REGIONALISM AND GLOBALISM: APEC AND ITS IMPLICATIONS FOR AUSTRALIA

Tissa W. Rajapakse
BA (Sri Lanka), MEc (Australia)

A thesis submitted to Swinburne University of Technology in fulfillment of the requirements for the degree of Doctor of Philosophy

Institute for Social Research
School of Social and Behavioral Sciences

May 2001

161503
CONTENTS

LIST OF TABLES vi
LIST OF FIGURES vii
ABSTRACT viii
ACKNOWLEDGMENTS x
ABBREVIATIONS xi

CHAPTER ONE INTRODUCTION
1.1 The Research Problem 1
1.2 Rational of the Study 5
1.3 Objectives of the Study 6
1.4 Hypothesis 17
1.5 Methodology 19
1.6 Organisation and Scope of the Study 20
1.7 Limitations of the Study 21

CHAPTER TWO GLOBALISM AND GLOBALISATION
2.1 Introduction 23
2.2 Globalism and Globalisation 23
2.3 The Political Economy of Globalisation 33
   2.3.1 Growing Internationalisation, Domestic Politics and the Role of the State 34
   2.3.2 Globalisation, Power Politics and the International Political Economy 41
   2.3.3 Globalisation and the End of the Cold War 47
2.4 Economic Globalisation 51
   2.4.1 Policy Changes and Economic Globalisation 57
   2.4.2 Economic Globalisation: Globalisation Indicators 61
2.5 Major Consequences of Globalisation 66
   2.5.1 Globalisation and the Growing Prominence of MNCs 66
   2.5.2 Globalisation and the Evolving Role of the State 69
   2.5.3 The Emerging Role of the State: Not Reduced, but More Streamlined and Differently Directed 73
2.6 Conclusion 75
<table>
<thead>
<tr>
<th>Chapter 3: Regionalism and Regionalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Introduction</td>
</tr>
<tr>
<td>3.2 Regionalism and Regionalisation</td>
</tr>
<tr>
<td>3.3 Increasing Regionalism and Regional Integration</td>
</tr>
<tr>
<td>3.3.1 Different Phases of Regional Integration</td>
</tr>
<tr>
<td>3.3.2 Globalisation: The Weakening of the GATT System and the Rise of Regionalism</td>
</tr>
<tr>
<td>3.4 Regionalism in the 1980s and the 1990s: Major Developments in Regional Integration</td>
</tr>
<tr>
<td>3.4.1 European Union: Deepening and Widening Regionalism</td>
</tr>
<tr>
<td>3.4.2 Regionalism and the US: The Increasing Importance of a Multi-Track Approach</td>
</tr>
<tr>
<td>3.4.3 Regionalism in Pacific Asia: Outward Orientation and Informal Regionalism</td>
</tr>
<tr>
<td>3.4.4 Regionalism in Developing Countries and Transition Economies</td>
</tr>
<tr>
<td>3.5 Major Consequences of Regional Trading Arrangements</td>
</tr>
<tr>
<td>3.5.1 Regional Arrangements and Regional Concentration</td>
</tr>
<tr>
<td>3.5.2 Deepening Regionalism in the 1980s</td>
</tr>
<tr>
<td>3.7 Conclusion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter 4: Regionalism in the 1990s and the Asia Pacific Economic Cooperation Forum (APEC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Introduction</td>
</tr>
<tr>
<td>4.2 APEC and Regionalism in the 1980s</td>
</tr>
<tr>
<td>4.2.1 APEC Regionalism: A Link between the Informal and Formal Approach</td>
</tr>
<tr>
<td>4.3 Regionalism in Pacific Asia and Open Regionalism</td>
</tr>
<tr>
<td>4.3.1 Open Regionalism and Outward Orientation</td>
</tr>
<tr>
<td>4.4 Open regionalism and Trade Liberalisation in the 1990s</td>
</tr>
<tr>
<td>4.5 Achieving APEC’s Objectives: The Challenge Ahead</td>
</tr>
<tr>
<td>4.5.1 APEC’s Major Challenge: Reaching Ambitious Liberalisation Goals</td>
</tr>
<tr>
<td>4.5.2 APEC and the Economic Realities in the 1990s</td>
</tr>
<tr>
<td>4.6 Conclusion</td>
</tr>
</tbody>
</table>
CHAPTER FIVE  REGIONALISM, MULTILATERAL TRADE AND THE ROLE OF TRADE DIPLOMACY IN THE 1990s

5.1 Introduction 175
5.2 Multilateral Trade Negotiations and Trade Diplomacy 176
  5.2.1 The Growing Significance of Diplomacy in Trade Negotiations 178
  5.2.2 Multilateral Trade Negotiations, the GATT Regime and Trade Diplomacy 186
5.3 The Role of Trade Diplomacy in Multilateral Trade Negotiations 191
5.4 Agricultural Trade Liberalisation and Trade Diplomacy 200
5.5 Regionalism, Agricultural Trade Liberalisation and Trade Diplomacy 206
  5.5.1 The Cairns Group: The Third Force in GATT Negotiations and the Role of Trade Diplomacy 213
5.6 Conclusion 216

CHAPTER SIX  AUSTRALIAN TRADE POLICY: FROM PROTECTION TO CHAMPIONING FREE TRADE

6.1 Introduction 219
6.2 The Significance of International Trade in the Australian Economy 220
  6.2.1 Trade Theories and Analysis 221
  6.2.2 Australian Economy and Trade Performance 224
6.3 Australia Trade Policy: Protection All Around to Liberalisation 240
  6.3.1 Protectionism: The Extent and Rationale 240
  6.3.2 Liberalisation: Making a Beginning 246
  6.3.3 Liberalisation Gathers Momentum 254
6.4 Coalition Building to Reform of Agricultural Trade 259
  6.4.1 The Uruguay Round and Agricultural Trade Liberalisation 261
  6.4.2 The Role of Australian Trade Diplomacy in the Cairns Group 261
6.5 Conclusion 265

CHAPTER SEVEN  AGRICULTURAL TRADE REFORMS AND APEC: PROSPECTS FOR AUSTRALIA'S RICE EXPORTS

7.1 Introduction 267
7.2 Agricultural Trade Liberalisation, the WTO and APEC 269
7.3 The Rice Economy and the Liberalisation of the Rice Trade in the APEC Region 277
  7.3.1 Rice Production and Trade in the APEC Region 279
ABSTRACT

This study investigates the practicality of APEC's open regionalism in dealing with the more sensitive areas of trade policy reforms such as agriculture. In order to examine the effectiveness of APEC in addressing agricultural trade liberalisation, the rice sector was chosen as a case study, especially from an Australian standpoint. Although not a major producer and exporter of rice in world terms, Australia's rice industry is externally-oriented and exports nearly 65 percent of its output. The liberalisation of agricultural markets, including markets for rice, is one of the key trade policy objectives that Australia has vigorously pursued at all levels - multilateral, regional and bilateral.

However, the liberalisation of markets for agricultural commodities such as rice cannot be studied in isolation. It was, therefore, necessary to locate APEC and its trade liberalisation agenda within the context of the debates on globalisation and regionalisation. Over the past two decades a strong body of literature on these two themes has emerged. The present study contains a comprehensive review of this literature and attempts to identify the most important theoretical trends, arguments and debates on the subject.

Although APEC is a regional forum, it is quite distinct from all other existing regional trading arrangements. Its two core principles - open regionalism and non-discrimination - set it apart from both the North American Free Trade Area and the European Union. Whereas NAFTA and EU clearly discriminate against non-members in terms of market access and other benefits, APEC's trade liberalisation outcomes will allow greater access to regional markets not only for its member countries but also for exporters from all other nations. This key difference between APEC and other regional arrangements enables APEC to act as a bridge between regionalisation and globalisation.

Globalisation implies the shift toward a more integrated and interdependent world economy. No other institution has done more to promote globalisation than the World Trade Organisation and its predecessor the General Agreement on Tariffs and Trade. Regional trading arrangements such as NAFTA and the EU have also contributed towards the creation of a globalised world economy, but their contributions are largely confined to their respective regions and may even be contrary to the WTO objective of multilateral and global free trade. The APEC free trade agenda, on the other hand, is not only consistent with the WTO goals but is even more ambitious.

Nonetheless, this study has found that one of the key weaknesses of APEC is the absence of any enforcement mechanism. In keeping with the cultures of the Pacific Asian countries, it relies on consensual decision-making rather than on legally binding commitments. Its goal of free trade in the region by 2010 for developed countries and 2020 for developing country members is dependent on the voluntary actions of its members. The detailed case study of the rice sector demonstrates that the road to free trade in the region is full of political, social and cultural pitfalls. The will of the
governments in APEC countries is being sorely tested by pressure from various lobby groups in their respective countries.

The study argues that interest in APEC is gradually diminishing and the importance of bilateral deals and new regional initiatives such as ASEAN+3 is increasing in Pacific Asia. The failure of APEC to assist the Pacific Asian countries during the East Asian economic crisis in the late 1990s may be a contributing factor in this regard.