

ASCN Preliminary Conference for APEC 2007

"Reshaping APEC for the Asian Pacific Century –priorities and strategies"

Melbourne, 11-12 December 2006



IMPROVING TRADE LIBERALIZATION

Presentation Summary

Fernando González Vigil
(Universidad del Pacífico, Peru)



A Multidimensional Challenge

- Coherence between the means –liberalization- and the aim: global opportunities for **development** delivered by an **open world** economic system → liberalization and structural reform must proceed in synergy
- Contemporary trade policy, covering ever more at-the-border and behind-the-border measures, is the main policy package dealing with the micro foundations for competitiveness and sustained growth ⇒
- Building-up of individual and collective capabilities to get and manage the appropriate –to each nation or region- mix of policies and institutions for organizing a market economy efficiently open to trade, through committed public-private partnerships
- Competitiveness is so the outcome of a systemic fabric of clustered private and public institutions and policies, while markets globalization and ICTs are projecting parts of such systemic fabrics beyond their national origins, spreading the location of businesses along international value chains and bringing together governments and civil societies in different closer links
- Best –public and private- practices met thanks to openness carry on positive spillovers potentially helping to unleash a virtuous liberalization-structural reform process towards a developed national fabric. The potential
 - is greater the better liberalization is sustained by facilitation and capacity-building
 - gets materialized in different degrees, depending basically on domestic capabilities and also on the mix of liberalization modalities used by each nation or region



Implications for Liberalization Modalities

- **Unilateral:** not optimal in the real world of imperfect competition markets and asymmetric power, though useful to discredit autarchy and to set the 'baseline level' of openness
- **Concerted Unilateralism:** ideal only if simultaneous and balanced, unlikely to happen under APEC voluntary ways, but useful to liberalization-supporting facilitation and capacity-building action, to not threatening multilateralism and to promote open regionalism
- **Trade Negotiations:** the 'first-best' liberalization modality in the real world, because sealed with binding commitments → preferably at a **Multilateral** level because of global membership including most of the main economies, which renders WTO the forum
 - where those economies have high incentives to liberalize trade among themselves, small developed and developing economies may strike more even-handed deals, altogether resulting in non-discriminatory binding commitments –though non-discrimination applied with some flexibilities
 - yet such advantages produce mixed results in practice: slow progress or lack of WTO rules in areas sensitive to major players → ambitious agenda seen as serving to get even more concessions in exchange of overdue liberalization and ruling in delayed areas
 - the above plus still incipient record on facilitation and capacity-building → multilateralism perceived as not development-minded → DDA outcome?



Preferential Trade Negotiations

- PTAs discrimination and possible 'stumbling bloc' configurations pose risks to the building-up of an open world trade system,
- But PTAs do also have some key advantages
 - most economies –the developing and small developed, in particular- do not trade with all WTO members and typically do it significantly with some partners only → PTAs are an efficient tool to liberalize this 'relevant trade' in a more rapid and less complicated way
 - in the same way help to capitalize potential 'development spillovers' of more diversified trade –South-South PTAs- and/or of best private and public practices –North-South PTAs
 - PTAs *really are* improving trade liberalization and going beyond WTO in many market access, facilitation and rules provisions
- Since regionalism is a necessary policy response to the market globalization-*cum*-regionalization process, WTO and PTAs are coexisting and need to virtuously complement each other



PTAs Improve Liberalization -Market Access

- Specially in the case of recent US-model FTAs:
- MA in Goods: very appealing in North-South agreements
 - 'substantially all the trade -SAT' largely met
 - NTMs: go beyond WTO on SPS and TBT
 - RoO regimes: more complex but not necessarily more restrictive
- MA in Services: clearly GTAS-plus → key for competitiveness
 - 'negative list' approach: deeper liberalization and regulatory transparency; local presence not required for cross-border trade
 - non-conforming measures (NCM): lock-in, beyond WTO or not depending on the overall exchange of concessions



Other recent PTAs' Best Practice or WTO-Plus features

- Customs Procedures and Trade Facilitation
 - speedy clearance process
 - cooperation for automation, risk maintenance systems, etc
- Regulatory Provisions
 - Investment: broad definitions of investor and investment –pre-establishment included; on NCM same as above
 - IPRs: stronger enforcement; protection to test-proof data; advanced understandings on biodiversity and traditional knowledge
 - Government Procurement: trade-off between unequal capacity to meet thresholds in agreed sectors and competition-enhancing effects
 - Labor and Environment: better enforcement of existing regulations; acknowledging as inappropriate to reduce protection for trading purposes



Needed Liberalization-improving outcomes from APEC and WTO

- From APEC, besides of enhanced support to a balanced Doha Round outcome
 - complete on-going work on model PTA chapters as inputs to convergence in PTAs design
 - if FTAAP is a 'long-term prospect', to agree on a definition of Bogor goals – sort of 'SAT', but precise? – plus a methodology for better assessing progress towards them through the IAP and peer review process
- From WTO, in order to deliver a balanced Doha Round
 - facilitate exchange of equivalent concessions by improving its conveyor role for a better measuring of effective MA in goods and services
 - improve the scope of WTO rules on PTAs, on the basis of APEC model provisions when pertinent
 - raise the status of facilitation and capacity-building action to support the implementation of WTO commitments

Thanks for your kind attention !