

## **A New Regional Order in Asia – A Constructive Way Forward**

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The multilateral trading system of the WTO is widely recognised as the best approach to promote trade liberalisation. However, the failure of the WTO Ministerial Meeting in Seattle and the subsequent collapse of the Cancun Round last year have heartened the proliferation of Free Trade Agreements (FTA) and the number of FTA agreements signed is still growing. Facing structural dilemma of the WTO multilateral trading system, East Asian economies have joined the FTA frenzy and are expanding exponentially. Some of the most recently established agreements include: Japan-Singapore Economic Partnership Agreement (JSEPA), ASEAN plus Three and Closer Economic Partnership Arrangement (CEPA) between China and Hong Kong. Many new FTA agreements are still in the pipeline.

Yet the question remains, would FTA serve as the stepping-stone to resolve the difficulties and challenges facing a multilateral trading system? Furthermore, has FTA lived up to its promise and promoted trade? Answers to these questions require careful scrutiny.

Whilst the benefit of FTA requires further studies, promises of comparative advantages and benefits of increased international trade have already made economies scramble for an FTA partner whilst edging to form trading blocs with their key allies. And the outcomes? By studying recent major FTAs signed, one can conclude that the implication of an FTA has gone beyond economical; encompassing political and even security concerns. Often, the drive to an FTA is a means for a country not to be marginalized by the ever-growing regional trading blocs. These FTAs are often economically less significant, ignoring WTO's goal of eventual multilateral trade liberalisation and does little to facilitate the difficulties facing multilateral trade today.

The increasing FTAs also increase costs, including various trade negotiations that are otherwise not incurred when countries stay within the WTO's multilateral trading system. Furthermore, smaller countries often lack bargaining power when negotiating FTA trade deals with their larger counterparts and, as a result, destitution by default. Also, countries often choose to put aside sensitive industries for their FTA negotiations, which is counterproductive. Neighbouring countries that are left out of regional trade deals or Free Trade Agreements are often disadvantaged, yet at the same time, powerless to react. In fact, FTA is only one of the ways to trade liberalisation, but is by no means the best answer to the question, only a multilateral trade framework can.

It appears that most of the East Asian free trade agreements have more than economic benefits at heart, which could result in further complications to hinder progress. The recent competition between Japan and China to form trading arrangement with ASEAN can be seen as the prime example. Excluding Taiwan in any regional trade agreements is another example of non-economic influence at work. Therefore, it is necessary to follow a framework for trade negotiations that is non-discriminatory and comprehensive to the region as a whole.

Taiwan is the fourth largest economy in East Asia and geopolitically located between Northeast and Southeast Asia. Being the second largest FDI source in Asia just after Japan, Taiwan is also economically situated between the developed and developing economies in the region, and is in the best position to bridge the regional integration and to promote economic cooperation. However, the current wave of FTA is going out of its way to exclude Taiwan owing to the diplomatic interference of China, which is in clear violation of the WTO spirit and rule, specifically, GATT Article XXIV and GATS Article V. An East Asian regional integration that includes Taiwan will also help to improve the stability of the region as a whole, especially in the increasing globalised world that we live in today.

I firmly believe that global trade liberalisation is the best means forward despite current setbacks in an incomplete trade system. Any trading system in Asia will remain

incomplete unless Taiwan is to be included! I also believe that, RTA/FTA can play a constructive role in APEC as well as the WTO and sincerely hopes that the RTA/FTA and APEC will serve as building blocks to the WTO framework and trade liberalisation.

As I have discussed earlier, FTA is only a temporary measure to promote trade liberalisation given recent setbacks of the WTO Ministerial Meetings. I think FTA can complement the goal of trade cooperation and liberalisation from a long-term perspective, however, only a multilateral trade liberalisation of the WTO can benefit all members.

Finally from a practical standpoint, given that the APEC Bogor Goal has already declared the aim of reaching trade and investment liberalisation before 2010 for the developed economies and 2020 for the developing economies, APEC's goal of an "Open Regionalism" will be closer to the WTO aim of global trade liberalisation than that of the FTA, and is perhaps the one that we should follow more closely.