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## **Trade regionalism in the Asia-Pacific**

**(draft)**

### **Introduction**

The objective of the study is to examine the trade regionalism in the Asia-Pacific region, and identify the changes in the features of that process that took place from 1985 to 2015. The paper will investigate the nature of cooperation within the framework of trade regionalism in the Asia-Pacific, the causes and scope of this cooperation, and the type of agreements that define the cooperation. The discussion will address not only the existing intra-regional trade agreements concluded by the countries in the region, but also the activities leading to the development of multilateral trade exchange in the Asia-Pacific in accordance with the principles of the World Trade Organisation<sup>1</sup>.

The analysis performed in this study aims to verify two hypotheses which have been formulated as follows:

- The third wave of trade regionalism that began after the creation of the World Trade Organisation is a period of the greatest increase in the number and scope of preferential trade agreements in the Asia-Pacific region.
- The proliferation of preferential trade agreements in the region is a result of the breakdown of the Doha Round negotiations.

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<sup>1</sup> In this study, trade agreements concluded and negotiated by the Asia-Pacific states were divided into intra-regional agreements whose scope covers the countries of that region, and cross-regional agreements concluded with the countries outside the Asia-Pacific. For example, the United States–Korea Free Trade Agreement will be regarded here as an intra-regional agreement. On the other hand, the free trade agreement concluded by the Republic of Korea with the European Union will be treated as a cross-regional agreement. The approach adopted in this study is different from that employed in other works devoted to the processes of economic integration in the Asia-Pacific region. For instance, Bartosz Michalski in his monograph entitled: *Międzyregionalne porozumienia handlowe. Transpacyficzny regionalizm jako alternatywa dla „wolnego” handlu?*, [Cross-regional Trade Agreements Trans-Pacific Regionalism as an Alternative to “Free” Trade?, Warszawa 2014] classifies the free trade agreements covering the Asia-Pacific countries as cross-regional agreements. The term “cross-regional” (“cross-continental”) agreements was also used by Krystyna Żołądkiewicz in her discussion of trade negotiations in the Asia-Pacific based on the example of the Trans-Pacific Partnership. K. Żołądkiewicz, *Partnerstwo Transpacyficzne jako nowe porozumienie integracyjne w regionie Azji i Pacyfiku*, „Studia i Prace Wydziału Nauk Ekonomicznych i Zarządzania” 2015, no 4, 1vol. 1, s. 93-110.

The study was based on the World Trade Organisation's data kept in the *Regional Trade Agreements Information System (RTA-IS)*<sup>2</sup> containing the trade agreements notified to the WTO.

## **1. Characteristics of preferential trade agreements in the Asia-Pacific**

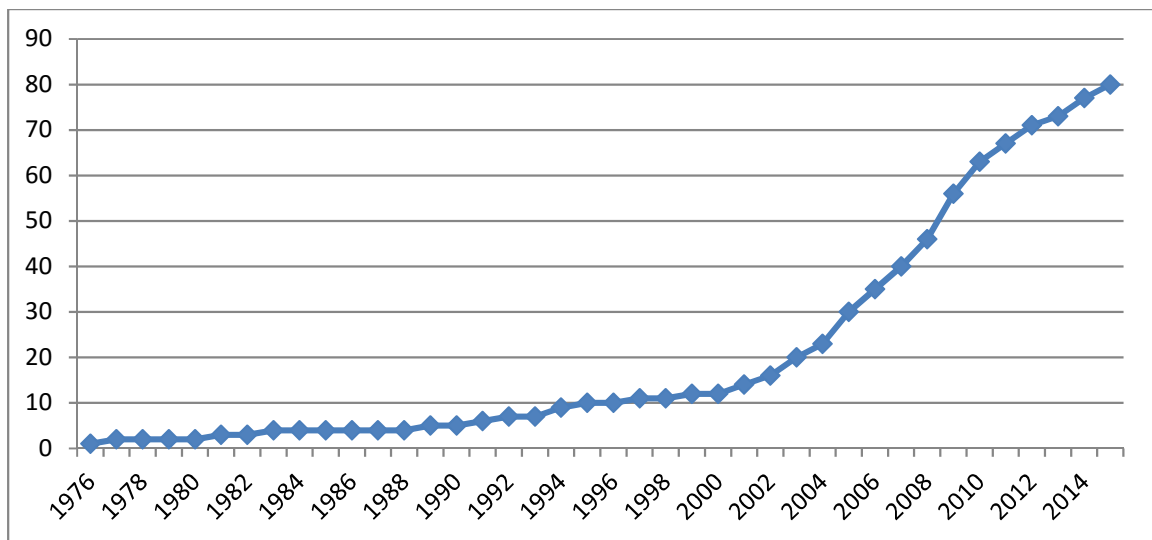
In addition to multilateral institutions with quasi-global outreach, such as the World Trade Organisation, the architecture of the contemporary trade system includes also regional agreements concluded on the basis of Article XXIV of GATT and Article V of GATS. Initially, the process of trade liberalisation under preferential trade agreements was relatively slow. However, it has intensified considerably since the mid-1990s. During the entire period of GATT's existence (1948-1994), the parties to the treaty submitted notifications of 124 different preferential trade agreements<sup>3</sup>. Currently, there are about 300 different preferential trade agreements in force<sup>4</sup>. According to the WTO RTA-IS database, 80 agreements within that group are intra-regional agreements concluded by the Asia-Pacific countries. The region is therefore an excellent illustration of the process known as the proliferation of preferential trade agreements. The years 1985-2015, which provide the time frame for this study, saw a twentyfold increase in the number of preferential trade agreements. According to the data presented in Graph 1, a gradual increase in the number of intra-regional PTAs in the Asia-Pacific region can be seen after 1995, which corresponds to the global trends. A particularly dynamic increase in the number of this type of agreements can be observed after 2006. This can be directly attributed to the breakdown of multilateral negotiations under the WTO framework. The resumption of multilateral negotiations after their suspension in 2006 did not stop that trend, but rather reinforced it. From 1995 to 2006, the WTO received notifications of 23 intra-regional trade agreements concluded by the Asia-Pacific countries. Another 48 agreements were notified to the WTO between 2007 and 2015. The above data seems to confirm the hypotheses formulated at the beginning of this paper concerning the proliferation of preferential trade agreements after the Uruguay Round, especially against the backdrop of deterioration of the Doha Round negotiations.

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<sup>2</sup> *Regional Trade Agreements Information System (RTA-IS)*.  
<http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx> (15.08.2016).

<sup>3</sup> WTO, *World Trade Report 2011, The WTO and preferential trade agreements: From co-existence to coherence*, WTO, Geneva 2011, p. 47.

<sup>4</sup> *Regional Trade Agreements Information System (RTA-IS)*, op. cit.



**Graph 1.** The number of existing intra PTase in Asia and the Pacific in the years 1976-2015 , according to the year of entry into force (as of 10.15.2015 ).

Source: Calculations based on the base RTA -IS <http://rtais.wto.org/UI/PublicAllRTAList.aspx> (accessed 15.10.2015 ) .

Due to the considerable number of intra-regional preferential trade agreements in the Asia-Pacific region, an analysis of those agreements should take into account at least several different criteria. In a report concerning the role of preferential trade agreements, drawn up by the World Trade Organisation (*World Trade Report 2011, The WTO and preferential trade agreements: From co-existence to coherence*, WTO, Geneva 2011), the agreements are characterised in terms of their geographical coverage, level of economic development of the parties, type and substantive scope of agreements, and the level of market integration<sup>5</sup>.

Based on the criterion of geographical coverage, preferential trade agreements can be divided into intra- and cross-regional agreements. Given the subject matter of this study, the analysis will focus exclusively on the intra-regional agreements concluded by the Asia-Pacific states, while applying the remaining criteria specified in WTO reports.

Based on the level of economic development of parties, preferential trade agreements are classified as North-North relations, South-South relations, or North-South relations. When examining the general trends in the proliferation of preferential trade arrangements, a steady increase can be seen in recent years in the number of agreements concluded by developing countries worldwide. This is reflected by the changing share of South-South agreements in the total number of preferential agreements. In the late 1970s, the majority of agreements were

<sup>5</sup> WTO, *World Trade Report 2011...*, *op. cit.*, p. 54.

North-South agreements which accounted for about 60% of all PTAs, while South-South agreements represented only 20% of the total number. This trend has currently been reversed. South-South agreements represent more than two-thirds of the total number of preferential trade agreements. At the same time, agreements between countries representing different level of economic development account for one-quarter of all PTAs. The share of North-North agreements in the total number of PTAs has been falling steadily since the 1960s and currently stands at 10%<sup>6</sup>.

The trends described above are well illustrated by the Asia-Pacific region. Intra-regional PTAs existing between the countries in that region are dominated by South-South agreements, which is largely due to the fact that those economies outnumber the highly-developed countries in the region. In 2015, those agreements represented over half of all intra-regional PTAs. Due to the considerable involvement of the region's strongest economies in the process of economic integration, the number of North-South agreements in the Asia-Pacific is only slightly lower than that of South-South arrangements. The following countries are the most active in this field: Japan (12 agreements)<sup>7</sup>, New Zealand (9 agreements)<sup>8</sup> and Australia (8 agreements)<sup>9</sup>. On the other hand, the United States have so far concluded only four bilateral agreements with the developing countries in the region, i.e. with the Republic of Korea, Chile, Peru and Singapore. A smaller number of bilateral agreements concluded by the USA is not a sign of the lack of interest in liberalising the trade with those countries, but rather of the importance placed by the USA on the plurilateral negotiations which ended in 2015 and led to the creation of the Trans-Pacific Partnership (TPP).

In line with the global trends, North-North agreements in the Asia-Pacific area represent the smallest percentage of all PTAs in that region. Only four such agreements have been notified to the WTO: Australia-New Zealand (counting separately the agreement on trade in goods of 28 March 1983, and the subsequent Protocol on trade in services signed in Canberra on 18 August 1988), Japan-Australia, the USA-Australia.

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<sup>6</sup> Ibidem, p. 621.

<sup>7</sup> ASEAN - Japan , Brunei Darussalam - Japan , Chile - Japan , India - Japan , Japan - Indonesia , Japan - Malaysia , Japan - Mexico , Japan - Peru , Japan - Philippines , Japan - Singapore, Japan - Thailand , Japan - Vietnam .

<sup>8</sup> ASEAN - Australia - New Zealand , China - New Zealand , Hong Kong , China - New Zealand , New Zealand - Taiwan , New Zealand - Malaysia , New Zealand - Singapore , Thailand - New Zealand , South Pacific Regional Trade and Economic Cooperation Agreement ( SPARTEC ), the Trans - Pacific Strategic Economic Partnership.

<sup>9</sup> ASEAN - Australia - New Zealand, Australia - Chile , Australia - Papua New Guinea (PATCRA ) , Rep . Korea - Australia , Malaysia - Australia , Singapore - Australia , Thailand - Australia , South Pacific Regional Trade and Economic Cooperation Agreement (SPARTEC).

**Table 1. Intra-regional preferential trade agreements in the Asia-Pacific broken down by the level of economic development of the parties in 2015**

Intra-regional preferential trade agreements	80
North-North agreements	4
North-South agreements	35
South-South agreements	41

Source: Calculations based on the base RTA -IS <http://rtais.wto.org/UI/PublicAllRTAList.aspx> (accessed 15.10.2015) .

In the World Trade Organisation reports, preferential trade agreements are divided into three categories: bilateral agreements, plurilateral agreements and agreements concluded by the already existing PTAs. Recent years have seen a particularly strong rise in the number of bilateral trade agreements. From 1995 to 2015, in the Asia-Pacific region alone, the number of intra-regional bilateral free trade agreements increased over fifteen times, from 4 to 62<sup>10</sup>. The agreements can be differentiated according to the above-used criterion of the level of economic development of the parties. According to the WTO data, in 2015 the number of intra-regional North-South agreements was equal to the number of South-South agreements in that region, and was 29 for each type.

In today's world economy, plurilateral relations are developing slightly less intensively than bilateral agreements. Plurilateral agreements usually include countries located in the same region. The process of formation of plurilateral trade relations was particularly intensive during the previous waves of regionalisation. During that period, integration groups were created which encompassed the world's most important economic regions. At present, the countries belonging to those structures focus on reinforcing the economic cooperation within those structures, rather than on creating new regional trade arrangements. This explains the above-mentioned slowdown in the development of plurilateral preferential trade agreements. However, this general trend does not apply to the Asia-Pacific region where, in addition to intensive bilateralisation of trade relations, negotiations are being conducted with a view to creating new plurilateral structures for integration of the region's economies. Moreover, one could justly argue that the strongest economies of the Asia-Pacific region are competing with each other to impose their own models of regional economic integration, as evidenced by the competing initiatives of the United States and China in the form of the Trans-Pacific Partnership and the Free Trade Area of the Asia-Pacific.

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<sup>10</sup> *Regional Trade Agreements Information System (RTA-IS)*, op. cit.

So far, the Asia-Pacific countries have concluded ten plurilateral agreements. They differ in terms of the number of economies involved and the scope of liberalisation. Like bilateral agreements, plurilateral arrangements can also be differentiated according to the level of economic development of the parties. In this case, however, the South-South agreements slightly outnumber the North-South arrangements (Table 2). It should be highlighted that the Asia-Pacific countries have not so far concluded a North-North plurilateral agreement. Nor is such an agreement being considered by the highest-developed economies of the region. They are strongly in favour of a wider subjective scope of the future regional economic integration structures.

Like in other regions, also in the Asia-Pacific the bilateral and plurilateral agreements are accompanied by those concluded by the existing PTAs with the countries being their important trading partners. A good example of such relationships are the agreements negotiated by ASEAN with other economies in the region: ASEAN - Australia - New Zealand, ASEAN – China, ASEAN – India, ASEAN – Japan, ASEAN - the Republic of Korea. This is also how the WTO database classifies the China's agreement of accession to the Asia Pacific Trade Agreement (APTA).

**Table 2. Number of intra-regional preferential trade agreements in the Asia-Pacific in 2015 broken down by the type of agreement**

	Bilateral	Plurilateral	Agreements in which at least one party is a preferential trade agreement (PTA)
Intra-regional preferential trade agreements	62	10	8
North-North agreements	4	-	-
North-South agreements	29	4	2
South-South agreements	28	7	6

Source: Calculations based on the base RTA -IS <http://rtais.wto.org/UI/PublicAllRTAList.aspx> (accessed 15.10.2015) .

In addition to geographical coverage and type of agreement, the characterisation of PTAs should also include the substantive scope of the treaty and the degree of market integration. Those two criteria enable evaluating the level of progress of the economic integration process within the structures under study. The majority of preferential trade agreements in the world have the form of free trade areas containing numerous exclusions concerning preferential treatment of the goods specified in those agreements<sup>11</sup>. In 2010, such agreements accounted for 44.1% of all PTAs. There are also many agreements where the commitments relating to free trade areas are supplemented with disciplines aimed at

<sup>11</sup> See Y.R. Damuri, *How preferential are preferential trade agreements? Analysis of product exclusions in PTAs*, Swiss National Centre of Competence in Research, „Working Paper” 2009, no. 30.

abolishing barriers to trade in services (29.1%). Agreements liberalising the trade between parties with respect to specific goods, or commodity sector (*partial scope agreement*, PSA)<sup>12</sup> are slightly less common. In 2010, they represented 18% of the total number of preferential trade agreements. Customs unions accounted for 5.7% of the total number of PTAs at that time. Customs unions that were deepened to include the service sector represented 2.3 % of all PTAs. In contrast, PSAs which in addition to provisions on trade in selected groups of goods also regulated the flow of services, and agreements concerning exclusively the flow of services represented only 0.4% of all PTAs<sup>13</sup>.

When examining the substantive scope of PTAs, it should be noted that especially since the 1990s many of those agreements have set themselves the ambitious goal of liberalising not only the trade in goods, but also the trade in services. At present, nearly one third of PTAs worldwide contains commitments on liberalisation of trade in services<sup>14</sup>. In addition to the disciplines aimed at reducing customs duties and liberalising the flow of services, the substantive scope of preferential trade agreements increasingly includes investment, protection of intellectual property, technical barriers and settlement of disputes. Moreover, some PTAs contain provisions regarding labour standards and environmental protection. In view of the fact that the scope of many agreements goes beyond simple tariff reduction in the states-parties, even if a given agreement is officially called a free trade area, in the present paper such an agreement will be referred to as an Economic Integration Agreement (EIA).

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<sup>12</sup> The agreements are referred to as partial trade liberalisation agreements. They are intended for developing countries. They result in partial elimination of customs duties and quantitative restrictions on trade. K. Śledziwska, *Regionalizm handlowy w XXI wieku. Przesłanki teoretyczne i analiza empiryczna*, Warszawa 2012, p. 19-20.

<sup>13</sup> WTO, *World Trade Report 2011...*, *op. cit.*, p. 62.

<sup>14</sup> See A. Wróbel, *Międzynarodowa wymiana usług*, Warszawa 2009.

**Table 3. Number of intra-regional preferential trade agreements in 2015 broken down by the substantive scope of the agreement**

	Goods	Goods & services	Services <sup>15</sup>
Intra-regional preferential trade agreements	17	57	(6)
North-North agreements	-	3	(1)
North-South agreements	3	32	(1)
South-South agreements	14	27	(4)
Bilateral agreements	8	50	(3)
Plurilateral agreements	7	3	(1)
Agreements in which at least one party is a preferential trade agreement (PTA)	2	4	(2)

Source: Calculations based on the base RTA -IS <http://rtais.wto.org/UI/PublicAllRTAList.aspx> (accessed 15.10.2015) .

**Table 4. Number of intra-regional preferential trade agreements in 2015 broken down by the model of integration**

	FTA	FTA & EIA	PSA
Intra-regional preferential trade agreements	9	57	8
North-North agreements	-	3	-
North-South agreements	2	31	1
South-South agreements	7	23	7
Bilateral agreements	5	50	3
Plurilateral agreements	3	3	4
Agreements in which at least one party is a preferential trade agreement (PTA)	1	4	1

Source: Calculations based on the base RTA -IS <http://rtais.wto.org/UI/PublicAllRTAList.aspx> (accessed 15.10.2015) .

Since the majority of intra-regional PTAs in the Asia-Pacific were concluded after the GATT Uruguay Round, it is not surprising that most of those agreements cover not only trade in goods, but also other issues, especially trade in services. Among the 80 intra-regional agreements in the Asia-Pacific, 57 were classified as EIAs by the WTO, which means they included at least one commitment on liberalisation of trade in goods and services, and often also provisions concerning investment and regulatory issues. The most comprehensive liberalisation disciplines are found in North-North agreements, and, to a slightly lesser extent, in North-South arrangements. There are 17 agreements dealing with trade in goods in the region, of which 9 are free trade areas (FTAs), and 8 are partial scope agreements (PSAs). According to the WTO RTA-IS database, the Asia-Pacific countries also concluded 6 agreements on liberalisation of trade in services. However, those agreements are simply another stage of integration between the countries which had earlier signed FTAs. For that

<sup>15</sup> The notifications of services agreements listed in the table mark the next stage in the development of economic cooperation between the countries which had earlier concluded agreements on trade in goods. The relevant data is shown in Table 7 where beside particular bilateral arrangements, a separate listing was made of the notifications of goods and services agreements which constitute the final model of relations between the parties, referred to as an integration agreement (EIA).



reason, the agreements were not treated as a separate type of arrangements in Table 4, and the relationship between the parties was described as an integration agreement (EIA). At this point, it should be emphasised that some of the countries in the region show a tendency to gradually strengthen their economic ties by concluding several separate agreements concerning individual areas of economic exchange<sup>16</sup>. This is particularly visible in the commercial policy of certain East Asian economies. Good examples of such practice are China and the Republic of Korea.

The process of building bilateral free trade areas by China can be divided into two stages. The first stage is characterised by a gradual, selective approach to trade liberalisation. At that stage, China did not engage into complex negotiations covering a wide scope of commitments. This approach was quite different from that taken by the USA whose agreement with the Republic of Korea included not only trade in goods and services, but also investment issues, government purchases, protection of intellectual property, or sustainable development. Contrary to the Americans, the Chinese focused on reaching sectoral agreements during individual rounds of negotiations, and only after signing an agreement regarding a particular issue did they move on to the next stage of negotiations.<sup>17</sup> As a result, the PTA was built on the basis of several separate agreements concluded successively. As a rule, the agreements first addressed the issues relating to the flow of goods, and then the flow of services and investment. For instance, the trade relations with the Association of Southeast Asian Nations (ASEAN) are governed by several separate agreements. At the sixth China-ASEAN summit in November 2002, the leaders from both sides concluded a framework agreement on comprehensive economic cooperation<sup>18</sup>. The agreement entered into force in July 2005. A separate agreement establishing a free-trade area for goods was signed in November 2004<sup>19</sup>. Subsequently, in January 2007, both parties signed an agreement on trade in services which entered into force in July of the same year<sup>20</sup>. In August 2009, an investment agreement was concluded<sup>21</sup>. In the same

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<sup>16</sup>B. Drelich-Skulska, *Regionalizm ekonomiczny w Azji Wschodniej*. Wrocław 2012, p. 69-72.

<sup>17</sup> See H. Horn, P.C. Mavoroidis, A. Sapir, *Beyond the WTO? An Anatomy of EU and US Preferential Trade Agreements*, *The World Economy* 2010., vol. 33, no. 11, p. 1565-1588.

<sup>18</sup> *Framework Agreement on Comprehensive Economic Co-Operation Between ASEAN and the People's Republic of China*, Phnom Penh, 4 November 2002, <http://www.asean.org/communities/asean-economic-community/item/framework-agreement-on-comprehensive-economic-co-operation-between-asean-and-the-people-s-republic-of-china-phnom-penh-4-november-2002-3> (15.08.2016).

<sup>19</sup> Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN, 2004, <http://fta.mofcom.gov.cn/dongmeng/annex/xieyi2004en.pdf> (20.03.2015).

<sup>19</sup> *Agreement on Trade in Services of the Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN*, 2007, <http://fta.mofcom.gov.cn/topic/chinaasean.shtml> (15.08.2016).

<sup>20</sup> Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN, 2004, <http://fta.mofcom.gov.cn/dongmeng/annex/xieyi2004en.pdf> (15.08.2016).

way China shaped its relations with Chile. Initially, China and Chile signed an agreement whose main objective was to liberalise the trade in goods (November 2005)<sup>22</sup>. Subsequently, the two countries concluded a separate treaty concerning the trade in services. The agreement was signed on 13 April 2008<sup>23</sup>. Currently, negotiations are underway to conclude an agreement on investment. Another example of similar policy is the ASEAN-Korea agreement. Also here, separate negotiations were conducted with respect to goods, services and investment. In May 2006, an agreement concerning the liberalization of trade in goods was reached. As a consequence, on 24 August 2005, the Republic of Korea and the ASEAN countries signed an agreement on trade in goods. The treaty came into force on 1 June 2007. The negotiations regarding trade in services were successfully concluded by signing an agreement on that subject on 21 November 2007 in Singapore. The agreement entered into force on 1 May 2009. In June 2009, the Republic of Korea and ASEAN concluded an investment agreement facilitating the movement of capital. The treaty came into force on 1 September 2009.

## **2. A new model of integration in the Asia-Pacific: the role of megaregional trade agreements**

Among the megaregional initiatives in the Asia-Pacific, the Trans-Pacific Partnership (TPP) deserves special attention due to the highest progress in creating a new integration model in the region. Negotiations concerning this agreement were concluded at the beginning of October 2015. The objective of TPP is to integrate 12 countries of the Asia-Pacific region<sup>24</sup>. As has been announced, this is going to be a “high quality 21st century agreement including behind-the border commitments aimed at harmonisation of regulations (or, at least, minimising the existing discrepancies), setting new standards for the global trade, and

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<sup>21</sup> *Agreement on Investment of the Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN*, 2009, <http://fta.mofcom.gov.cn/inforimages/200908/20090817113007764.pdf> (15.08.2016).

<sup>22</sup> *Free Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Chile*, 2005, <http://fta.mofcom.gov.cn/chile/xieyi/freetradexieding2.pdf> (15.08.2016).

<sup>23</sup> *Supplementary Agreement on Trade in Services of the Free Trade Agreement between China and Chile*, 13 April 2008, [http://fta.mofcom.gov.cn/chile/xieyi/xieyizhengwen\\_en.pdf](http://fta.mofcom.gov.cn/chile/xieyi/xieyizhengwen_en.pdf) (15.08.2016).

<sup>24</sup> The TPP is a product of the evolving trade regionalism in the Asia-Pacific, whose origins go back to the bilateral talks Chile-New Zealand in the early 1990s, continued in the Singapore-New Zealand formula, and later as “P3” with Chile. At the APEC summit in 2000, Australia and the United States expressed their interest in joining the talks for “P5”. However, the talks were continued in the P4 formula after the accession of Brunei, under the official name of Transpacific Strategic Economic Partnership (TPSP) which was signed in 2005. Three years later, during the TPSP negotiations on the chapters concerning investment and services, the USA once more expressed their wish to join the talks. Along with the United States, three other countries joined the talks: Australia, Peru and Vietnam. In 2011, Canada, Mexico and Malaysia joined the negotiations, and in 2013 Japan was admitted to the talks. S. Bobowski: *Megaregionalne projekty handlowe TPP i RCEP w budowie. W co gra Japonia przy dwóch stołach negocjacyjnych?* [Megaregional trade projects of TPP and RCEP in progress. What is the name of Japan's game at two negotiation tables?], published in “*Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu*” 2015, no. 407, pp. 149-150.

incorporating next-generation issues in order to boost the competitiveness of the member states in the global economy, while taking account of the differences in the level of their development. Being fully regional in nature, the agreement is intended to improve cross-branch production and supply chains, and encourage trans-national regulatory cooperation in trade and investment, consequently increasing prosperity, promoting sustainable development and setting new boundaries for the depth and comprehensiveness of integration”<sup>25</sup>.

The TTP agreement consists of 30 chapters which establish disciplines concerning the following issues: trade in goods (a separate chapter devoted to liberalisation of trade in textiles and apparel), rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade (TBT), trade remedies, investment, cross-border trade in services, financial services, temporary entry for business persons, telecommunications services, electronic commerce, government procurement, policy on competition, monopoly and state-owned enterprises (SOEs), intellectual property, labour law, environmental protection, cooperation and capacity building, competitiveness and business facilitation, small and medium sized enterprises, regulatory coherence, transparency, and dispute settlement. Given the regulatory scope of the TPP, after entry into force the agreement should constitute a platform for comprehensive facilitation of flow of goods, services and investment in the region<sup>26</sup>. Special attention should be given to four features of the agreement which determine its critical importance for economic integration in the Asia-Pacific: 1) comprehensive scope of integration issues; 2) wide geographical coverage; 3) considerably deepened cooperation and integration of the member countries; 4) integration of participants sharing the same values and standards. It is also worth noting that the disciplines established by the Agreement go beyond the WTO provisions<sup>27</sup>.

The conclusion of negotiations does not determine the success of the agreement, but rather begins the difficult process of ratification following the signature of the treaty. In particular, the success of the initiative will to a large extent depend on the outcome of the voting in the United States Congress<sup>28</sup>.

Another megaregional trade agreement which is currently negotiated in the region - the Regional Comprehensive Economic Partnership (RCEP) - represents the main

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<sup>25</sup> *Enhancing Trade and Investment, Supporting Jobs, Economic Growth and Development: Outlines of the Trans-Pacific Partnership Agreement* (2011). 12 listopada, Honolulu, USA, <https://ustr.gov/tpp/outlines-of-TPP> (15.08.2016).

<sup>26</sup> *Summary of the Trans-Pacific Partnership Agreement*, <http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Pages/summary-of-the-tpp-agreement.aspx> (15.08.2016).

<sup>27</sup> K. Żołądkiewicz, op. cit., p. 100–101.

<sup>28</sup> A. Wróbel, *Proces liberalizacji handlu wewnątrzregionalnego w regionie Azji Pacyfiku*, w: A. Jarczeńska, J. Zajączkowski, *Region Azji i Pacyfiku w latach 1885-2015*, Warszawa 2016, p. 410.

counterweight to the American involvement in the integration processes in the Asia-Pacific. Contrary to the TTP, the negotiations on this agreement are conducted with the participation of China, but without the USA. According to S. Bobowski, the origins of the RCEP should be attributed to the Chinese-Japanese competition for influence in the Asian trade regionalism, especially before the ASEAN countries. The two states presented to ASEAN two different visions of economic integration. The RCEP proposal was a result of a compromise between China and Japan. In 2000, China submitted to ASEAN a proposal for establishment of a free trade area. In January 2012, Japan, which feared the deepening cooperation between China and ASEAN, proposed the creation of the Comprehensive Economic Partnership (CEP) which involved a wider scope of cooperation between the economies than the solution suggested by China. In subsequent years, China and Japan put forward other competing proposals. In 2005 China proposed negotiations on the East Asia Free Trade Agreement (EAFTA). Japan responded by proposing the creation of the Comprehensive Economic Partnership in East Asia (CPEA). In 2009, expert opinions on the consequences of the three competing projects were presented at the ASEAN Plus Three Forum (EAFTA) and ASEAN Plus Six Forum (CPEA). In August 2011, as a result of a compromise, China and Japan submitted to ASEAN a proposal for establishment of three working groups: on trade in goods, trade in services and investment. The 19th ASEAN summit launched the work on RCEP which covers the countries of the ASEAN Plus group. The negotiations proper started at the 20th ASEAN summit in November 2012<sup>29</sup>.

## **Conclusions.**

An examination of the process of liberalisation of intra-regional trade in the Asia-Pacific from 1985 to 2015 leads to several general conclusions concerning the structural changes within that process.

Firstly, the contractual economic relations between the countries in the region are a dynamic structure. They evolve in response to both external and internal factors, including especially the changing economic situation in particular countries of the region and in the global economy, changes in the trading strategy pursued by the economic partners, and the situation of the WTO's global trading system.

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<sup>29</sup> S. Bobowski, *Efekt spaghetti – przejaw czy zagrożenie procesów integracji w regionie Azji i Pacyfiku*, in: B. Drelich-Skulska, „Ekonomia i międzynarodowe stosunki gospodarcze. Studia Azjatyckie 2008”, no 19, p. 151-152.

Secondly, due to the varying intensity of trade negotiations conducted within the time frame specified in this paper, two sub-periods of trade regionalism in the Asia-Pacific should be distinguished:

- the years 1985-1994 when the Asia-Pacific countries showed less interest in the creation of bilateral and plurilateral integration structures, and a greater attachment (at least from some of the countries) to global solutions in connection with the Uruguay Round of the GATT trade negotiations which had been going on since 1986.
- the year 1995-2015 which were characterised by the proliferation of intra-regional preferential trade agreements due to the failure of the World Trade Organisation as a negotiating forum.

Thirdly, considering the number and differences in the substantive scope of preferential trade agreements, it should be concluded that the Asia-Pacific region is affected by the negative effects of the spaghetti bowl. From the perspective of economic interests of the region's producers, it is particularly important to eliminate the impact of spaghetti bowl on transaction costs. This is especially relevant in light of the fact that the Asia-Pacific economies are to a large extent oriented outwards, and the region itself is characterised by a vertical international division of labour reflected in the fragmentation of production processes and intensified exchange of intermediate goods used in production processes. Therefore, the efforts to rationalise the costs of production by reducing transaction costs represent an important factor in the regional trade liberalisation<sup>30</sup>. This task can be facilitated by a greater coherence of tariff concessions and existing regulations, which could be achieved by integrating the Asia-Pacific countries under a wider preferential arrangement, rather than through a network of bilateral agreements, as has been the case so far. Given the current architecture of trade regionalism in the Asia-Pacific, it is extremely important to specify the economic nationality of goods, and precisely define the principles of origin of goods in trade agreements.

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<sup>30</sup> P. Kozielski, *Australia i jej rola w kształtowaniu procesów integracyjnych w obszarze Azji i Pacyfiku*, Warszawa, p. 175.

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