

Free access

1,170 Views | 20 CrossRef citations to date | 0 Altmetric

Listen

Articles

The move to preferential trade on the Western Pacific Rim: some initial conclusions

John Ravenhill*

Pages 129-150 | Published online: 09 May 2008

Cite this article <https://doi.org/10.1080/10357710802060519>

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

View PDF

Abstract

Since* the turn of the century the Asia-Pacific region has become the most active location for the negotiation of preferential trade agreements (PTAs)—a dramatic change from the

exists an... are unde... compreh... which an... econ... comp... likely to... factors s... removes... governm... in scope... ed or which... the most... N and China... e range of



We Care About Your Privacy

We and our 848 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. [Privacy Policy](#)

We and our partners process data to provide:

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

I Accept

Essential Only

Show Purpose

attention and resources away from negotiations at the global level but also runs the

Risk of Fragmenting the pro-liberalisation' coalition in countries that have signed

multiple agreements.

Evaluating the new Asia-Pacific PTAs

Impact on Foreign Direct Investment (FDI) Flows

PTAs and Regionalism

Who is Invited to the Table?

Love them or loathe them, preferential trade agreements (PTAs) are now a prominent and seemingly permanent part of the global trade landscape.¹ In the dozen years since

Who Concedes Most?

the World Trade Organisation (WTO) came into being, members have notified it of the creation of more than 240 PTAs covering goods or services—a dramatic contrast to the

WTO Plus?

Foundations for Broader Regional Agreements? 1949 and 1994 when only 124 such agreements were notified.

Today there are around 220 active agreements that have been notified to the WTO—

Promoting Domestic Structural Adjustment

with a substantial further number yet to be notified (Figure 1).²

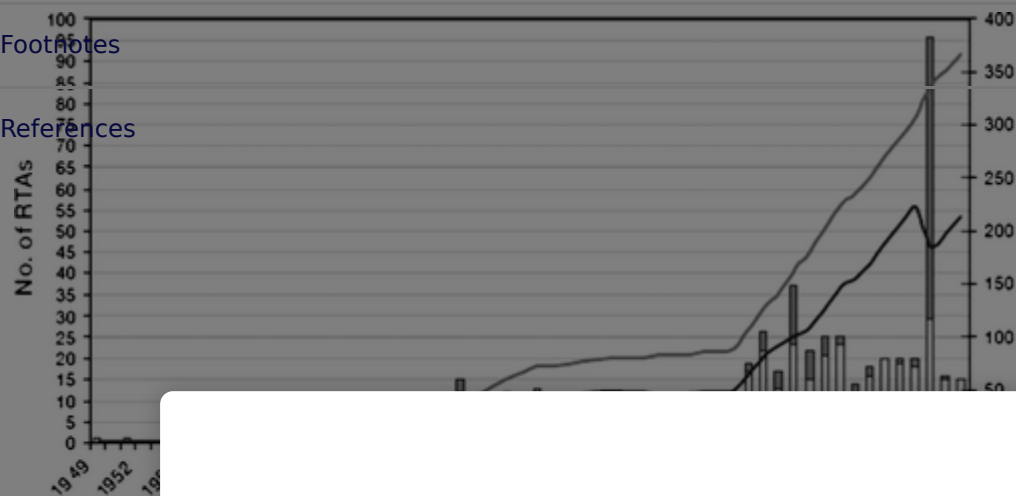
Fragmenting the Pro-Liberalisation Coalition?

Figure 1. Number of PTAs notified to the GATT/WTO by year of entry into force

Conclusion

Source: (Fiorentino, Verdeja and Toqueboeuf, 2007 Chart One).

Additional Information



Footnotes

References

Display full



Since active
locati ents a
dramatic fore. Before
the East ment of any
substan (ASEAN)
Free Trade a, Japan,

In this article



the crisis, they all jumped aboard the PTA bandwagon—and the Australian government and others that had similarly been sceptical of such agreements in the past joined suit. Today, there are more than 80 PTAs involving East Asian economies that are either being implemented, negotiated or the subject of study groups (Table 1).

Table 1: Bilateral and Minilateral PTAs Involving the Economies of East Asia and Oceania (June 2007)

Download CSV Display Table

We now have a substantial database from which we can begin to draw conclusions about the move to preferential trade in the Asia-Pacific region. Inevitably, such conclusions will have to be tentative. The number of agreements that are actually being implemented is still relatively small; many of them have only entered into force in the last couple of years and contain provisions that will not be fully put into practice for some considerable period. Nonetheless, some clear patterns have begun to emerge.

While all of these treaties constitute some variant of preferential trade agreement, they are far from identical in their scope (or, indeed, in the motivations of the participants). Table 2 highlights the principal country differences in the design of the agreements. The table reflects my judgements on the typical content of these PTAs. Such content reflects the typical content of these PTAs. Such content reflects the typical content of these PTAs.



Of the agreements included in Table 2, those in their coverage of 'WTO Plus' provisions.

in their product coverage, are typically less ambitious in the WTO Plus area—for instance, by not going beyond existing international commitments on intellectual property rights, making no reference to environmental or labour standards, and failing to move beyond pledges to consult on competition policy and government procurement.

PTAs and Regionalism

In the middle of the spectrum are Japan and Korea, with Japan's typical agreement being somewhat more comprehensive in its coverage than those of Korea. Outside of the area of investment, agreements involving these countries have few WTO Plus provisions. A distinctive feature of the Japanese and Korean commitments to the realisation of 'Comprehensive Economic Partnerships', however, are provisions for

technical assistance on capacity building for less developed partners. At the other end

of the spectrum, are the agreements of ASEAN and China. These typically are little

more than frameworks, agreements to negotiate further cooperation on matters related

to international trade. Product coverage in goods trade is far from complete; that of

trade in services even less so. Neither of these parties typically includes references to

intellectual property rights (except in China's case, reference is sometimes made to the need to achieve a balance between the interests of rights holders and users).

Government procurement and competition policy are similarly off the agenda. They

contain no reference to environmental issues (while agreements involving Japan and

Korea do so, the obligations established by their treaties are typically very weak); and

as with the agreements involving Japan and Korea, mention of labour rights is absent.

Inevitably, variation occurs across any individual country's agreements, reflecting the

respective

interest

PTAs. While

more po

Economic

binding

much

(both ba

procurement

with India

partner,

one that

short of what the Singapore government had initially stated as its objectives in the

negotiations.

Scope and Motivations of Asia-Pacific PTAs

The very significant variations in the scope of PTAs that Pacific Rim countries have negotiated to date reflect differences in levels of economic development and in

Impact of Foreign Direct Investment (FDI) Flows

bureaucratic capacity across the region. They also point to the variety of objectives that

PTAs and Regionalism

PTAs serve. These are as diverse as the agreements themselves. Given the

Who is Invited to the Table?

complexities of the issues involved in negotiating PTAs, and the multiple stakeholders

affected by these agreements, to disentangle the political from the economic is no easy

Who Concedes Most?

task. And within both categories, several sets of motivations often co-exist.

WTO Plus?

Throughout modern history, all economic cooperation agreements have been

Foundations for Broader Regional Agreements?

accompanied by expectations that collaboration in areas of 'low' politics will lay the

Promoting Domestic Structural Adjustment

foundations for peaceful co-existence among participants. The European Coal and Steel

Community, the predecessor to the European Union, is a classic example. Nowhere is

the practice of using economic cooperation as a means of confidence-building among

Conclusion

distrusting neighbours better illustrated than in ASEAN where four decades of (albeit at

Additional information

best partially successful economic collaboration) have provided the basis for a nascent

security community (on the limitations of ASEAN's economic collaboration see Ravenhill

Footnotes

[2007](#); on ASEAN as a security community, see Acharya [2001](#). Similarly, for many

References

commentators, North American Free Trade Agreement (NAFTA) was as much about

stabilising the southern boundary of the United States as it was about creating

economic gains.

On the political dimension, governments may perceive the agreements as much as an

opportunity to deal with the

other part of the world, especially with the

diplomats who have been successful in their success

in concluding agreements that are merely

served to the region or great

power. The region's choice

of PTAs is to suggest

that a 'security community' (see [2004](#)). And

they may be seen as partners

that they are a concern

that the region is not



governments). The negative reaction of the Indonesian government to Australia's initial offer of an early step in decision-making on agreements that ultimately are shaped by economic considerations. In the case of the US, for instance, Washington decided to prioritise negotiations with 'proven allies' in selecting its partners for negotiating PTAs—but this preference for working with friends has not prevented it from rigorously pursuing its own economic interests once negotiations begin. Even if the primary objectives of a state in initiating the negotiation of a PTA are political, the agreements will inevitably also serve some economic purpose (although, as discussed further in Philippa Dee's article in this issue, the establishment of a PTA will not necessarily produce welfare gains for the parties).

Turning to the economic dimension, three principal motivations are evident in Asia-Pacific agreements negotiated to date. The most ambitious agreements aim to promote deeper integration, to go beyond existing WTO commitments particularly on services—and in the case of agreements involving the United States, on environment, intellectual property, and labour standards. A second prominent economic reason for entering into PTAs, for China, in particular, has been to use them to attempt to secure access to raw materials. Here the emphasis has been less on negotiating a comprehensive agreement than on specific sectoral arrangements, amid expectations that the agreements will lead to a general improvement in relations between the parties. Finally, a number of the agreements seem to have had primarily 'defensive' motivations—in particular, they have reflected the play of competitive pressures on the parties to 'level the playing field' as they face in the global market. For example, the US-ASEAN Free Trade Agreement, which was negotiated in the early 1990s, was a response to the increasing competition from Asian corporations that had entered the US market. For more on this, see Solis (2003); see also Solis (2003) for a discussion of the motivations behind the US-ASEAN FTA. The principal motivations for the negotiation of specific PTAs.

Conclusion

Additional information

References

In this article





Evaluating the new Asia-Pacific PTAs

Overall Economic Effects

Pointing to the political objectives that governments pursue through PTAs serves to

remind observers that it may not be appropriate to judge these agreements on

economic criteria alone. Yet, it is the extent to which the economic impact of the

agreements lives up to (often exaggerated) expectations that tends to capture public

attention and which, in principle, should be easier to evaluate than the less tangible

political impacts. In practice, however, estimating the actual economic effects of the

agreement is far from easy. We have to bear in mind the caveats regarding the small

number of agreements that have been negotiated, and the phase-in periods for their

full implementation.

These caveats notwithstanding, several factors can be expected to limit the impact of

the agreements:

- (1) A large percentage of the total trade between the parties may already be little affected by tariffs.

Average bound MFN rates for manufactured products for industrialised economies

following

3.9% for

Japan's t

the Euro

Products

mecha

Agre

arranger

Office ar

Asian ec

Even th



enter a partner's market duty-free. This is particularly the case for an economy like Australia's that is heavily dependent on commodity exports. For instance, Australia's four most valuable exports to Thailand, accounting for 55% of the total value of Australian exports in 2005–6, were all minerals/energy resources, which would have entered the Thai market duty-free even in the absence of the Australia-Thailand PTA (Department of Foreign Affairs and Trade [2007](#)). In aggregate, elaborately transformed manufactures constituted only 4% of Australia's total exports to Thailand in 2005–6; services contributed a similar percentage. The share (and total value) of Australian exports to Thailand potentially enjoying a tariff advantage by virtue of the bilateral trade agreement consequently was relatively small.

(2) The advantages created by PTAs may be offset by other factors.

The most obvious other factor affecting trade relationships is changes in exchange rates. The Australian dollar has appreciated by more than 20 percent against the US dollar in the two years since the Australia-US trade agreement was implemented, a figure more than five times the average US bound tariff on manufactured imports—a realignment that more than offsets any advantages bestowed by the PTA.

Reductions in tariffs may also have little impact if products face significant non-tariff barriers, a dimension of trade largely neglected by most PTAs to date (the notable exception being negotiations on services, which are primarily about non-tariff barriers).

(3) The response of private sector actors.

Two principal assumptions regarding private sector actors are made in estimating the effects of trade liberalization. The first is that private sector actors will undertake the administrative costs of trade liberalization. The second is that private sector actors will capture the benefits of trade liberalization. The first assumption is so that private sector actors will capture the benefits of trade liberalization. The second assumption is that private sector actors will capture the benefits of trade liberalization. The first assumption is so that private sector actors will capture the benefits of trade liberalization. The second assumption is that private sector actors will capture the benefits of trade liberalization.



(Estevadeordal, Harris and Suominen [2007](#); Manchin and Pelkmans-Balaoing [2007](#)).

Costs escalate when companies face multiple rules of origin in complying with the various PTAs that their government has signed—as is the case for Australian exporters who face different rules of origin for each of Australia's PTAs negotiated to date.

Impact on Foreign Direct Investment (FDI) Flows

These costs often more than offset the preferential advantages created—(again recall that the average bound tariff on manufactures for industrialised economies is around 4

percent). The consequence is that companies simply do not bother with the paperwork

required to gain concessions under the PTA. The most notorious example is the ASEAN

Free Trade Area (AFTA) where less than five percent of total intra-regional trade takes advantage of the preferential tariffs created by the agreement (McKinsey and Company

[2005](#)). While the failure of companies to undertake the paperwork necessary to exploit

the preferential advantages created by AFTA may be an extreme example, it is by no

means atypical. In 2001, the weighted utilisation rate of preferences in US PTAs was

54%; for the preferences the US afforded to the Caribbean and Andean countries, the

rates were under 36% and 25% respectively (Lederman and Özden [2005: Table 1C](#)).

Carrere and de Melo ([2004](#)) estimate that preferential margins of at least 10 percent

would be needed to compensate for the costs of complying with a typical value-added

rule of origin under NAFTA. Similarly, Manchin and Pelkmans-Balaoing ([2007](#)) suggest

that companies will undertake the paperwork required to take advantage of the

preferential rules of the ASEAN Free Trade Agreement only when the difference

between the preferential tariff and MFN treatment is between 10 and 25 percent (when

tariffs exceed 25 percent the products are also usually subject to restrictive non-tariff

barriers, which prevent product access even if companies comply with the rules of

origin).

Even if companies do not undertake the paperwork required to gain

preferential treatment, the cost of complying with the rules of origin at the

savings from the preferential tariff may be offset by the costs borne by exporters and

consumers. For example, the cost of complying with the rules of origin on

exports from Australia to the United States may be higher than the savings that have been

realised in Australia. In Australia, the cost of complying with the rules of origin is the rate of

the Australian tariff on the product (or the MFN rate) minus the preferential rate (or the

bound rate). In the United States, the cost of complying with the rules of origin is the

only one-third of the Australian tariff (or the MFN rate) minus the preferential rate as higher

prices for the product in the United States than in Australia. At low levels of

of tariffs (and preferential advantages generated by PTAs) have to be put into context—
in this instance the 100% markup that one typically finds in many areas of retailing.
Moreover, as students of industrial organisation know well, private companies' decisions on where to locate production, and from where to source supply, are driven by a variety of factors beyond the presence or absence of trade barriers. Take, for instance, the recent agreement that General Motors (GM) signed with the United Auto Workers in which GM committed itself to continued production and to the assembly of new models at specific factories in the US in exchange for concessions on health care benefits. Commitments to local workforces/communities, whether for economic, political or social reasons, are even stronger in Japan and Korea, and may easily outweigh the impact of marginal changes in costs brought about by removal of tariffs.

(4) The Erosion of Preferential Margins

Preferential Trade Agreements are, in Fred Hirsch's (1976) terminology, 'positional goods'. Those in possession of such goods derive maximum benefit from them when others do not have access to them (and have an incentive to attempt to deny others access to them—one reason for the restrictive rules of origin in many PTAs and for governments' lack of enthusiasm for negotiating agreements that are open to all, as
See details in this issue of the journal). With the proliferation of preferential agreements around the region, the advantages enjoyed by the early comers are being quickly eroded. Consider, for instance, the benefit to the Australian auto industry from the removal of the 25 percent import duty on pickup trucks (utes), one area of manufacturing highlighted at the time of the negotiation of the Australia-US PTA as



Impact on Foreign Direct Investment (FDI) Flows

The very significant increase of FDI inflows from the United States to Mexico

Impact on Foreign Direct Investment (FDI) Flows

immediately following the implementation of NAFTA led some commentators to suggest

PTAs and Regionalism

that conclusion of a PTA could be a positive stimulus to investment flows between

Who is Invited to the Table?

partners, an issue that figured prominently in some discussions at the time of the

Australia-US negotiations. While, again, it is early days in the implementation of the

Who Concedes Most?

new Asia-Pacific agreements, there is no evidence to date that they have had an

WTO Plus?

independent impact that will make any noticeable difference on aggregate investment

Flows: Even for large economies?

flows. Even for large economies, a single major investment/divestment can significantly

distort data on trends in foreign investment (for further discussion in the East Asian

Promoting Domestic Structural Adjustment

context see Ravenhill [2006a](#)). So, too, can changes in domestic laws that are unrelated

Fragmenting the Pro-Liberalisation Coalition?

to PTAs—changes in US tax treatment of FDI led to massive outflows of US FDI from its

FTA partner, Singapore, in 2005. And, in that FDI and trade are sometimes substitutes

China's

for one another, particularly where the motivation for investment is tariff-hopping to

Additional information

service protected domestic markets, the freeing of trade can have a negative effect on

Footnotes

FDI.

References

Since the signature of the Australian-US FTA, the US share of incoming FDI into

Australia has declined whereas that of economies with which Australia does not

currently have PTAs—China and the European Union—has increased. There is no reason

to think that AUSFTA is responsible for this declining US share—on the other hand, the

record is positive

effect on that whereas

NAFTA h Mexico had

fallen be ney and

Serven 2 effects of

NAFTA I ent for

cour World Bank

survey c



PTAs a

Much has been made of the fact that the increase in the number of preferential trade arrangements involving East Asian countries occurred in the wake of the financial crises of 1997–98. The crises have been seen as precipitants both of a new East Asian sense of identity and of a desire to act collectively to reduce perceived vulnerabilities. While a case can be made that the new cooperation on finance, embodied in the Chiang Mai Initiative, does represent a regional response of this type (albeit a weak one given the small sums involved—see MacIntyre, Pempel and Ravenhill [2008](#)), the pattern of PTAs negotiated by East Asian countries does not support an argument that a new regionalism is developing. Indeed, exactly the opposite has occurred—if anything, the new PTAs have undermined the preferences given within the region's longest-standing preferential agreement, ASEAN.

A casual glance at [Table 1](#) belies any argument that the new PTAs are reinforcing an East Asia regionalism. Fully two-thirds of the agreements signed by East Asian economies to date are with countries outside East Asia—the figure for those currently being negotiated or under study is even higher, over 80 percent. And as noted in the discussion of approaches to PTAs above, where East Asian economies have entered into PTAs with industrialised economy partners, these have had provisions for ‘deeper’ integration than the arrangements they have negotiated with one another. The consequence is that some ASEAN economies now afford more extensive preferential treatment either to countries outside ASEAN but in East Asia (notably Japan) or to countries outside the East Asian region (most notably through Singapore's agreement with the United States—but similar conclusions can be expected for any agreements negotiated with the EU). Such arrangements undermine the much-vaunted ASEAN-first principle

Who is
Also
agreed
governm
with Sing
not just
largest e

of
ements,
distribution is
s fourth
still accord it

negotiating table are the region's low income economies (especially Cambodia, Laos and Myanmar, but also Indonesia and the Philippines). Their under-representation in the agreements is a reflection of the fact that they typically have relatively little to offer partners (although Indonesia is an exception given its natural resources), their lack of negotiating capacity, and partners' concerns about the lack of state capacity to enforce any agreement reached. While the low-income economies do benefit from the Generalised System of Preferences schemes offered by industrialised economies, these provide neither the comprehensiveness of coverage nor the legal security afforded by PTAs.

WTO Plus?

Foundations for Broader Regional Agreements?

Who Concedes Most?

Promoting Domestic Structural Adjustment

Globally, a consistent pattern is evident in PTAs: smaller economies typically concede more than their larger partners in negotiating these agreements.⁴ Both the EU and the US have extracted more concessions from their partners than they themselves have

given up. We have seen similar outcomes in the Asia-Pacific region—witness the US agreements with Australia and Singapore, and Japan's agreements with ASEAN

economies (see the article in this issue by Aurelia George Mulgan). But there has been one important exception to this generalisation about larger parties extracting the lion's

share of concessions: China's PTAs with ASEAN, Hong Kong, and Macau—where China has been willing to sign off on an agreement where it has made by far the most concessions (seen, for instance, in the 'Early Harvest' provisions of the ASEAN

agreement).

motivations for this exception are a mix of political and economic factors, as a reflection of long-term economic relations between industrialised economies and China (see Mulgan 2007).

Power and the United States (see Mulgan 2007). In this article



WTO Plus?

Scope and Motivations of Asia-Pacific PTAs

A principal advantage over trade negotiations at the global level that many

Evaluating the new Asia-Pacific PTAs

commentators saw for PTAs was that they would enable parties to negotiate 'deeper'

Impact on Foreign Direct Investment (FDI) Flows

Integration, to go beyond existing measures at the WTO. Most of the PTAs negotiated in

PTAs and Regionalism

the Asia-Pacific region do contain some 'plus' elements—but often these provisions are

very shallow.

Who is Invited to the Table?

As already noted, the agreements involving the United States go furthest beyond

Who Concedes Most?

existing WTO commitments, and embrace a range of areas for further cooperation.

WTO Plus?

Even the United States, however, has stepped back in several areas from the

Founding the Trade Facilitation Regional Agreement

comprehensiveness of the provisions of NAFTA. Two are particularly notable: none of its

recent agreements contains a side agreement on the environment, unlike the

Promoting Domestic Structural Adjustment

provisions in NAFTA for a North American Commission on Environmental Cooperation,

Fragmenting the Pro-Liberalisation Coalition?

which was established with its own secretariat. The US has also backed away from

adding provisions to these agreements on investor-state disputes after Congress

Concluding

expressed concerns that foreign investors were enjoying rights through PTAs not

Additional information

available to domestic investors.

Footnotes

Compared with the US treaties, the WTO Plus provisions in other PTAs around the region

References

are weak. The characteristic reference is to 'cooperation' on matters such as

competition policy and/or to 'facilitation'. And the provisions on the environment are

typically no stronger than commitments that states will not lower environmental

standards in their efforts to attract foreign investment. None of the agreements has a

reference to the environment. Still, the PTAs which provides that

'The Parties shall cooperate in strengthening or

reducing

Certainly, it is not surprising that a

platform from the

PTAs shed by an

OECD transfer from

the region

Develop the US

agreement in this

issue), the oha



Foundations for Broader Regional Agreements?

To what extent have the new agreements laid the foundations for extension to

Impact on Foreign Direct Investment (FDI) Flows

additional participants? The answer is very little. Although some—notably those

PTAs and Regionalism

between Australia and Singapore, and Australia and Thailand—do make allowance for

Who's Invited to the Table

other countries, in accession to the treaties, there are only two instances in the region

where such a broadening of membership has happened. The first is within ASEAN,

Who Concedes Most?

where the expansion of its membership to include Cambodia, Laos and Myanmar,

WTO Plus?

brought three additional parties into the ASEAN Free Trade Agreement. The second is

Foundations for Broader Regional Agreements?

the Trans-Pacific Strategic Economic Partnership, an extension of the 'Pacific 3' PTA

between Chile, New Zealand, and Singapore, that occurred when Brunei acceded to the

Promoting Domestic Structural Adjustment

arrangement in June 2005. In most of the other agreements around the region, the

Fragmenting the Pro-liberalisation Coalition?

country-specific nature of the rules of origin significantly complicates their extension to

other parties.

Conclusion

Additional information

Footnotes

Promoting Domestic Structural Adjustment

References

The argument that PTAs could be used to promote domestic structural adjustment was particularly popular in some official and academic circles in Japan (and to a lesser extent Korea) (the best discussion is in Munakata [2002](#), and [2006](#)). The logic was that by entering into negotiations with countries that are significant agricultural exporters,

Japan would establish the principle that the PTA would serve to liberalise trade in agricultural products.

In her argument, why their battle as can serve in has with but flowers agricultural

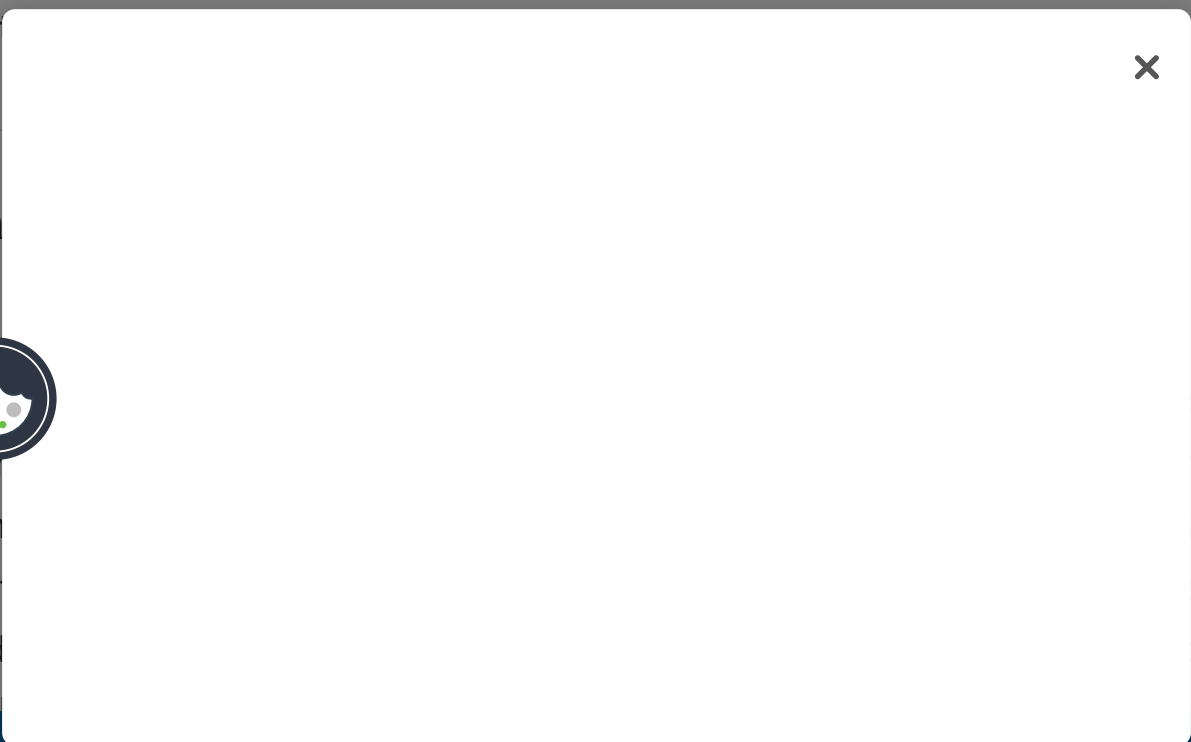


PTA strategies have questioned whether the agreements that Japan has signed, including that with Mexico, are consistent with the spirit of the WTO's provisions on regionalism.

Evaluating the new Asia-Pacific PTAs

The lack of specificity of the provisions within the WTO on PTAs, especially that related to the meaning of the requirement that 'substantially all the trade' between parties should be liberalised, and the failure of the Committee on Regional Trade Agreements to reach a judgement on the numerous agreements submitted for its consideration, has afforded countries the opportunity to exclude sensitive sectors from agreements—a process I have termed 'liberalisation without political pain' (Ravenhill 2003). And, of course, it has not just been Japan that has done so—witness the US exclusion of key agricultural sectors from its agreement with Australia, and, more surprisingly, its own acquiescence in Korea's exclusion of rice from the Korea-US PTA.

The negotiation of PTAs can increase both the external and the internal pressures for domestic structural adjustment with the expectation that such influences will enable more competitive sectors to realise potential gains from PTA negotiations. The success, however, of protectionist interests in ensuring that sensitive sectors are carved out of agreements given their often entrenched positions in decision-making structures, as George-Mulgan points out is the case in Japan, illustrates the limitations of such arguments. Those favouring a global approach to trade negotiations would argue that the logic of the external/domestic pressures argument would be more compelling for negotiations at the global level where the possibility exists for coalitions of interested parties to exert concerted external pressure, and where the potential gains for competition



Fragm

In a well

crea

arrange

meanwh

provide

The evid

part of t

In this article

of PTAs will

uch

g field;

and

eralisation.

orts the first

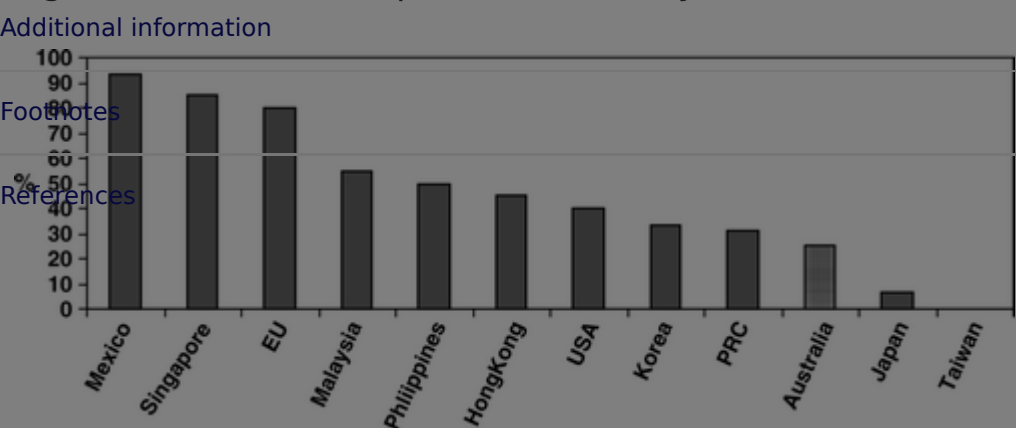
to

^

already enjoy the benefits of such agreements. The second part of the argument is less persuasive.

Where exporting interests have achieved free access to a large portion of their markets through preferential trade agreements, they will have few incentives to invest resources to lobby for liberalisation at the global level. And where access to foreign markets has been achieved through agreements where countries have been able to carve out sensitive sectors, they will have little incentive to undertake what—particularly in Northeast Asian countries—is politically risky lobbying in support of the dismantling of protection for sensitive sectors, particularly in agriculture. We have already reached the stage where a substantial share of the exports of some countries is covered by PTAs [Figure 2] (Mexico, Singapore, and the EU have been the most active negotiators of PTAs—should Australia conclude agreements with Japan, China and Korea, the share of its exports to countries with which it has PTAs will rise to 70 percent).

Figure 2. Share of Exports Covered by PTAs



Display full

The effe
damagin
negotiat
to inter
secto
less ent
with its

ore
ion of
The access
ntial and
ubstantially
comparison

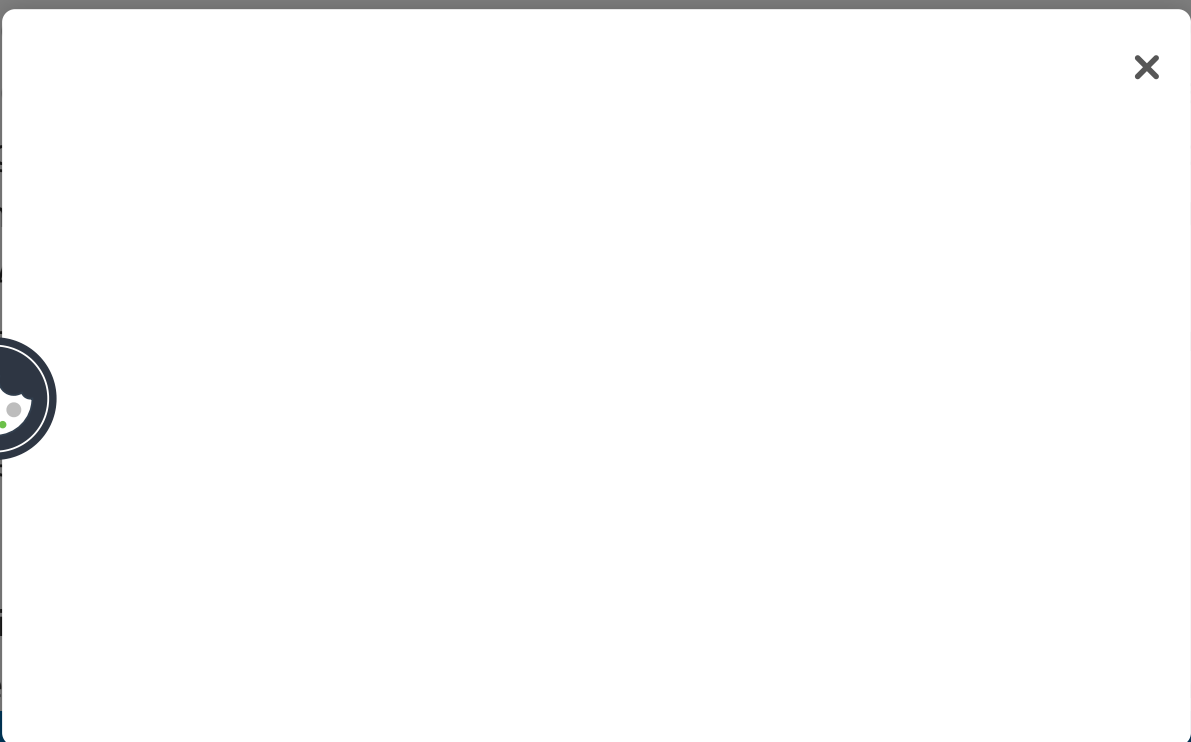
In this article

The proliferation of preferential trade agreements in the Asia-Pacific has yet to have any marked effect on aggregate trade and investment flows. That this should be the case, contrary to some of the wilder claims from economic modelling, is consistent with studies over the years that have emphasised the dominant role of the private sector rather than inter-governmental treaties in leading Asia-Pacific integration. It is also consistent with analysis grounded in basic knowledge about the region, especially in relation to the relative ease of movement of goods among countries given the availability of duty-drawback arrangements, free-trade zones and other mechanisms that have facilitated the development of regional production networks, and as a consequence of the very extensive unilateral trade liberalisation undertaken over the last quarter of a century.

Much international trade is already largely unhampered by border barriers (and PTAs generally fail—with the notable exception of negotiations on services—to address the arguably far more significant behind-borders barriers). Where significant border barriers do exist, they serve domestic political economy purposes that have so far proved largely resistant to the pressures from partners seeking to negotiate bilateral

agreements. To date, the agreements negotiated around the region, with the exception of those involving the United States, do not have significant WTO Plus features: those involving China and ASEAN are typically WTO Minus. The agreements are of primary benefit to industries facing specific barriers or seeking to overcome disadvantages created by other preferential arrangements.

On the political side, entering into PTA negotiations will not necessarily lead to



improved... have been
improved... years after Kim
Dae Jung... tions
between... to sign on to
the ASEAN... alisation
committr... negotiations
is no... key
instrum...
What co... ggregate
economy... ing
swampe... de

enthusiastic supporters had anticipated in promoting structural adjustment; indeed, in that governments have been able to exempt the most heavily protected sectors from liberalisation, the agreements may have had exactly the opposite effect by further entrenching protectionist interests. Few agreements negotiated in the region to date include significant WTO Plus provisions; those that do are primarily ones to which the US is a party—and its pursuit of the interests of its domestic pharmaceutical industry through PTAs threatens to do damage to the public health systems of partner states. To the extent that the agreements have had positive economic effects, these have been primarily in instances where governments have been pursuing ‘defensive’ interests, attempting to redress the damage done to domestic interests by preferential agreements their partners have signed with third parties. The pursuit of PTAs may not be an optimal policy approach, however, if damage limitation is the principal objective.

Additional information

Notes on contributors

Footnotes

John Ravenhill*
John Ravenhill is Professor in the Department of International Relations, Research School of Pacific and Asian Studies, Australian National University

Notes

* Research Council
through
1. I prefer
agre—
fall fa
parties’
markets
referred
accurate
ade
—they often
they provide
r partners’
etimes
hinology was
aphically



in different geographical regions. They continue to be labeled regional trade arrangements because all non-universal trade agreements are scrutinised by the WTO's Committee on Regional Trade Agreements.

2. According to the Asian Development Bank, in 2007 there were another 61 PTAs that had not been notified to the WTO, which involved the economies of East Asia, Oceania, and South Asia, where framework agreements and treaties had been signed or were under negotiation. A further 47 agreements had been proposed. Asian Development Bank, Asia Regional Integration Centre, [Table 2](#). FTAs by WTO Notification and Status (cumulative), <<http://aric.adb.org/2.php>> (consulted 25 October 2007).

3. In addition, in 1975 seven countries—Bangladesh, India, Lao People's Democratic Republic, the Republic of Korea, Sri Lanka, the Philippines and Thailand—signed the 'First Agreement on Trade Negotiations Among Developing Member Countries of ESCAP', known as the Bangkok Agreement (renamed the 'Asia-Pacific Trade Agreement' in 2005), and in 1991 Laos and Thailand had concluded a preferential trade agreement. These agreements provided only very limited liberalisation of trade in goods. In Oceania, the Australia-New Zealand Closer Economic Relations Trade Agreement had been signed in 1983.

4. Freund (2003). Whether this asymmetry in concessions carries over into asymmetries of gains from the agreements is another matter. Smaller parties would usually be expected to gain more (at least in proportion to the size of their economy) in a relationship between parties of unequal size. And conventional economic analysis would suggest that the party that makes more concessions will gain more because of the addi



Res

Mega

RCEP

Sour

P and

From APEC to mega-regionals: the evolution of the Asia-Pacific trade architecture

Scope and Motivations of Asia-Pacific PTAs

Source: Informa UK Limited

Evaluating the new Asia-Pacific PTAs

The 'new East Asian regionalism': A political domino effect

Impact on Foreign Direct Investment (FDI) Flows

Source: Informa UK Limited

PTAs and Regionalism

Multilateralising regionalism: what role for the Trans-Pacific Partnership Agreement?

Who is Invited to the Table?

Source: Informa UK Limited

Who Concedes Most?

Fighting Irrelevance: An economic community 'with ASEAN characteristics'

WTO Plus?

Source: Informa UK Limited

Foundations for Broader Regional Agreements?

Linking provided by [ScholarSplorer](#)

Promoting Domestic Structural Adjustment

Fragmenting the Pro-Liberalisation Coalition?

References

Conclusion

1. Acharya , Amitav . 2001 . Constructing a security community in Southeast Asia:

Additional information

ASEAN and the problem of regional order , London : Routledge .

Footnotes

[Google Scholar](#)

References

2. Bacchetta , Marc and Bijit Bora , 2001 . Post-Uruguay round market access barriers for industrial products , Policy Issues in International Trade and Commodities Study Series 12 (New York : United Nations).

[Google Scholar](#)

3. Baldwin

865 -

20 (7) :

4. Ca

Est

Resea

Goog

ually costly?

mic Policy

5. Cosbe

e rush to

In this article



Development and Motivations of Asia-Pacific PTAs

Google Scholar

Evaluating the new Asia-Pacific PTAs

Impact on Foreign Direct Investment (FDI) Flows

6. Department of Foreign Affairs and Trade , 2007 . Trade topics: a quarterly review of

PTAs and Trade in Australia's international trade, Summer 2006 .

Google Scholar

Who is Invited to the Table?

Who Concedes Most?

7. Estevadeordal , Antoni , Jeremy Harris and Kati Suominen , 2007 . 'Multilateralizing

preferential rules of origin around the world' , Geneva: Conference on

'Multilateralizing Regionalism', 10-12 September .

Foundations for Broader Regional Agreements?

Google Scholar

Promoting Domestic Structural Adjustment

Fragmenting the Pro-Liberalization Coalition?

8. Fiorentino , Roberto V. , Luis Verdeja and Christelle Toqueboeuf , 2007 . The changing

landscape of regional trade agreements: 2006 update , Discussion Paper 12 (Geneva:

Conclusion

WTO Publications),

Additional information

<http://www.wto.org/english/res_e/booksp_e/discussion_papers12a_e.pdf> ,

<http://www.wto.org/english/res_e/booksp_e/discussion_papers12b_e.pdf> .

Footnotes

Google Scholar

References

9. Freund , Caroline , 2003 . Reciprocity in free trade agreements , Working Paper 3061

(Washington, DC: World Bank),

<http://econ.worldbank.org/files/26994_wps3061.pdf> .

10. Higgons , 2007 . Economic

global

11. Hill , 2007 . University

Press

12. Keidar , 2007 . ents toward



<<http://www.keidanren.or.jp/english/policy/2000/033/proposal.html>> .

Scope and Membership of Asia-Pacific PTAs
Google Scholar

Evaluating the new Asia-Pacific PTAs

3. Lederman , Daniel , Maloney , William F. and Serven , Luis . 2005 . Lessons from Impact on Foreign Direct Investment (FDI) Flows NAFTA for Latin America and the Caribbean , Washington, DC : World Bank .

PTAs in the Region
Google Scholar

Who is Invited to the Table?

4. Lederman , Daniel and úaglar Özden , 2005 . Geopolitical interests and preferential access to US markets , Policy Research Working Paper WPS3531 (Washington, DC: World Bank), <http://econbeta.worldbank.org/external/default/main?pagePK_64165259&theSitePK_469372&piPK_64165421&menuPK_64166093&entityID_000012009_20050303091556>

Foundations for Broader Regional Agreements?

Promoting Domestic Structural Adjustment
Google Scholar

Fragmenting the Pro-Liberalisation Coalition?

5. MacIntyre , Andrew , T.J. Pempel and John Ravenhill 2008 . After the crisis: East Asia's changing political economy (Ithaca : Cornell University Press).

Additional information
Google Scholar

Footnotes

References

6. Manchin , Miriam and Annette Pelkmans-Balaoing , 2007 . Rules of origin and the web of East Asian free trade agreements , Policy Research Working Paper WPS4273 (Washington, DC : World Bank).

Google Scholar

7. Mangan

Japan

804 -



case of
, 12 (5) :

8. McK

Se

Goog



ASEAN

9. Munak

<<http>



0. Munakata , Naoko . 2006 . Transforming East Asia: the evolution of regional economic integration , Washington, DC : Brookings Institution Press .

Google Scholar

Evaluating the new Asia-Pacific PTAs

Impact on Foreign Direct Investment (FDI) Flows

1. Organisation for Economic Cooperation and Development , 2002 . 'Regional trade agreements and the multilateral trading system: consolidated report' ,

PTAs and Regional

<[http://www.ois.oecd.org/olis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/db1bbc3ddbadaecceec1256c770042bc1b/\\$FILE/JT00135547.PDF](http://www.ois.oecd.org/olis/2002doc.nsf/43bb6130e5e86e5fc12569fa005d004c/db1bbc3ddbadaecceec1256c770042bc1b/$FILE/JT00135547.PDF)> .

Who is Invited to the Table?

Who Concedes Most?

Google Scholar

WTO Plus?

2. Ravenhill , John . 2003 . 'The new bilateralism in the Asia-Pacific' . Third World Foundations for Broader Regional Agreements?

Quarterly , 24 (2) : 299 - 317 .

Promoting Domestic Structural Adjustment

Web of Science ® | Google Scholar

Fragmenting the Pro-Liberalisation Coalition?

3. Ravenhill , John . 2006a . 'Is China an economic threat to Southeast Asia?' . Asian Conclusion

Survey , 46 (5) : 653 - 74 .

Additional information

Web of Science ® | Google Scholar

Footnotes

4. Ravenhill , John 2006b . 'The political economy of the new Asia-Pacific bilateralism: References

benign, banal or simply bad?' , in Vinod K. Aggarwal and Shujiro Urata Bilateral trade agreements in the Asia-Pacific: origins, evolution and implications (London : Routledge), pp. 27 - 49 .

Google Scholar

25. Ravenhill

Chara

Relatio

).

Go



26. Roy , I

new g

GATS?



27. Solis , Mireya . 2003 . 'Japan's new regionalism: the politics of free trade talks with Mexico' . *Journal of East Asian Studies* , 3 (3) : 377 - 404 .

[Google Scholar](#)

Evaluating the new Asia-Pacific PTAs

Impact on Foreign Direct Investment (FDI) Flows

28. *Wall Street Journal* , 2007 . 'Why the weak dollar isn't driving U.S. inflation like it used to' , 19 November .

[Google Scholar](#)

Who is Invited to the Table?

Who Concedes Most?

29. World Bank . 2004 . *World Development Report 2005: a better investment climate for everyone* , Washington, DC : World Bank .

[Google Scholar](#)

Foundations for Broader Regional Agreements?

Promoting Domestic Structural Adjustment

30. WTO , 2007 . 'International trade statistics 2007' ,

Fragmenting the Pro-Liberalisation Coalition?

<http://www.wto.org/english/res_e/statis_e/its2007_e/its07_merch_trade_product_e.htm

Conclusion

[Google Scholar](#)

Additional information

Footnotes

31. Yoshimatsu , Hidetaka . 2005 . 'Japan's Keidanren and free trade agreements: societal interests and trade policy' . *Asian Survey* , 45 (2) : 258 - 78 .

References

[Web of Science](#) [®] | [Google Scholar](#)

[Download PDF](#)

Related



Information for

Open access

Authors

Overview

R&D professionals

Open journals

Editors

Open Select

Librarians

Dove Medical Press

Societies

F1000Research

Opportunities

Help and information

Reprints and e-prints

Help and contact

Advertising solutions

Newsroom

Accelerated publication

All journals

Corporate access solutions

Books

Keep up to date

Register to receive personalised research and resources by email

 Sign me up



✕

