

Preface

The momentum of the recent and unprecedented surge of FTAs in the Asia-Pacific region shows no sign of slowing down, while the prompt development of the new round of multilateral trade negotiations (Doha Development Agenda) at the World Trade Organization (WTO) seems a long way from being realized and the round may well not be concluded by the originally scheduled deadline at the end of 2004. It looks almost certain that a complicated web of FTAs will emerge before further multilateral liberalization is agreed.

Though FTAs realize free trade between contracting parties, it is not necessarily assured that trade (and investment) between them would be smoothly conducted if FTAs proliferated. The risk of bilateral/regional trade arrangements hindering multilateral free trade, which is assumed to promote the optimum resource allocation and the maximization of individual countries' and the world's welfare, has often been emphasized by economists like Bhagwati and Krueger, among others. Countries that pursue FTAs seem to share the notion that the multilateral free trade, if realized, is the best outcome as most of them assert that their bilateral and regional initiatives are the "second best" policies.

Moreover, by their very nature, FTAs inevitably discriminate against outsiders. "Non-discrimination" was adopted as the fundamental principle of the General Agreement of Tariffs and Trade (GATT), due to apprehensions that the creation of trade blocs in the 1930s was one of the main causes of World War II. The proliferation of FTAs also raises a concern in the context of development. We now know from the experiences in Africa and Latin America in the 1950s and 1960s that FTAs between small, less developed countries are unlikely to induce economic development. In reality, economic powers are unable and unwilling to negotiate FTAs with all developing countries, and inevitably some will be left out. The normative superiority of the GATT/WTO system to FTAs in these senses also seems to be still retained, as almost all countries that aspire for FTAs stress that their initiatives are not intended to hinder the multilateral liberalization process.

So why are countries in the Asia-Pacific region, including China, Japan and Korea that had never been involved in any bilateral or regional trade

arrangement before, inclined towards FTAs now? What are they aiming to achieve from their FTAs? Do they need to use FTAs as necessary policy tools to realize their objectives? And, as FTAs are growing in numbers and size, can any means be found to correct their defects gradually? These questions form the basis of this book.

A two-year research project was organized in the Institute of Developing Economies (IDE) in 2001 to explore these issues. The main purpose of the project was to examine the concrete motives, incentives and objectives of countries that pursue FTAs. Based on a review of economic theories, institutional analyses of the international trade system and international political economy frameworks, detailed case studies are conducted in order to understand the actual objectives for FTAs because they were expected to be diverse both in terms of types and importance depending on countries. In addition, we considered how FTAs can be used to promote/complement the multilateral liberalization process. This evolved into the concept of FTA “multilateralization” and its mechanisms. The practicability of the mechanisms is also discussed.

The research project was effectively conducted thanks to valuable encouragement and assistance from many people. I am grateful to all contributors for their constructive discussions. Their intellectual guidance was crucial. Because of the contemporary nature of the research topic, the case studies in this book relied heavily on interviews with government officials and private sector representatives who were in charge of the FTA policies of respective countries and organizations. Under normal circumstances, we should express our gratitude by naming each of them, but we did not in most cases, because most interviewees still work at the same positions in their respective organizations and preferred to remain anonymous. Here, as an editor, I would like to express our thankfulness to all interviewees for their cooperation and invaluable inputs. Lastly, my sincere appreciation goes to Akiko Yanai, a colleague at IDE and also the author of Chapter 3, for her industrious editing work. Without her help, this book would not have been able to be published like this.

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