

Deep Trade Agreements as a Solution for Asia?

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Introduction

- **ITS UNDER THREAT**
- **QUESTION: “A New Global Trade System or a Stronger Asian Free Trade Arrangements?”**
- **MY ARGUMENT: Stronger AFTA will emerge if if Asian countries will be able to seek deep trade agreements (DTA).**



STRUCTURE OF THE TALK

- **BRIEF REVIEW OF THE WTO: BEYOND TARIFFS**
- **THE PROBLEM: UNCOMMON STANDARDS**
- **IN SEARCH OF COMMON STANDARDS**
- **PROPOSAL FOR THE ITS AND ASIA**



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WTO –BEYOND TARIFFS(1)

- **THE BUILDING BLOCKS OF THE WTO**
 - NEGOTIATIONS OF RULES (NT, MFN)
 - TRANSPARENCY (NOTIFICATIONS)
 - MONITORING AND SURVEILLANCE
 - DISPUTE SETTLEMENT
- **DEEP INTEGRATION IN THE WTO**



WTO –BEYOND TARIFFS(2)

- **BEYOND GOODS:**
 - SERVICES (AND AGR)
 - TRIMS
- **NON-TARIFF BARRIERS (NTB)**
 - COMPETITION POLICY (NTB)
 - INTELLECTUAL PROPERTY (IPR NTB)
 - ENVIRONMENTL STANDARDS (NTB)
 - TBT AND SPS (NTB)
 - SUBSIDIES (NTB)



THE PROBLEM- UNCOMMON STANDARDS

- MISHANDLED DEEP INTEGRATION –
 - EXCEPTIONS (RTA, SPDT,
 - EXCEPTION NO 1- RTA!!
 - PLURILATERAL AGREEMENTS
 - LEGAL IMPURITY OR
 - LACK OF SPECIFICITY (E.G. TRIMS)



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EXAMPLE – SUBSIDY AGREEMENT

- **DEFINITION–**

- a direct transfer of funds (e.g., a grant, loan, or infusion of equity);
- a potential transfer of funds or liabilities (e.g., a loan guarantee);
- foregone government revenue (e.g., a tax credit); or
- the purchase of goods, or the provision of goods or services (other than general infrastructure).
- Prohibited an actionable subsidies



CHINA-SOEs AND THE SUBSIDY ISSUE

- SIZE OF PUBLIC SECTOR
- SOE –CORPORATE MANAGEMENT (ROLE OF PROFIT)
- SOE AND PRICING OF INPUTS
- SOE AND ACCESS TO CREDIT
- INSTABILITY OF THE BANKING SECTOR (WING THYE WOO)
- PERSONAL DEBT MANAGEMENT
- CAPITAL CONTROLS (PUSH TO DOMESTIC I)
- PRICE CONTROLS (TURNOVER TAX –ZD 1982!)
- MACROECONOMIC POLICIES AND SOEs:
- POOR TRANSPARENCY OF DEBT (15%?)
- TRADE AND FINANCIAL INSTABILITY (FISCAL RESPONSIBILITY?, DEBT COLLECTION OF DEBT, GLOBAL IMBALANCES)



SUMMARY- SUBSIDIES

- **MISSING :**
- (i) Standards for government policies concerning SOEs (access to credit, pricing of inputs, government guarantees.
- (ii) Provisions/policies for corporate accountability, transparency and for responsibility.
- (III) No international standards for corporate management practices of SOEs
- (iv) Management of financial instability (fiscal responsibility?).



TRIMS

- **VERY AMBITIOUS AGREEMENT**
- **LINK TO NT AND MFN (LOCAL CONTENT, TRADE BALANCING)**
- **TRIMS AND KDC**
- **TRIMS AND GATS**

- **MISSING:**
 - NO INDUSTRY (COMPLAINS BOTH BY LEFT AND NOW THE US)
 - NO REGULATION OF PROTECTION OF LOCAT INDUSTRY
 - POOR LEGAL LANGUAGE
 - NOTHING ON "STRATEGIC INDUSTRIES"



WTO GOVERNANCE ISSUES

- **Veto rights**
- **Exit of the US ?** (E.g. HORN AND MAVROIDIS, 2025)
- **LDC**
- **SHIFTING POWERS WITHIN THE WTO –BRICS** (WOLF AND UNGPHAKORN 2025)



WHAT NEXT FOR ASIA AND ITS?

- QUESTION(S):
 - “How to go beyond tariffs and quotas? How do we establish minimum standards? In which areas?
 - Agreements at what level? WTO? RTA/DTA?
- MY ANSWER:
 - Building common policies with minimum standards in DTAs
 - DT(A) AS THE NEW DRIVER OF GLOBAL TRADE



CONDITIONS FOR DTAs

- **“WILLING PARTNERS SEEKING COMMONALITY OF INTERESTS”**
- **COOPERATION AND TRUST**
- **GDP LEVEL COMPARABLE**
- **SOCIAL OBJECTIVES –SIMILAR**
- **INSTITUTIONAL COMPATIBILITY**



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MINIMUM STANDARDS

- COOPERATION- GAINS ARE POSITIVE BUT MAY NOT BE SYMMETRICAL
- DTA SHOULD BE PREFEREBALY CREATED ON THE BASIS OF STANDARDS OF PTA RATHER THA THOSE OF PLURILATERAL AGREEMENTS (HOEKMAN AND MAVROIDIS)
- DISCIPLINES OF DTA MUST BE TRADE-CREATING, NOT TRADE DIVERTING (GATT Art. 24) (i.e. reduction of DTA of internal tariff or, E.G., a harmonization of TBT and SPS)
- EXTERNAL TARIFF (TO 3RD COUNTRIES) REMAINS AT LEAST AS THE LOWEST TARIFF NOTIFIED BY ANY DTA MEMBER IN THE WTO.
- IMPROVED MARKET ACCESS TO INTERNAL (DTA) SUPPLIERS OF SERVICES (especially an improved harmonization of financial and business services),
- DIGITAL SERVICES ACT (DSA) - TREATMENT OF THE US??



FUTURE OF ITS

- ROLE OF THE US?

Four Scenarios for Global Trade in 2030

	Global Trade Rules	Geopolitical Blocs
With the US	"Keep Calm and Carry On"	Return of the G7
Without the US	"World Order, Minus One"	EU+ vs BRICS+

Source: Author

Bloomberg



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CANDIDATES FOR DTA

- LIPSKY (ATLANTIC GEOPOLITICS CNTER): EU+
- Z. DRABEK: (i)OECD MEMBERS (ii) ASIA?
- EU POSITION? (WTO, Flexibility? Strategic goods? Resilience criteria? Buy EU goods incentives? FDI screening?)
- BRICS POSITION (Multilateralism/WTO, Peace, Security, Stability!)
- ROLE OF WTO?



AND ASIA?

- **ROLE OF CHINA?**
 - LIKELY PARTNER FOR DTA WITH SE ASIA? (Experience of ASEAN)
 - LIKELY PARTNER TO AVOID US TARIFFS? (Tariffs on India and Vietnam)
 - EXPORTER OF SERVICES (, CONS. ELECTRONICS, EL. VEHICLES, AI) APART FROM GOODS!
- **ROLE OF INDIA AS EXPORTER OF SERVICES ?**
- **BRICS** – CAN CHINA AND RUSSIA FIND AN AGREEMENT ON (i) Int'l payment settlement, (ii) Reserve currency and (iii) Areas other than commodities and arms ?
(NO BRICS SOLUTION (H. Poenisch on BRICS solution to dollar as global currency))
- **BRICS** – CAN CHINA FIND ANY PARTNERSHIP FOR DTA GIVEN EMPHASIS ON (i) Aid, (ii) FDI, (iii) mercantilism, and its position as INTERNATIONAL CREDITOR!
- **POSITION OF LDC- BILATERALS WITH DTA BLOCKS**



AND ASIA? (Cont'd)

- **OTHER ISSUES (PROSPECTS AND CONSTRAINS)**
- **POLITICAL (IN)STABILITY AND TRADE OF ASIA**
(Thailand and Cambodia, China vs India, China and Phl. , North and South Korea, India and Pakistan??)
- **SOCIAL PRIORITIES MATTER-** Similar in (i) Pro-growth, (ii) emphasis on technology and (iii) education but differences exist (e.g. Singapore, Korea and Japan on training)
- **UNEXPLOINED GAINS IN TRADE IN GOODS - FINETUNING TRADE IN GOODS-** e.g. TBT, SPS (Viz, China-Vn durians)
- **ATTRACTION OF ASIAN MARKETS - SECTORAL CANDIDADTES FOR DTA:** TOURISM, FINTECH AND COMMERCIAL SERVICES(business, computer, IPR, finance, insurance, travel)



POSSIBLE COUNTRY CANDIDATE- SE ASIA?

- **SOME ISSUES (CONSTRAINTS)**
- **UNEVEN TECHNOLOGICAL ADVANCE**- Nuclear power (Korea), FinTechs (GoTo, Grab)
- **HOME MARKET FOCUS?** (Very local for FinTech, not CROSS BORDER!. Not Korea)
- **MONOPOLY PRACTICES** AND Competition policies (e.g. in hail rides)?
- **LOCAL CONTENT RULES?**
- **CREDIT REPORTING** – UP TO THE MARK?
- **CAN LOCAL COMPANIES COMPETE IN A DTA WITH CHINA AND INDIA?**



SUMMARY AND CONCLUSIONS

- **EC.GROWTH AND GAINS FROM TRADE- 3 scenarios (trade war, muddle through or economic growth)**
- **DTAs AS THE NEW DRIVERS OF GAINS FROM TRADE**
- **CONDITIONS FOR COUNTRIES: Seeking commonality**
- **WHICH TARGET FOR NTBs? (TBT, SPS, Services, Nuclear, FinTech?)**
- **ASIA- TIME FOR REFLECTION FOR MEMBERS AND ON DEPTH**

