



CENTRE FOR  
STRATEGIC AND  
INTERNATIONAL  
STUDIES

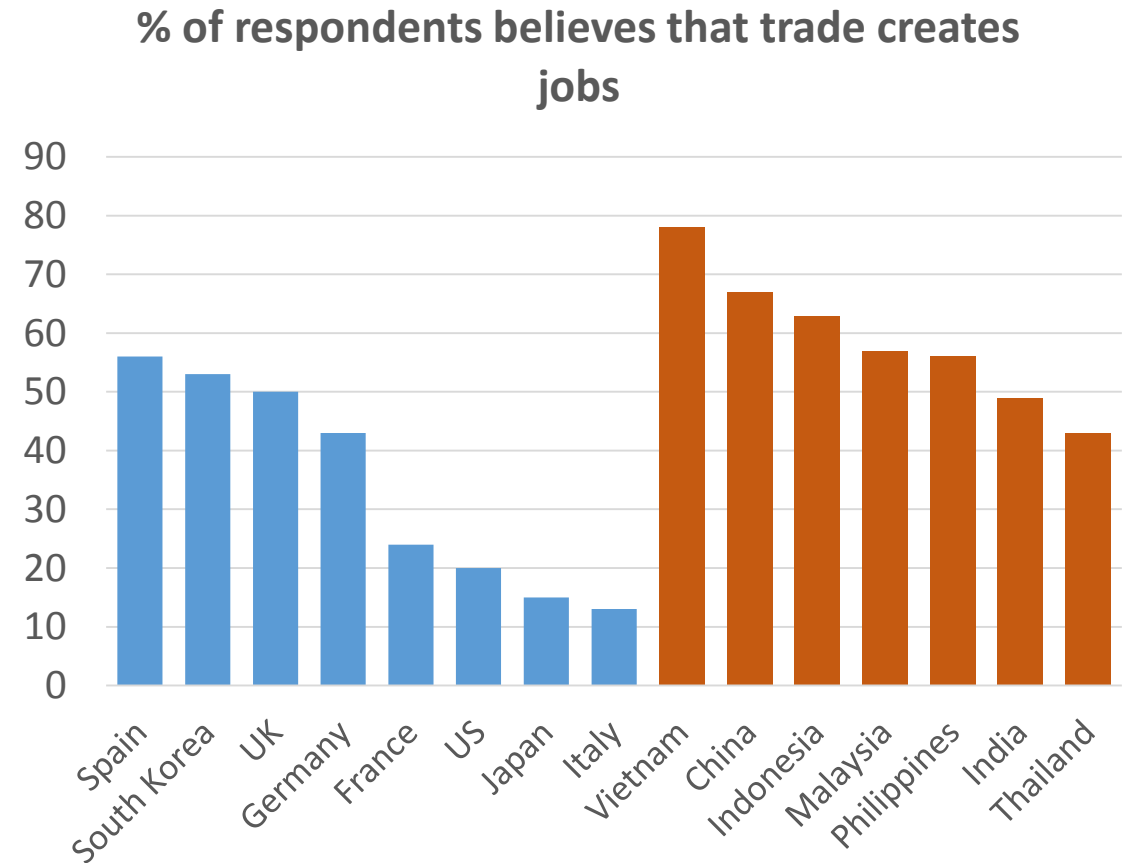
# Harnessing Globalisation to Build a Better World for the Benefit of All

**Yose Rizal Damuri**

**Centre for Strategic and International Studies**

# Growing Discontent about Globalisation

- Dissatisfaction over trade and economic openness is increasing everywhere
  - Less than 25% of developed countries population believed that trade create jobs (Pew 2014)
  - The distrust is lower in developing countries, but is also growing
- While it is getting stronger after the GFC, the root causes have been around much longer
  - Perception that only a few enjoy the benefits
  - Policies to reduce the negative impact have not always worked

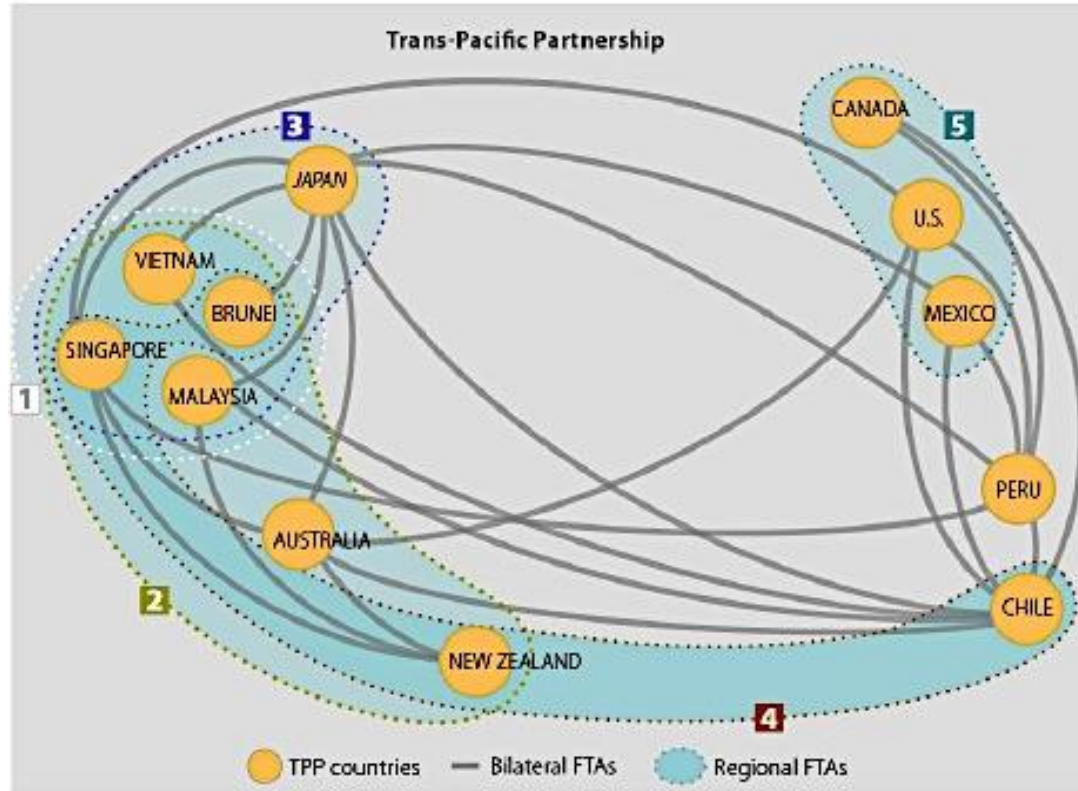


Pew Research Center, 2014 Spring 2014 Global Attitudes Survey

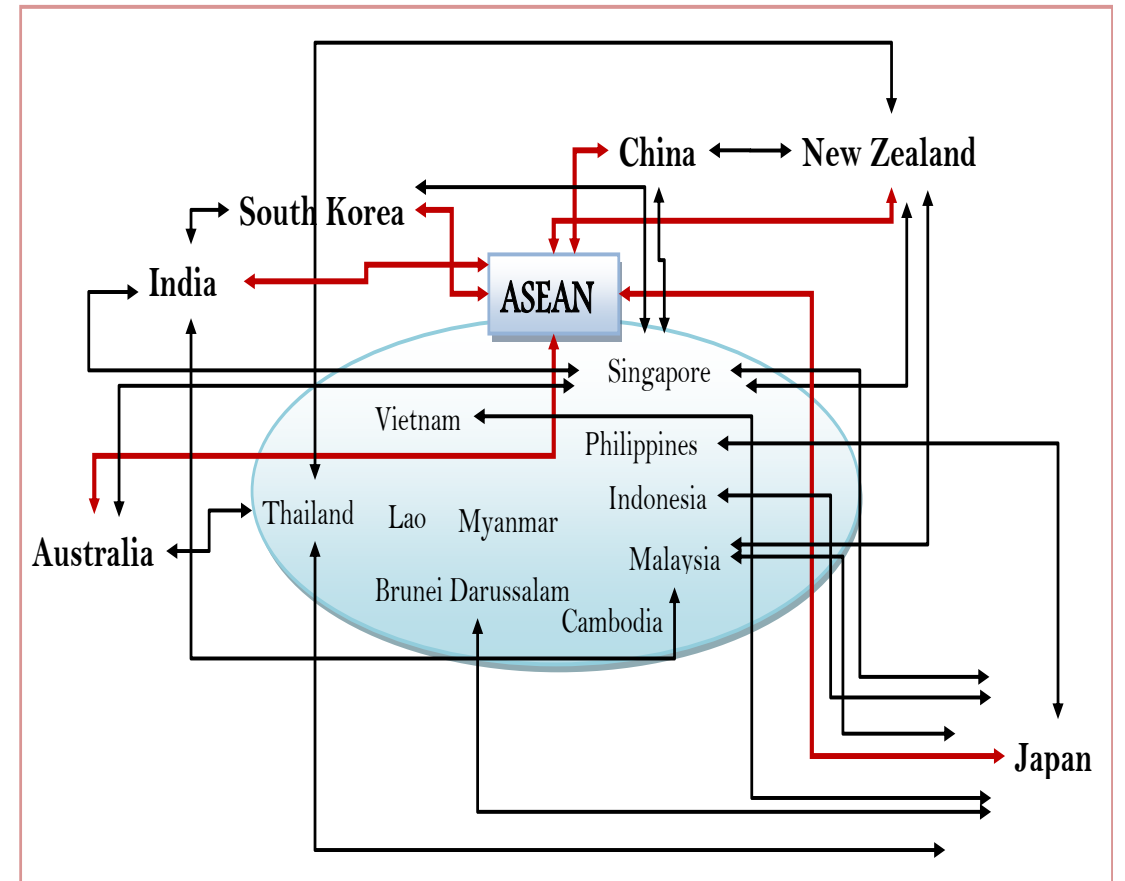
Most of the problems are more related to domestic policy shortcomings (e.g. excessive regulatory framework, ineffective social protection, etc)

But the current practice of international trade arrangements make the situation even worse

# 1. Fail to create effective integration



(1) ASEAN; (2) AANZ FTA; (3) ASEAN Japan; (4) P4; (5) NAFTA

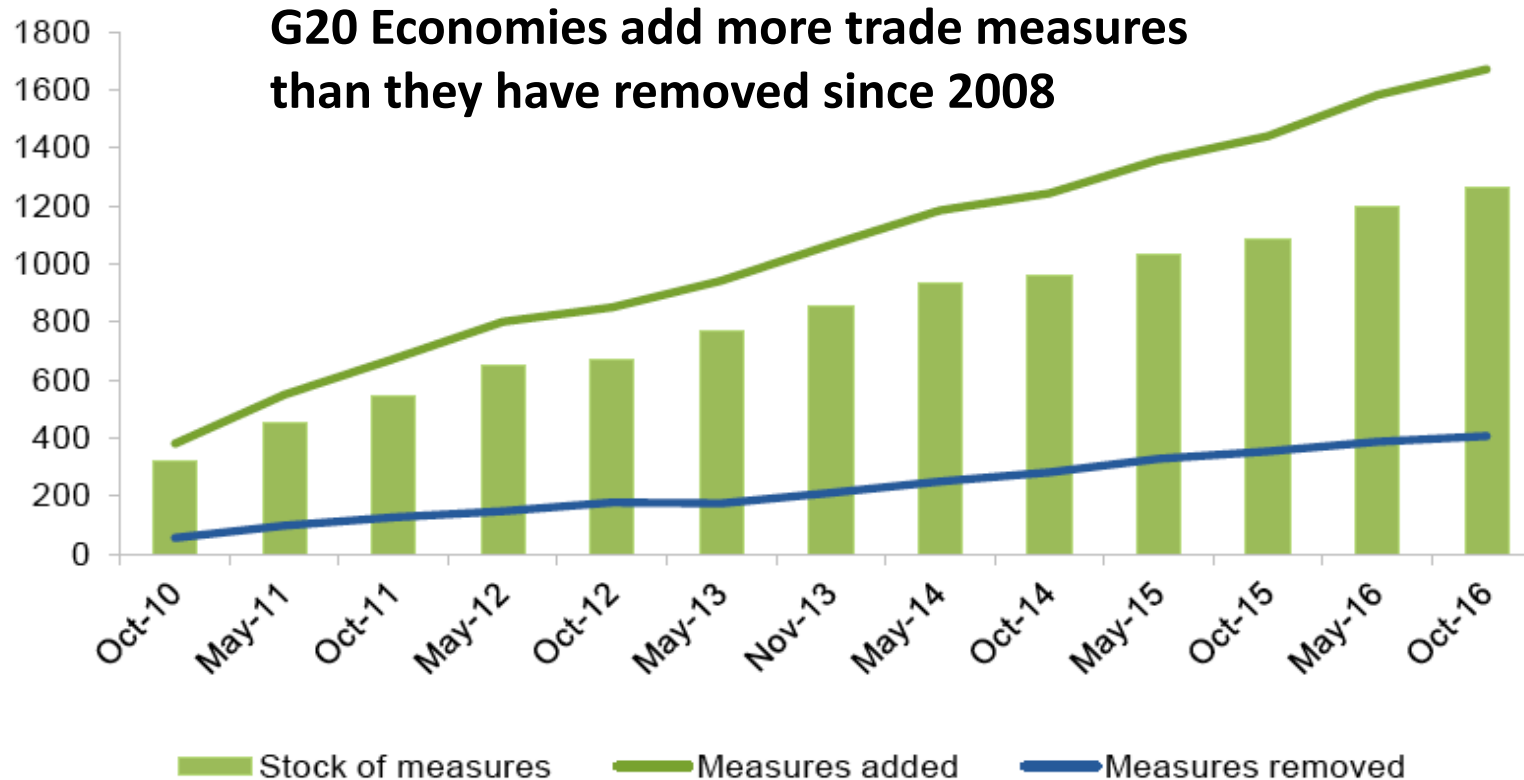


# Even more confusing in the detail

	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA
BRN	99.2%	98.3%	85.3%	97.7%	99.2%
CAM	89.1%	89.9%	88.4%	85.7%	97.1%
IDN	93.7%	92.3%	48.7%	91.2%	91.2%
LAO	91.9%	97.6%	80.1%	86.9%	90.0%
MLS	97.4%	93.4%	79.8%	94.1%	95.5%
MYA	88.1%	94.5%	76.6%	85.2%	92.2%
PHI	95.1%	93.0%	80.9%	97.4%	99.0%
SGP	100.0%	100.0%	100.0%	100.0%	100.0%
THA	98.9%	93.5%	78.1%	96.8%	95.6%
VTN	94.8%	n.a.	79.5%	94.4%	89.4%

- There are 55 tariff reduction schedules in the 5 ASEAN+1 FTAs
  - There are 20 different ROO used in the FTAs
  - Only 3.5% of tariff lines apply the same ROO for all five FTAs
  - RCEP is supposed to harmonize the situation
- TPP does not offer much in harmonizing overlapping FTAs
  - Act mostly as bilateral concessions; not to mention about ROOs
- EU FTAs are also quite diverse, although much less compare to the Asia Pacific trade agreements

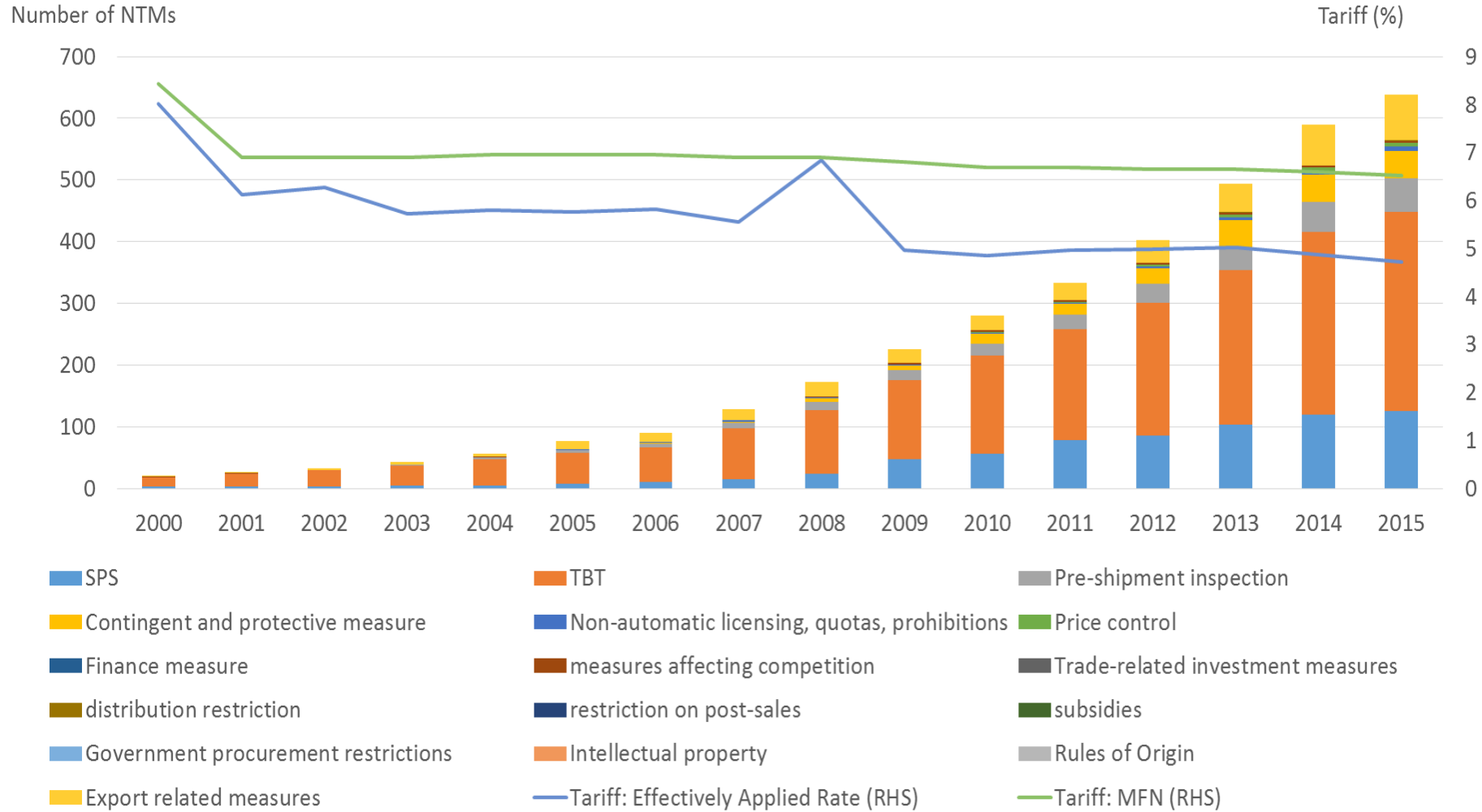
## 2. Fail to Address Trade Barriers



Data source: WTO (2016).

- Tariff has declined significantly
- But non-tariff measures are increasing
- Not necessarily barriers to trade, but the impact might be significant for majority of small business
- Also affect the arrangement of global value chain

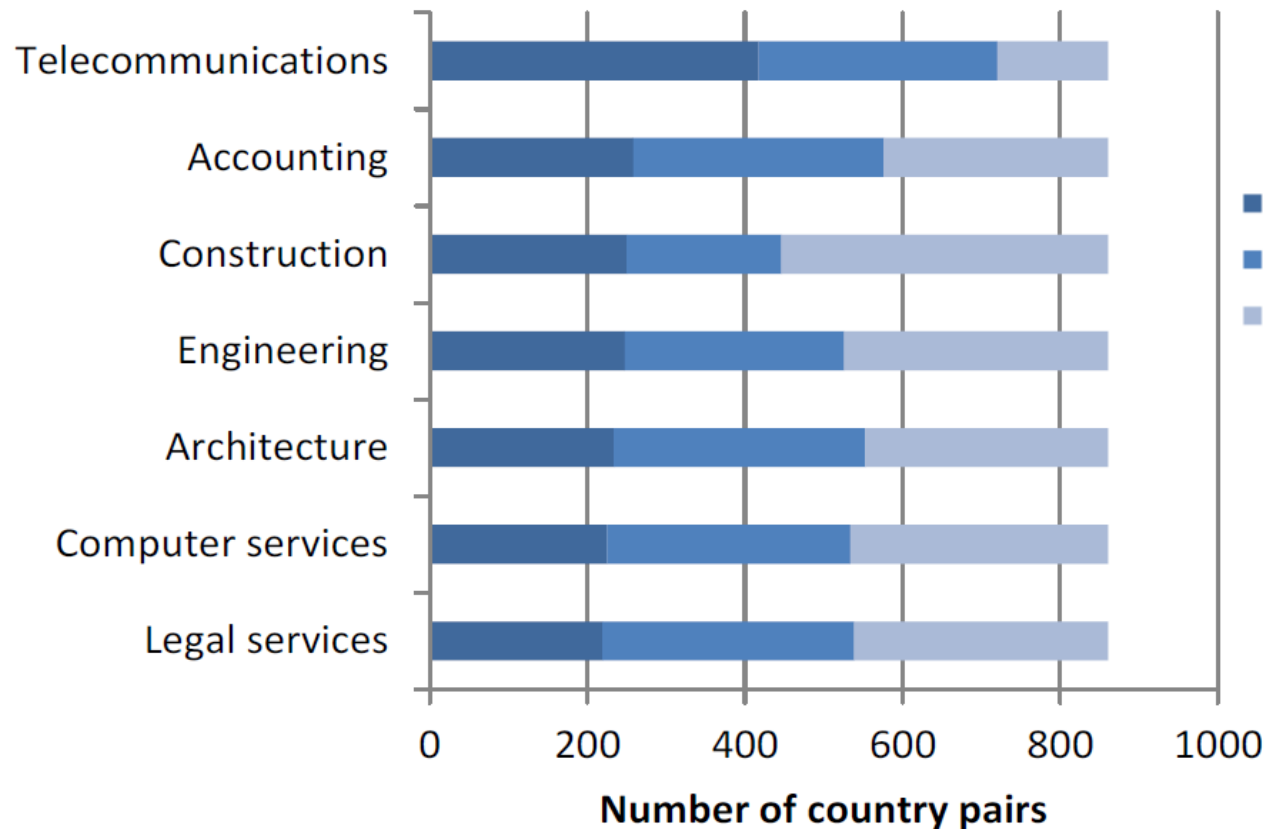
# Increasing Use of Non Tariff Measures in ASEAN: NTMs vs Tariffs



Source: ERIA-UNCTAD, 2016

# 3. Fail to support policy coordination

Regulatory Convergence in Services Sector 2014-2015



- Despite various initiatives, regulatory convergence remain to be difficult
  - It is relatively successful in some cases of trade in goods, thanks to SPS and TBT Agreements
  - But less successful in many other aspects
- Regulatory similarity might not be the target
  - But more cooperation to ensure simple and effective regulatory framework is necessary for more inclusive trade and growth



# Those lead to...

- **Confusion among business**
- **Increasing costs of trade**
- **Less participation in regional and global value chain**
  - Not only affecting the exporters, but also the supply chain
- **Preserving uncompetitive practices, especially in services sector**
  - Resulted in high cost economy which reduce competitiveness
- The burden falls heavily to small medium enterprises
  - Large corporations manage to overcome the issues, but the smaller ones has no capacity and scale
- Also affect the competitiveness of value chain
  - Affect participation of less developed countries
- Capacity building become more important
  - Domestically and also regionally

# Implications to EU-Australia FTA

- The EU-Australia FTA would add another layer of complexity in the regional trade arrangement of East Asia and Pacific
- The EU has FTAs, or in the process of negotiation, with several major economies in the region
- But the EU is considering to have a region-wide FTA with ASEAN, which might serve as a catalyst for greater harmonization of integration initiatives
- It would be better if the EU-Australia FTA takes into account other initiatives in the region
  - It can start by aligning the FTA to other EU agreements in the region
  - And to prepare the FTA for more open, inclusive and non-discriminatory regionalism