The G20 and trade liberalisation regional integration

An opportunity to re-focus the G20 trade and investment agenda?

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Regional ‘Think 20’ Seminar: The G20 Leaders’ Process Five Years On: An assessment from an Asian Perspective
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A perfect storm?

- Difficult period to be resisting protectionism
  - Weak growth
  - Rising unemployment
  - Austerity measures soaking up political capital
  - Global uncertainty
  - Standstill in Geneva
  - High food/fuel prices
Counterfactual problem: could have been worse?

- Also a potential attribution problem
- Protectionism also denounced by
  - WTO Ministers
  - OECD Ministers
  - APEC Ministers
  - BRICS Ministers
  - ….
- So G20 not alone in its efforts

Perhaps the most we can say is that the G20 pledges helped limit the degree to which protectionism increased following the GFC

Source: Actual data from OECD/WTO/UNCTAD, October 2012
Moving to ‘risk-on’ mode

• If resisting protectionism was hard during GFC, it was even more difficult to be promoting liberalisation
• But many G20 economies (and non-G20) now moving away from inward focus
• Piecemeal WTO forward movements are encouraging; and are about the best we can hope for
  - G20 can promote these advances; encourage ambition
  - And still express support for rules-based system
  - But needs to be realistic about the big picture
  - Genuine G20 leadership will come through conceptualising and legitimising what shape and path the ‘new’ WTO should take
Momentum is in mega-agreements

- Regional trade agreements or ‘partnerships’ are the liberalisation/integration vehicle du jour
  - TPP
  - TTIP
  - RCEP/AEC
  - C/J/K
- The regions are getting bigger and bigger
- And the issues more and more diverse
Two models of Asia-Pacific integration emerging: TPP and RCEP

- Both have similar ambition levels; and could be complementary rather than competitive
- But quite different processes

**TPP**
- Traditional, US-centric
- Tightly negotiated & monitored
- Focus on reducing border & BHB costs

**RCEP**
- ASEAN-centric
- Looser, cooperation-based
- Focus on ‘connectivity’
Need to shift to thinking about regional integration in a transaction costs way

• ASEAN-style integration processes are all about regional (and global) supply chains

The ASEAN Economic Community (AEC) shall be the goal of regional economic integration by 2015. AEC envisages the following key characteristics:
(a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.

http://www.asean.org/communities/asean-economic-community

• Removing grit from wheels
• Focus on connectivity and infrastructure
Implications

- RTAs are moving ahead of multilateral trading system, which isn’t set up to handle supply chains
- Mercantilism still pervades; until this changes, it will be hard to shift to a value chain way of thinking
  - Initiatives such as Trade in Value Added (TiVA) from OECD/WTO are influential
  - Economic Research Institute for ASEAN and East Asia (ERIA) provides insightful analysis
- Complexities of modern RTAs could make future ‘noodle bowl’ problem more difficult
What does this all mean for the G20?

- Sentiment is shifting away from protectionism and towards integration (rather than just trade liberalisation)
- G20 thinking can move from “what now?” to “what next?”
- Australia as 2014 Chair could play a useful “bridging” role between US/EU and Asia
- There may be lessons to be learned from ASEAN-style regional integration efforts that explicitly promote more efficient supply chains (goods, services, investment, ideas, people…)
- As “the premier forum for international cooperation”, G20 could usefully focus attention on economic developments in Asia that aim to promote cooperation through integration, via connectivity