

The G20 and ~~trade liberalisation~~ regional integration

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

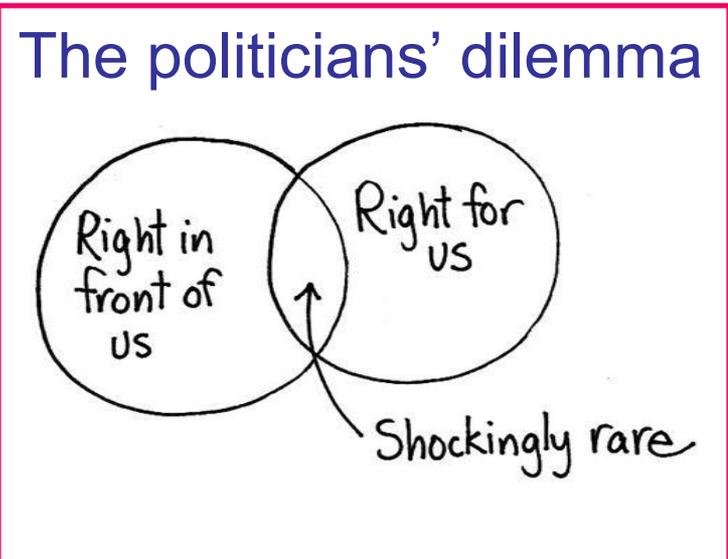
John Ballingall

Regional 'Think 20' Seminar: *The G20 Leaders' Process Five Years On: An assessment
from an Asian Perspective*

Sydney, 23 May 2013

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?



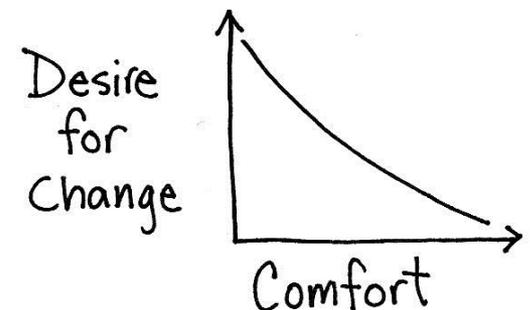
Source: Actual data from OECD/WTO/UNCTAD, October 2012

- 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

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*