



FTA strategy

Christopher Findlay

Asia Pacific School of Economics and
Government

The Australian National University

Presentation at the
Government of Japan/ABAC Japan Symposium
May 16, 2003



Brief

- Comment on current FTA strategy in Asia/Pacific and its contribution to the world economy

Issue

The business person's question:
“How will all our FTA initiatives eventually fit together with each other and with the WTO?”

- FTA strategies are currently applied independently
 - how will they interact and what final outcome will they product?
 - how will that outcome feed back onto those economies now using the FTA route to reform?

Outline

- Two scenarios
- Consequences
- Responses for risk management

Familiar with the
optimistic scenarios -
look at some others

Scenario 1: Political

- FTAs are not significant in economic terms
 - they establish options to negotiate deeper arrangements if necessary
 - they will eventually be overtaken by the WTO
 - meanwhile they serve political objectives

Scenario 2: Real impact

- FTAs are significant in economic terms
 - they create important first mover advantages, and real gains from preferential access to markets
 - they will not eventually be overtaken by the WTO - they will stall the WTO
 - they also serve political objectives

Consequences

- diversion of policy attention
- higher costs
 - of doing business
 - from trade diversion
- political diversion
 - ✦ the problem of stalling
 - ie the path to reform matters
- hubs and spokes



Responses

- “Fit together”
 - look for consistency in terms of agreement
 - extend terms of access to others
- Contributors
 - leadership by participants
 - APEC analysis and position
 - WTO review of rules

