

Book review: *New Directions in Asia-Pacific Economic Integration*

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ABSTRACT

The Asia-Pacific region has become one of the most commercially dynamic economic blocs. It represents approximately the 44% of global trade and the 55% of global GDP. The 21 economies of APEC Forum are more interested in develop stronger commercial relationships in order to have better benefits and advance in Bogor Goals. In this scenario, the two biggest economic blocs in world's history are being negotiated and are expected to converge in the near future, but is it possible? This article reviews the analyses brought together to try and answer this question in the book *New Directions in Asia-Pacific Economic Integration* by Ambassador Tang Guoqiang and Peter Patri.

KEYWORDS

TPP, APEC, RCEP, FTAAP

Crítica de libro: *New Directions in Asia-Pacific Economic Integration*

RESUMEN

La región Asia-Pacífico se ha convertido en uno de los bloques económicos más comercialmente dinámicos. Representa aproximadamente el 44% del comercio mundial y el 55% del PIB mundial. Las 21 economías de APEC están más interesadas en desarrollar relaciones comerciales más profundas con el fin de tener mejores beneficios y avanzar en el cumplimiento de las metas de

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Bogor. En este escenario, los dos mayores bloques económicos en la historia del mundo se están negociando y se espera que converjan en un futuro cercano, pero ¿es posible? El presente artículo evalúa los análisis recogidos para responder a esta pregunta en el libro *New Directions in Asia-Pacific Economic Integration* del Embajador Tang Guoqiang y Peter Patri.

PALABRAS CLAVE

TPP, APEC, RCEP, FTAAP

During the nineties, the proliferation of commercial agreements in Asia-Pacific region was quite significant; as a result, in 2004, the APEC Business Advisory Council (ABAC) first introduced the idea of a Free Trade Area of the Asia-Pacific (FTAAP) as a way to achieve the Bogor Goals and encourage the global liberalization of the World Trade Organization.

Initially, it wasn't taken into consideration by APEC leaders. Even some research conducted by Pacific Economic Cooperation Council (PECC) and ABAC concluded that it was not politically feasible in the short term. However, in Beijing the APEC Leaders suggested that the FTAAP should be pursued principally through negotiations like RCEP and TPP. But is it feasible?

The book *New Directions in Asia-Pacific Economic Integration* by Ambassador Tang Guoqiang and Peter Patri brings together arguments in favor and against the FTAAP as well as two ways to accomplish this goal: the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

On one hand, Peter Patrick, Michael Plummer and Fan Zhai in Chapter 6 "The TPP, China, and FTAAP: The Case for Convergence", argue that both alternatives will generate significant revenues, the expectations for TPP are about 285 billion dollars and for the RCEP 618 billion. Similarly, the expected impact of the FTAAP is quite positive as it would generate gains of about 2.4 trillion dollars.

While it is expected that both blocks can converge to form the FTAAP, this would be unlikely due to the wide differences of negotiation terms. Robert Scollay, in Chapter 19 "The TPP and RCEP; prospects for convergence", presents some of the key issues that would preclude the convergence of these agreements.

First, although there is the perspective that both blocks should converge to achieve FTAAP, there hasn't occurred any rapprochement. Only APEC Leaders are committed to deliver a Strategic Study to start of the negotiations that will take into account both negotiations.

Second, TPP negotiators have continually emphasized the idea that this agreement will be a "high-standard, twenty - first century" agreement, with an agenda covering 29 chapters so a fairly high level of ambition is expected and also 100% reduction of tariffs. The tariffs reduction probably won't be completed at all because it is possible to have some "carve outs" but it seems that many sectors that remained closed over years will be open in 10-15 years transitional period of time without exception. On the other hand, the RCEP since its inception has focused on recognizing the

different situations of the participating economies, which may result in many exceptions in countries like India with a high tariffs history and a much closed market.

Also, TPP countries have adopted the "negative list" approach in the services negotiations unlike negotiations usually followed by the ASEAN + 1. In that sense, if the RCEP adopts the GATS-based approach, future negotiations would be extremely difficult in this point. China is very restrictive in service trade and India is yet to formalize services and investment agreement with ASEAN.

Similarly, the convergence between TPP and RCEP would be extremely complex for the intellectual property rights issue. The TPP expects to maximize the level of intellectual property protection, which would be contrary to countries like India and China. The India-EU FTA talks have run into rough weather when they were negotiating this point. Even bilateral FTAs that India has with members of the RCEP as Japan, Korea, Malaysia and Singapore have little or no coverage in IPR.

Other issues as labour and environment would affect the convergence in the medium term so Professor Shujiro Urata in Chapter 9 "A Stages Approach to Regional Economic Integration in Asia Pacific" proposes a coexistence of both agreements. The RCEP would be the first step for developing economies and later when they have grown economically and can accept high-standard economic rules can join the TPP.

Overall this book presents an objective point of view regarding the way forward integration in the Asia-Pacific, as it does not refer just TPP or RCEP as the best way for this goal. It leaves open the discussion on possible solutions for the near future of the FTAAP.

Compared to previous PECC's publications such as *An APEC Trade Agenda? The Political Economy of a Free Trade Area of the Asia-Pacific*, this book offers a wide range of themes and possible ways towards the FTAAP. Unfortunately, as this integration process is extremely complex for all APEC economies there will be more issues to study in the near future.

This book is of great interest for future FTAAP negotiators and all those who want to understand the different issues that possibly will face Peru in commercial matters.

New Directions in Asia-Pacific Economic Integration

Autores: Tang Guoqiang y Peter Patri