



**Asia-Pacific
Economic Cooperation**

2018/SOM3/SYM/005

Open Markets and Trade Agreements

Submitted by: University of Adelaide



**Symposium on How Free Trade
Agreements and Regional Trade
Agreements Can Contribute Towards
Economic Growth
Port Moresby, Papua New Guinea
18 August 2018**



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OPEN MARKETS AND TRADE AGREEMENTS

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Trade liberalization is supposed to have a positive impact on growth and welfare through the efficient allocation of resources and increased competition. This has been the motivation behind countries entering into FTAs/RTAs. In a number of cases, evidence has shown that some countries have actually experienced very little positive impacts or in some cases there are rising inequalities after entering into FTAs/RTAs. Some sectors of society tend to reap the more benefits from liberalization through RTAs/FTAs more than others.

Why Trade Agreements?

- **Reductions and/or elimination of tariff and non-tariff barriers**
- **Liberalization**
- **Market Access**
- **Investments**
- **Welfare gains through growth**

Biggest welfare gains?

- **Open markets**
- **Competition-led innovation**
- **Efficient allocation of resources**
- **Demand and supply (Adam Smith's invisible hand or Milton Friedman's Free to Choose) *find* winners**
- **Comparative Advantage**

So Why Trade Agreements?

- **Law of Comparative Advantage not upheld**
- **Restraints exist: at the border AND behind the border**

Are Trade Agreements Free?

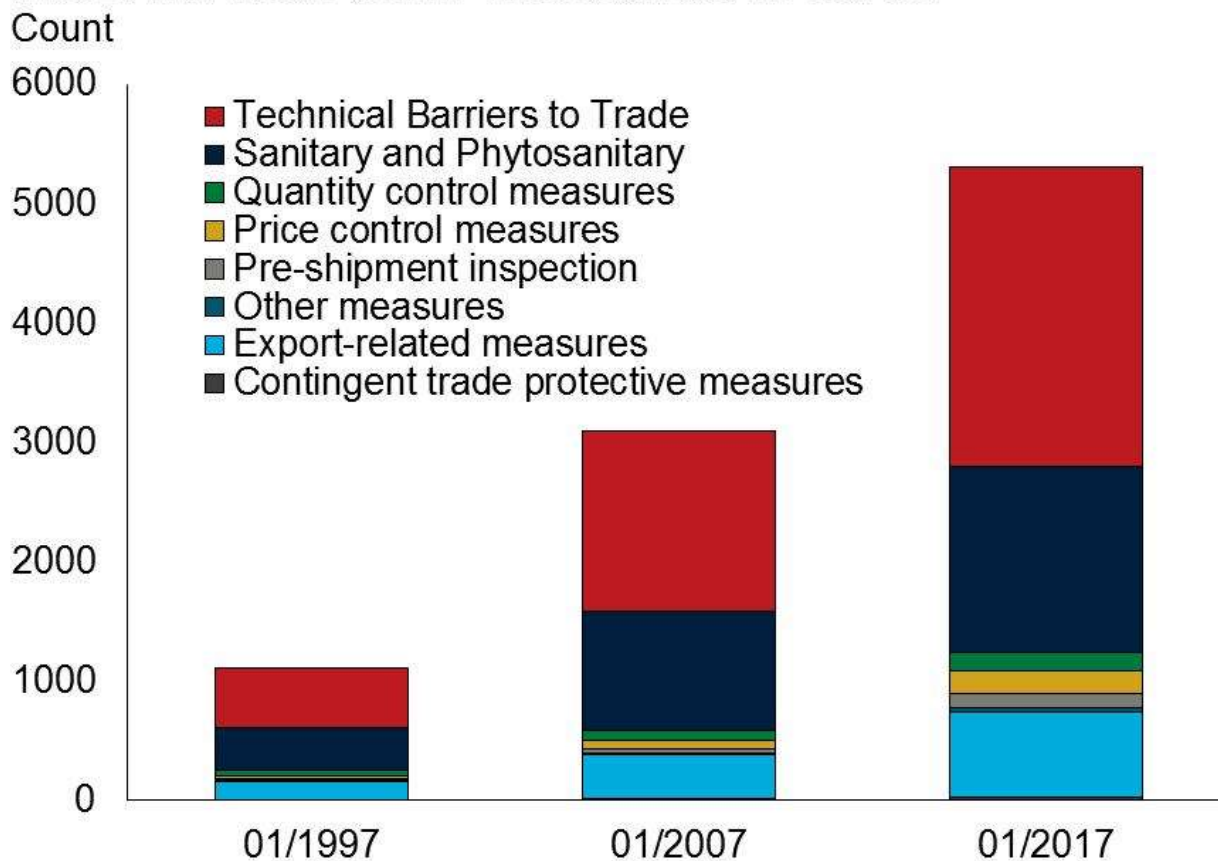
- **Law of Comparative Advantage not upheld**
- **Restraints exist: at the border AND behind the border**
- **Evidence: Utilization of possible preferences not 100%**
- **Rules of Origin?**
- **Non-tariff measures => barriers?**
- **Spaghetti Bowl Effect**
- **Efficient allocation of resources?**
- **Trade diversion?**

Participate in Trade Agreements?

- **Absolutely, especially RTAs (e.g. PACER Plus)**
- **But domestic business friendly regulatory framework required: investments, innovation, education, entrepreneurship, productivity growth**
- **Raise awareness of benefits**
- **Implementation of commitments**
- **Avoidance of creation of NTBs as a substitute for tariffs**

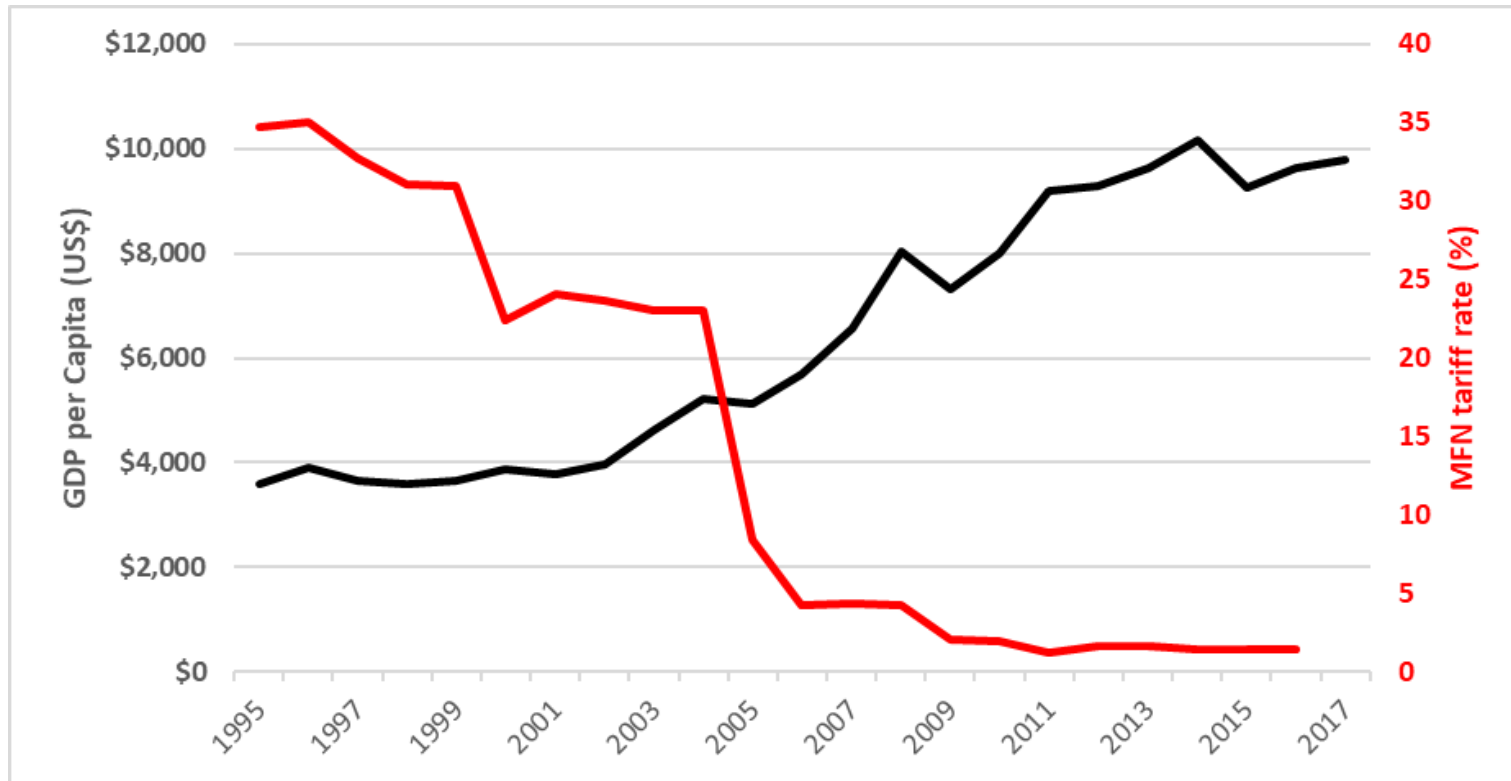
Non-tariff measures

ASEAN: Non-tariff measures in force



Source: Oxford Economics / UNCTAD

Trade policy and strategy



Source: WTO, World Bank (2018).

+ Comprehensive Economic Reforms

+ 6 Regional Trade Agreements and 3 Bilateral Trade Agreements

Concluding remarks

- **Preferential Trade Agreements can play an important role but biggest gains come from unilateral liberalization (Law of Comparative Advantage)**
- **Continuous monitoring, evaluation and review of regulatory environment**
- **Participate in international efforts/projects like Services Trade Restrictiveness Index (STRI)**



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