

# Improving Trade Liberalisation How Can APEC Be an Exemplar?

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## APEC Economies as Exemplars

- **benefits of openness**
  - facilitating dynamism of APEC region
  - spread of production networks
- **applying lessons of Asian economic crisis**
  - imperatives of
    - strong institutions
    - effective economic governance
  - benefits of openness (again)

## APEC's Contribution

- **facilitating maintenance of regional consensus in favour of openness**
  - capacity-building
  - sharing of experience
  - peer pressure
  - promoting trade facilitation
- **building on lessons of Asian economic crisis by emphasising**
  - structural reform
  - financial and economic governance

## APEC's Experience with Trade Liberalisation (1)

- **“Riding the wave” of liberalisation initiatives that arose largely independent of APEC**
  - implementation of Uruguay Round commitments
  - China's WTO accession
  - unilateral liberalisation programmes in some economies
  - post-crisis adjustment packages
- **what happens as the “wave” loses momentum?**

## APEC's Experience with Trade Liberalisation (2) The Harsh Lessons of EVSL

- negotiated reciprocity essential for liberalisation by key economies
- reciprocity can be global or regional
- attractions and limitations of APEC vision of (regional) free trade via (globally) non-discriminatory liberalisation (“open regionalism”)
  - key economies require global reciprocity for globally non-discriminatory liberalisation
- the lessons
  - “APEC is not a negotiating forum”?
  - APEC cannot deliver the (global) reciprocity required for (globally) non-discriminatory liberalisation
  - (globally) non-discriminatory liberalisation at the regional level is not a feasible route to (regional) free trade

## Meeting the Ongoing Demand for Trade Liberalisation in the APEC Region

- WTO rules allow only 2 routes for reciprocal liberalisation involving developed economies
  - multilateral liberalisation via WTO
    - comprehensive in scope but may be (very) partial in extent
  - FTAs or customs unions complying with GATT Article XXIV
    - requires complete elimination of barriers on “substantially all trade”
- both routes are politically problematic
- APEC transferred responsibility for trade liberalisation to the WTO
- APEC members turned to preferential liberalisation as WTO faltered
  - political difficulties addressed through
    - product exclusions
    - lengthy implementation periods
    - extensive use of tariff rate quotas and special safeguards during implementation periods
    - rules of origin
    - retaining ability to use anti-dumping actions
  - leading to “spaghetti bowl” and “hub and spoke” configurations

## Improving Trade Liberalisation (1) Preferential

**Aim for simplification/rationalisation of the “spaghetti bowl”**

- **promote convergence on high quality measures**
  - e.g. APEC’s “model measures”
- **support initiatives to improve transparency in FTAs (e.g. WTO’s transparency initiative)**
- **rules of origin: work for greater uniformity and more extensive cumulation**
- **support plurilateralisation of bilateral initiatives**
- **aim for coherent regional trade architecture**
  - maintain region-wide openness
  - avoid discrimination among APEC economies
  - consider possibility of region-wide FTA

## Improving Trade Liberalisation (2) Multilateral

- **must be viewed as indispensable**
  - multilateral liberalisation the best antidote to negative effects of preferential trading arrangements
  - “rules based” system a vital element in global economic architecture
- **what can APEC do?**  
(given that it does not control the WTO process)
  - need to improve its credibility as demandeur for greater progress/successful conclusion in DDA
    - continue with structural reforms that will facilitate more extensive multilateral liberalisation commitments
    - demonstrate ability and willingness to make the greater commitments needed to move the DDA forward