2%	27,865.15	35.8%
World	17,671.27	100.0%	17,671.27	100.0%	77,845.11	100.0%

Source: Helble (2016)

Mega RTAs & LDCs

Asia-Pacific States Left Behind from Mega RTAs

(Those with Shares of More Than 10% of Trade in Goods with TPP and RCEP Blocs)

	TPP	RCEP
LDCs	Bangladesh, Cambodia, Myanmar, Solomon Islands, Vanuatu	Afghanistan, Bangladesh, Bhutan, Nepal, Solomon Islands, Vanuatu
Small States	Fiji, Maldives, Samoa, Tonga	Fiji, Maldives, Mongolia, Samoa, Tonga

Source: Palit (2014)

Challenges

- ▶ Mega RTAs require a high level of trade liberalization & rigorous quality standards
 - ▶ LDCs left behind are expected to suffer from Mega RTAs due to trade preference erosion and stricter quality standards
 - ▶ LDCs are ill-prepared to join Mega RTAs because of higher standards and GATS/TRIPS plus commitments
- **The need to directly negotiate with RTA members, comply with quality/safety rules through capacity-building (Aid for Trade)**

Regional trade agreements vs. Multilateralism

- Regional agreements complementary rather than alternative for Multilateralism
- Question is not which comes first, but rather how regional agreements are designed
- Transparency, equity and openness are key
- Allow regional hubs to act as pioneers while keeping door open for more encompassing forms of liberalization

Mega RTAs & Multilateralism

(Continued)

- Integration within Asia market-driven – Regional trade agreements allow market actors to advance the process of integration within their needs
- Regional trade agreements do not rule out future Multilateralism: Regional agreements as inspiration for larger agreements
- Regional trade agreements provide options for market participants, do not constrain them
- Regional agreements can generate momentum for more large-scale agreements: Strengthen cross-regional linkages

Mega RTAs & Multilateralism

Transparency

Transparent agreements that follow established standards and international best practice

Equity

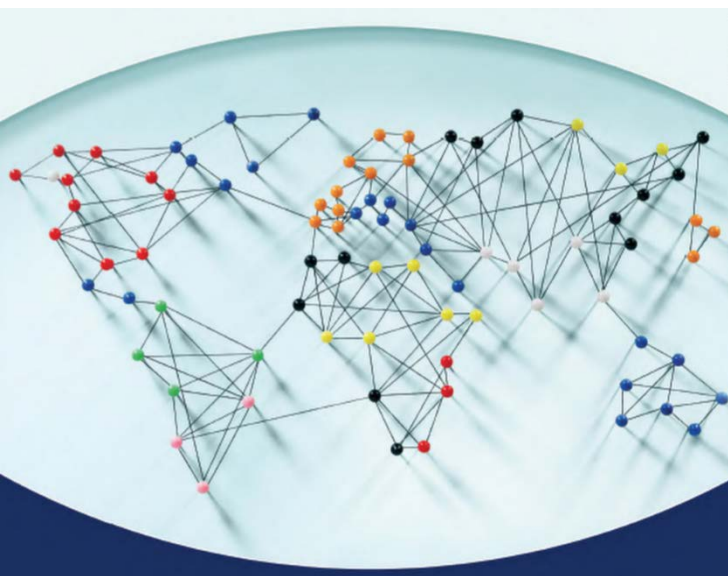
Sustainable balance between economic objectives, development priorities and social needs

Openness

Maintain low barriers to entry for future members, include them in existing framework to avoid “noodle bowl” effect

Mega RTAs & Multilateralism

- ▶ FTAs/RTAs as second best, while multilateral trade system as first best
- ▶ Wide variations in the level of trade liberalization & definitions of ROOs in Asia-based RTAs



The Way Forward

- ▶ Multilateralize mega RTAs through the non-discriminatory extension of preferential trading arrangements to non-FTA members
- ▶ Unconditional open accession; High-level of trade liberalization; Transparency; One ROO per product (or co-equal system); Progress monitoring
- ▶ Complementarity between TPP & RCEP

Source: Urata (2013)



**Thank You for Your
Attention**