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## **HIGH HOPES FOR APEC**

By Stephen Jacobi<sup>1</sup>

This week's APEC Summit is likely to see another series of strategic moves in the elaborate game of chess that is being played out on trade in the Asia Pacific region. New Zealand has much to gain from a successful outcome and much to lose from continuing stalemate in moves towards more open trade and investment in the region.

The last few weeks have seen a flurry of activity in New Zealand trade diplomacy in the region. At a time when much attention is focused on the early success of the FTA with China, Prime Minister Key was in Bangkok for the East Asia Summit which decided to begin active discussions towards a Comprehensive Economic Partnership in East Asia (CEPEA). The CEPEA is a model for a regional free trade agreement including New Zealand. If it eventuates, it would be the largest FTA in the world – covering 50% of the world's population.

The Prime Minister travelled to Kuala Lumpur where he witnessed the signing of the Malaysia New Zealand Free Trade Agreement which extends the provisions of the recently concluded ASEAN NZ Free Trade Agreement. He then made an official visit to Japan where he and Prime Minister Hatoyama agreed to accelerate officials' discussions about the basis for a future FTA.

Now the attention focuses on Singapore and the annual gathering of 21 APEC Economic Leaders and the associated APEC CEO Summit. Trade, climate change and the economic recovery are all high on the agenda. At issue is whether APEC can shake off a penchant for discussion over decision and move decisively to commence negotiations towards the Free Trade Area of the Asia Pacific.

APEC's business voice, the APEC Business Advisory Council (ABAC), which also meets in Singapore next week, is clear. The time is now to move beyond analysis and take the political decisions necessary to bring about FTAAP. In their annual report to Leaders ABAC "envisages that FTAAP will be a new generation agreement going beyond trade and encompassing services, investments and behind-the-border issues of concern to business".

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FTAAP and CEPEA represent different visions – the former an Asia Pacific one, the latter Pacific Asia including economies on both sides of that great ocean. New Zealand is included in both, unlike the United States – hence the arguments that have been put to President Obama in recent days by business organisations in Washington and prominent Senators urging the Administration to confirm its involvement in the Trans Pacific Partnership negotiations, again involving New Zealand, and which some see as a pathfinder agreement to FTAAP.

Whether President Obama signals an interest in TPP will be watched closely in Singapore, especially as the United States hosts APEC in 2011 after Japan in 2010. Japan's own approach to trade under the newly elected government of Prime Minister Hatoyama will be another focus of interest. Japan is the missing link in New Zealand's own pattern of FTAs in the region but one that is critically important for our economic future as evidenced in the discussions at the Japan NZ Partnership Forum in Tokyo two weeks ago.

APEC's agenda is not just confined to trade liberalisation but its challenge is that important decision making is increasingly being passed to other international institutions. Global economic policy is being handled by the G20. Climate change is being decided by the UN in Copenhagen. Multilateral trade policy is the domain of the WTO (even though this risks becoming precarious the longer the stalemate in Doha continues).

APEC with the involvement of global giants like the US, China and Japan plays an important role as a place for leaders to swap ideas and discuss common approaches. But there is more that can and must be done to realise the lofty goal of free and open trade and investment in region enshrined in the Bogor goals agreed back in 1995. Moving ahead to put in place a machinery for FTAAP would anchor APEC decisively as a decision making body and re-assert its relevance as the world looks to Asia for future sustainable economic growth.

New Zealand's own interests are served by an Asia Pacific region which is open and transparent in its decision making processes. The potential for future growth is such that there need be no winners and losers from increasing economic integration. The ABAC report points to the goal of "inclusive growth so that all participating economies and citizens benefit".

APEC Economic Leaders meeting in Singapore next week will be mindful that there are high hopes for APEC in this time of shaky economic recovery. Re-asserting APEC's relevance and initiating FTAAP must be the priority.