

DOCUMENTATION

Pragmatic Approach to Free Trade in the Asia-Pacific Region

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PRESS RELEASE

Trade policy experts from countries in the Asia-Pacific region met in Singapore over the weekend, 24–26 September, to consider the options for liberalizing Asia-Pacific trade and investment, following the Uruguay Round of multilateral trade negotiations, now due to be completed by 15 December.

The “informal” roundtable meeting, bringing together senior officials and private-sector specialists, was convened by the Gaston Sigur Center for East Asian Studies at George Washington University, Washington, D.C., in collaboration with the Japan Institute of International Affairs, Tokyo, and the Institute of Southeast Asian Studies, Singapore. It is working on the preparation of a post-Uruguay Round report for which a high-level group is to be responsible. The final report is to be submitted to APEC governments early next year and published shortly afterwards.

The meeting was chaired by Dr Kim Kihwan, senior adviser at Kim & Chang, the Seoul law firm, and chairman of the Korean national committee of the Pacific Economic Cooperation Council. Dr Kim, a former high official in the Korean Government, was earlier president of the Korea Development Institute.

In response to press enquiries, it was decided that Dr Kim should issue a “chairman’s statement”, setting out what he personally perceived to be the salient features of the discussion. The text of his statement, issued today, is set out below.

Chairman’s Statement

The successful conclusion of the Uruguay Round negotiations based on the draft “final act”, and incorporating the critical Blair House accord as it stands, has to be the first concern of the economies of the Asia-Pacific region on the international trade front.

At the fifth ministerial meeting of the economies involved in the process of Asia-Pacific Economic Co-operation (APEC) to be held in Seattle this November, and at the Asia-Pacific “summit” straight

afterwards, attention will focus on what needs to be done to maintain the momentum of trade liberalization in the world economy, both globally and regionally.

Globally, it will be important for governments to begin pressing for a further “round” of multilateral trade negotiations, within the framework of the General Agreement on Tariffs and Trade (GATT), almost as soon as the current negotiations are concluded. Since the late 1960s, however, it has taken many years to initiate GATT negotiations and it is likely to do so again, if only because the European Community is becoming increasingly preoccupied with its internal problems and now with its relations with Eastern Europe.

If the Uruguay Round negotiations come to grief because of the European Community’s inability to adhere to the Blair House accord, which is the bare minimum of what the United States and the Cairns Group expect on the liberalization of agricultural trade, a new GATT round would be even more difficult to launch.

In that event, the APEC economies would have to focus more than they might otherwise do on its other major objective, the liberalization of regional trade and investment, consistent with GATT principles and rules

On a regional front, the meeting agreed that the goal should be free trade, pursued in a pragmatic way — at least to start with. Because of the different stages of economic development found in the Asia-Pacific region, an APEC-wide free trade area, whatever its composition, would present a number of political problems. The meeting rejected the “hub and spokes” concept of a series of bilateral free trade agreements between the United States and other economies around the Pacific Rim since they would undermine the cohesion of the nascent Asia-Pacific economic community.

The economies of the Asia-Pacific region could move in the direction of a free trade treaty through APEC-wide agreements on non-tariff distortions of international trade and competition. In the nature of things, those agreements would be applied on a conditional most-favoured-nation (MFN) basis; but, when it comes to tariff reductions, agreements could be implemented on an unconditional MFN basis. This concept of “open regionalism” has come to be widely supported in the region since it was first proposed a decade ago.

Some member economies are apprehensive about APEC moving from being a consultative forum to being a negotiating forum, partly because they do not want to divert attention from GATT negotiations, partly because of differences over the tempo of trade liberalization and partly because of disparities in bargaining power among APEC members.

It is recognized, however, that whatever the outcome of the Uruguay Round negotiations, bilateral negotiations between the United States and other APEC economies — especially in East Asia — are likely to increase, reflecting conflicts between different economic systems. But it is in bilateral negotiations most of all that disparities in bargaining power can present serious political problems. There is accordingly interest in developing APEC as a plurilateral forum for settling trade and investment disputes between Asia-Pacific economies.

Such a role would depend though on APEC agreement on a framework of trade and investment rules, consistent with GATT principles and rules, but improving on them as far as possible. Thus APEC might be envisaged as a problem-solving forum for addressing the issues likely to arise in acute form in the fastest growing part of the world economy.

Sharing a strong commitment to liberal trade regimes, the APEC economies should therefore seek to improve Uruguay Round agreements and, in addition, seek agreements on the new issues that are already being proposed for the GATT agenda — including issues to do with competition, investment and environmental policies — in preparation for negotiations on them at a global level.

Negotiations in the APEC forum on non-tariff measures, and on industries that have special problems, would be mutually beneficial to member countries in the course of strengthening the stable institutional

environment in the region that is necessary for the continuing rapid development of trade and trade-related investment.

APEC agreements could be sought, for instance, on the abuse of anti-dumping laws for protectionist purposes, on stronger measures against subsidized exports, including countervailing actions against subsidized agricultural products being dumped in Asia-Pacific markets, and on more open bidding for public procurement contracts. Improved market access could be sought, for example, for natural resource and processed materials (such as tropical products and non-ferrous metals), for trade in services (especially telecommunications and financial services) and for textiles and clothing (accelerating the phasing out of the Multi-fibre Arrangement).

Considerable importance is attached by APEC economies to agreements on trade facilitation, such as the harmonization of customs administration and technical standards, and regional co-operation projects, improving the region's infrastructure. These have been the areas where APEC work has been focusing since it was launched at the end of 1989. Reliance on them alone may not be enough to meet the challenges that lie ahead in the region.

The Asia-Pacific region, especially East Asia, has become the world's strongest growth centre. Economies in the region are well placed to exercise leadership in the world economy, not only by example but also through initiatives, for growth and investment facilitate adjustment. By pursuing agreements to resolve trade and investment frictions the APEC economies can, through open regionalism, offer solutions to similar frictions elsewhere in the world economy.

The meetings in Seattle on 17–19 and 20–21 November provide an opportunity for APEC governments to press in the final stages for the successful conclusion of the Uruguay Round negotiations, to anticipate trade and investment problems in the Asia-Pacific region and set in train preparations for addressing them in the framework of the new Asia-Pacific economic community that appears to be emerging.