

WTO vs. Mega FTAs

Panel: Session III (Grand Ballroom I)

Date/Time: Tuesday, April 22, 2014 / 16:00-17:15

Speakers: Hur Kyung-wook, KDI School of Public Policy and Management (Moderator)
Cheong Inkyo, Department of Economics, Inha University
Hosuk Lee, European Centre for International Political Economy
Troy Stangarone, Korea Economic Institute of America
Yoshino Naoyuki, Asian Development Bank Institute

Rapporteur: Nathan Wickstrom, Korea University

The WTO was created to promote multilateral trade, but due largely to the stalled Doha Development Round negotiations, countries have moved increasingly to bilateral FTAs. More recently, mega FTAs, such as the Trans-Pacific Partnership (TPP), have become a viable alternative. Mr. Hur Kyung-wook asked why countries are increasingly moving away from multilateralism in favor of bilateral FTAs, and whether this is leading to regionalism. Further, he questioned whether it was in the best interest of either China or Korea to join mega FTAs.

Dr. Cheong Inkyo elaborated on Mr. Hur’s initial comments, stating that new trade rules can be addressed in mega FTAs, with the Doha Round negotiations no longer progressing. However, the establishment of these mega FTAs is an immense challenge, with numerous countries involved and a current lack of leadership. In relation to Korea, Cheong stated that the majority of policymakers wish to join the TPP in fear of being left out of important trade opportunities. The country faces several issues, however, such as lowering tariff rates on rice this year in the midst of elections.

Arguing from another standpoint, Dr. Hosuk Lee stated that the trade system has not significantly changed recently, as bilateral trade has always been prevalent. Bilateral trade fulfills different strategic goals than multilateral trade. The WTO can also be looked at in an alternative manner, namely as an FTA with China for those countries that cannot have a direct FTA with the country. Lee agreed with Cheong that the WTO is problematic. Mega FTAs also have issues, as they do not make any radical changes to the current trade system. Dr. Lee also claimed that Korea had earned its right to wait patiently before deciding to join the TPP, thanks to its large FTAs with the European Union and the United States.

Mr. Troy Stangarone largely agreed with Dr. Lee’s points. The WTO, with its various faults, still provides an effective dispute mechanism for solving trade conflicts. However, with multilateralism becoming stagnant, due largely to differing politics among member countries

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in the WTO, bilateral trade has become the primary option. Mega FTAs, on the other hand, provide a way of moving multilateralism forward and increasing trade through a rules-based system. This is preferable to reverting back to a mercantilist system in which only a few countries benefit.

Dr. Yoshino Naoyuki brought up some unique issues not mentioned by the prior speakers. When contemplating international trade, a country must consider diverse, affected sectors. Agriculture in Japan is a prime example, for through gradual restructuring, the industry was able to remain competitive. This route is time-consuming, however, as all trade negotiations inevitably are. Further, Yoshino mentioned that exchange rates should be market oriented. These, along with capital mobility, need to be altered in China before it can effectively enter trade negotiations. However, the varying viewpoints within China create conflict on this issue.