

## World Knowledge Forum 2012

Debate: East Asia FTA vs. TPP: Convergence or Competition?  
13<sup>th</sup> World Knowledge Forum – Tuesday, October 10, 2012

At the 13th World Knowledge Forum, Taeho Bark, Minister of Trade for the Korean Ministry of Foreign Affairs and Trade, led a distinguished panel in a debate regarding the role of trade agreements in East Asia. Included in the panel were Peter A. Petri, Professor of finance of Brandeis International Business School, Urata Shujiro, Professor of economics at Waseda University, Wang Yong, Professor of international economy at Peking University, and Claude Barfield, former professor and American Enterprise Institute Resident Scholar.

As the current economic crisis continues, questions about the role of trade agreements in East Asia have attracted great attention, especially with the rise of East Asian economies and the failure of multi-lateral trade unions such as the World Trade Organization (WTO). In particular, the debate about the viability of the Trans-Pacific Partnership (TPP) as opposed to bi-lateral Free Trade Agreements (FTA) has invited abundant focus.

Mr. Bark summarized the general consensus of the panel. “Both developments are complementary in a way, and in the long term, what we want to see is a regional, comprehensive economic partnership and TPP merge together, to create a so-called FTA of Asia-Pacific,” he said.

Dr. Petri, a strong supporter and one of the developers of the TPP, outlined the agreement’s basic foundation and the benefits it would produce. As he explained, “By opening up trade to both emerging and to advanced economies, we’re essentially paving the way for a vigorous, vibrant trading system of the future, rather than one from which advanced countries simply withdraw because they have too little to gain from continuing trade from emerging markets.”

On the issue of the exclusion of China from the TPP, Dr. Petri allowed that while the differences between China and the U.S. prevent its participation in the TPP, he believes that “China is a very important region to the US and to the global economy, and we need ways to connect the US and China while TPP negotiations occur.” For this purpose, he views the role of Korea to be very important, and he said, “In the long run I hope Korea will support the TPP process, which will work toward eventual consolidation and for which Korea can play an extraordinary role.”

Professor Urata explained that the prospect of Japan joining the TPP, a proposal currently under consideration in his country, has generated a great deal of opposition, particularly from the agricultural sector. Dr. Urata counters these opposing views by stating his belief that “We need a supply-side shock, some shock therapy or medicine. We need to improve productivity, and for that, we have to open up our economy. We have to implement structural reforms.”

Dr. Urata also emphasized “the importance of a global open trade environment for global economic growth to take place,” and supports the idea of “turning to FTAs while the TPP is not determined.” In his view, the development of regional FTAs in East Asia will eventually lead to a more global initiative, such as the TPP. In his words, free trade agreements “have a domino effect, a chain reaction effect, they are a very healthy development, and in the end what we want to see is global trade organization.”

As China’s representative on the panel, Dr. Wang explained his country’s perspective on the TPP, saying that “people in China are worried about the potential economic containment enacted by the US on China” should the TPP be signed.

Dr. Wang expressed concern not only about the impact of the TPP on China, but also the potential for tension between China and its neighbors, a tension that might prevent the development of a trilateral FTA. In terms of a China-Japan-Korea FTA, Dr. Wang is concerned about “whether the three governments have enough resources and political will to carry forward the launch of negotiations” in order to enact such agreements.

Dr. Barfield shared this concern, pointing out that any regional or bilateral FTA would inevitably entail greater complexity in security and political issues, a concern that also extends to the TPP, which he sees as “symbolic of the ability of the U.S. to continue to lead in a 21st century environment.”

With respect to the TPP, Dr. Barfield also highlighted the shrinking window of opportunity: “I would predict that if it is not finished within the next year, or a little beyond that, you will begin to have the same problems that started in Doha” with negotiations for the WTO.